

NEW ISSUE-BOOK ENTRY ONLY

RATING: See "RATING" herein

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel ("Bond Counsel"), assuming continuing compliance by the Authority (as defined herein) and the Borrower (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**THE SALEM COUNTY IMPROVEMENT AUTHORITY
(Salem County, New Jersey)**

**\$14,685,000* CITY-GUARANTEED REVENUE REFUNDING BONDS
(FINLAW STATE OFFICE BUILDING PROJECT), SERIES 2021**

Dated: Date of Delivery**Due: As shown on Inside Front Cover**

The \$14,685,000* aggregate principal amount of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 (the "Bonds") are being issued by The Salem County Improvement Authority (the "Authority"), a political subdivision and a public body corporate and politic of the State of New Jersey ("State"). The Bonds will be dated the Date of Delivery and will mature on August 15 in the respective years and principal amounts and will bear interest at the respective rates per annum set forth on the inside front cover page until the Authority's obligation with respect to the payment thereof is discharged. Interest on the Bonds is payable semiannually on February 15 and August 15 in each year, commencing August 15, 2021. The Bonds are subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS - Redemption" herein.

The Bonds shall be issued in fully registered book-entry-only form without coupons in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, Jersey City, New Jersey ("DTC"), which will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made by Fulton Bank, National Association (the "Trustee" and "Paying Agent") directly to DTC or its nominee, Cede & Co., which will remit such payments to the Direct Participants (as hereinafter defined) which will, in turn remit such payments to the Indirect Participants (as hereinafter defined) of the Bonds. Beneficial Owners (as hereinafter defined) will not receive certificates representing their ownership interest in the Bonds purchased. For so long as any purchaser is a Beneficial Owner of the Bonds, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Direct Participant to receive payment of the principal of and interest on the Bonds. The principal of and interest on the Bonds will be credited to the Direct Participants as listed on the records of DTC as of the close of business on each next preceding February 1 and August 1 (the "Record Dates").

The Bonds are authorized pursuant to (i) the County Improvement Authorities Law N.J.S.A. 40:37A-44 et seq., as amended and supplemented (the "Act"), and (ii) a bond resolution of the Authority adopted on August 14, 2006 as amended and supplemented, including by a supplemental resolution adopted on April 15, 2021 (collectively, the "Bond Resolution").

The Bonds, along with certain available funds, are being issued for the purpose of (i) currently refunding all of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 (the "2007 Bonds") currently outstanding in the amount of \$18,100,000 and maturing on August 15 in the years 2021 through and including 2038 (such outstanding amount known as the "Refunded Bonds"), (ii) funding a deposit to the Debt Service Reserve Fund created pursuant to the Indenture (as defined herein), as necessary, and (iii) paying the costs of issuance for the Bonds (collectively, the "Refunding Project").

The Bonds are secured by (i) an Indenture of Trust dated as of July 1, 2007 (the "Indenture of Trust"), as supplemented by a First Supplemental Indenture of Trust dated the date of delivery of the Bonds (the "Supplemental Indenture" and together with the Indenture of Trust, the "Indenture"), by and between the Authority and the Trustee, (ii) a Loan Agreement, dated as of July 1, 2007, by and between the Authority and the Borrower (hereinafter defined) as amended by a First Supplemental Loan Agreement dated the date of delivery of the Bonds (collectively, the "Loan Agreement") and related promissory note (the "Note"); (iii) a Mortgage and Security Agreement from the Borrower, as mortgagor, to the Authority, as mortgagee, dated the date of delivery of the Bonds, (the "Mortgage"); (iv) a Support Agreement dated the date of delivery of the Bonds, by and between the City and the Authority (the "Support Agreement"); (v) a Guaranty Ordinance, duly and finally adopted by the Common Council of the City and published in accordance with applicable law (the "City Guaranty") and a Guaranty Agreement dated the date of delivery of the Bonds, by and between the City and the Authority (the "Guaranty Agreement").

The Bonds are special, limited, obligations of the Authority payable solely from the Trust Estate (as defined herein) and Revenues (as defined herein) and secured by a lien on the Trust Estate and such Revenues. "Trust Estate" as defined in the Indenture means (i) the Revenues (as defined herein), the Loan Agreement, including, but not limited to all payments and prepayments due and to become due thereunder and under the Note, excepting, however, and reserving the Unassigned Rights (as defined in the Indenture) and the City Guaranty, (ii) the Bond Fund, the Project Fund, the Debt Service Reserve Fund (as such terms are defined in the Indenture) and any other funds created or established by the Indenture (except the Rebate Fund, as defined in the Indenture) including deposits therein, the investments thereof and the proceeds of such investments, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, and (iii) any and all other property of every name and nature from time to time by delivery or by writing of any kind, pledged, assigned or transferred, as and for additional security under the Indenture, by the Authority or by anyone on its behalf or with its written consent, to the Trustee, as authorized by the Indenture to receive any and all such property at any and all time and to hold and apply the same subject to the terms of the Indenture. "Revenues" as defined in the Indenture means: (i) all rents, receipts, installment payments and other income derived by the Authority or paid to the Trustee with respect to the Bonds under the Loan Agreement, the Note, the Mortgage and the Assignment of Rents, Leases and Parking Revenue, and any income or revenue derived from the investment of any money in any fund or account established pursuant to this Indenture (except the Rebate Fund, as defined in the Indenture), including all Payment Installments (as defined in the Indenture) and any other payments made by the Borrower with respect to the Bonds or the Note pursuant to the Loan Agreement, and (ii) payments received under the City Guaranty and other discretionary payments by the City under the Support Agreement, but such term shall not include payments to the Authority, the Trustee or other Persons (as defined in the Indenture) pursuant to Unassigned Rights (as defined in the Indenture) and amounts on deposit in the Rebate Fund (as defined in the Indenture) or payments made to the Trustee for deposit in the Rebate Fund (as defined in the Indenture). The Support Agreement obligates the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds. The City Guaranty states that the City has unconditionally guaranteed the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bonds for so long as the Bonds remain Outstanding (as defined in the Indenture) under the Indenture. The City has the power and the obligation to cause the levy of *ad valorem* taxes upon all taxable property in the City, without limitation, as to rate or amount, for the payment of its obligations under the City Guaranty, for so long as the Bonds are Outstanding (as defined in the Indenture) under the Indenture.

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 WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY) AND SHALL NOT CREATE OR CONSTITUTE OR BE OR CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY). NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS BUT ALL BONDS SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE AND THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS PLEDGED OR AVAILABLE FOR THEIR PAYMENT, INCLUDING ANY PAYMENTS UNDER THE CITY GUARANTY, AS AUTHORIZED IN THE ACT. THE CITY GUARANTY DOES NOT PROVIDE FOR THE PAYMENT OF REDEMPTION PREMIUM ON THE BONDS, OR ANY PAYMENT IN ADVANCE OF REGULARLY SCHEDULED PRINCIPAL (EXCLUDING SINKING FUND INSTALLMENTS, IF ANY). THE AUTHORITY HAS NO TAXING POWER.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement, including all Appendices attached hereto, to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued by the Authority and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, and certain other conditions described herein. Certain legal matters concerning the Authority will be passed on for the Authority by Michael Aimino, Esquire, Woodbury, New Jersey, General Counsel for the Authority. Certain legal matters concerning the City will be passed on for the City by Andrea Rhea, Esquire, City Solicitor, and Hawkins Delafield & Wood LLP, Newark, New Jersey, City Bond Counsel. Certain legal matters concerning the Borrower will be passed on for the Borrower by Adam I. Telsey, Esq., Salem, New Jersey, and for the Underwriter by its counsel McManimon, Scotland & Baumann, LLC, Roseland, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey has acted as Municipal Advisor to the Authority in connection with the issuance of the Bonds. Acacia Financial Group, Inc., Mount Laurel, New Jersey, has acted as Municipal Advisor to the City in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the facilities at DTC on or about July __, 2021.

RBC CAPITAL MARKETS

*Preliminary, subject to change.

Dated: _____, 2021

**THE SALEM COUNTY IMPROVEMENT AUTHORITY
(Salem County, New Jersey)**

**\$14,685,000* CITY GUARANTEED REVENUE REFUNDING BONDS (FINLAW STATE
OFFICE BUILDING PROJECT), SERIES 2021**

<u>Maturity Date (August 15)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2022	525,000			
2023	545,000			
2024	605,000			
2025	685,000			
2026	710,000			
2027	740,000			
2028	770,000			
2029	605,000			
2030	360,000			
2031	370,000			

\$2,570,000* ___% Term Bond Due August 15, 2037 Priced at ___% to Yield ___%. CUSIP _____**

\$2,655,000* ___% Term Bond Due August 15, 2042 Priced at ___% to Yield ___%. CUSIP _____**

\$3,635,000* ___% Term Bond Due August 15, 2048 Priced at ___% to Yield ___%. CUSIP _____**

* Preliminary, subject to change.

** "CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services Bureau, which is managed on behalf of American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above for the Bonds are being provided solely for the convenience of holders of the Bonds only at the time of issuance of the Bonds. Neither the Authority, the Borrower nor the City makes any representations with respect to such CUSIP numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for the specified maturity of the Bonds is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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Barry Davis, Secretary
Steven DiMatteo, Member

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Jim Smith, Member
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Gail Slaughter, Member
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Acacia Financial Group, Inc.
Mount Laurel, New Jersey

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The information which is set forth herein has been obtained from the Authority, the City, the Borrower, DTC, and the Bond Insurer, as applicable, 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 City and the Borrower is contained in Appendices A, B and C to this Official Statement, as applicable. Such information has been furnished by the City and the Borrower, as applicable. The Authority has not confirmed the accuracy or completeness of information relating to the City or the Borrower.

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 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 Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 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 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, the Borrower or the City since the date hereof.

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, 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.

This Official Statement includes the cover page hereof and the Appendices attached hereto. The Underwriter has been authorized by the Authority to imprint the Bond offering prices and its name on the cover and inside cover pages, together with the interest rates per annum adopted for the various maturities of the Bonds.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “Exhibit H - Specimen Municipal Bond Insurance Policy”.

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.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

OFFICIAL STATEMENT

Relating to

\$14,685,000*

**THE SALEM COUNTY IMPROVEMENT AUTHORITY
(New Jersey)
CITY-GUARANTEED REVENUE REFUNDING BONDS
(FINLAW STATE OFFICE BUILDING PROJECT)
SERIES 2021**

INTRODUCTION

This Official Statement, which includes the cover page hereof and the Appendices attached hereto, is furnished by The Salem County Improvement Authority (the "Authority"), a political subdivision and a public body corporate and politic of the State of New Jersey (the "State"), to provide certain information relating to: (i) the Authority; (ii) Stand Up For Salem, Inc. (the "Borrower"), a New Jersey not-for-profit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); (iii) the Refunding Project (defined hereafter) described herein under the heading "PURPOSE OF THE BOND ISSUE - The Refunding Project"; (iv) the City of Salem, New Jersey (the "City"); (v) the Leases (defined hereafter); and (vi) the \$14,685,000* aggregate principal amount of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 (the "Bonds") to be issued by the Authority.

The Bonds are authorized pursuant to (i) the County Improvement Authorities Law N.J.S.A. 40:37A-44 et seq., as amended and supplemented (the "Act"), and (ii) a bond resolution of the Authority adopted on August 14, 2006 as amended and supplemented, including by a supplemental bond resolution adopted on April 15, 2021 (collectively, the "Bond Resolution").

The Bonds, along with certain other available funds, are being issued for the purpose of (i) currently refunding all of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 (the "2007 Bonds") currently outstanding in the amount of \$18,100,000 and maturing on August 15 in the years 2021 through and including 2038 (the "Refunded Bonds"), (ii) funding a deposit to the Debt Service Reserve Fund created pursuant to the Indenture (defined hereafter), as necessary, and (iii) paying the costs of issuance for the Bonds (collectively, the "Refunding Project"). See "PURPOSE OF THE BOND ISSUE – The Refunding Project" herein for a more detailed description of the use of the proceeds of the Bonds. In July of 2007, the Authority issued the 2007 Bonds to provide a loan to the Borrower for: (i) the acquisition of certain property located in the City and existing improvements thereon, as well as other nearby properties; (ii) improvement of such properties; and (iii) the construction of: (a) a five-story office building to house various State agencies and other entities (the "Finlaw State Office Building" or "Office Building"); and (b) an adjacent parking facility (the "Parking Garage", and the projects herein known collectively as the "2007 Project"). Debt service on the 2007 Bonds is payable from lease payments made pursuant to existing lease agreements to be made by occupants of the Finlaw State Office Building, which include the State and the Authority, for the use of (i) office space in the Office Building and (ii) parking spaces in the Parking Garage.

*Preliminary, subject to change.

The Bonds are secured by (i) an Indenture of Trust dated as of July 1, 2007 (the “Indenture of Trust”), as supplemented by a First Supplemental Indenture of Trust dated the date of delivery of the Bonds (the “Supplemental Indenture” and together with the Indenture of Trust, the “Indenture”), by and between the Authority and the Trustee (hereinafter defined), (ii) a Loan Agreement, dated as of July 1, 2007, by and between the Authority and the Borrower as amended by a First Supplemental Loan Agreement dated the date of delivery of the Bonds (collectively, the "Loan Agreement") and related promissory note (the “Note”); (iii) a Mortgage and Security Agreement from the Borrower, as mortgagor, to the Authority, as mortgagee, dated the date of delivery of the Bonds (the "Mortgage"); (iv) a Support Agreement dated the date of delivery of the Bonds, by and between the City and the Authority (the “Support Agreement”); (v) a Guaranty Ordinance, duly and finally adopted by the Common Council on April 19, 2021 of the City and published in accordance with applicable law (the "City Guaranty") and a Guaranty Agreement dated the date of delivery of the Bonds, by and between the City and the Authority (the “Guaranty Agreement”).

The Borrower and the State, acting by and through the Director, Division of Property Management and Construction of the State entered into a lease agreement, as amended ("State Lease"), for the lease by the State of approximately 38,518 square feet in the Office Building for use as office space for various State offices and departments. The original lease with the State was executed in 2007 and has been amended two times including on February 11, 2021. The State Lease terminates in 2048. In 2007, the Borrower entered into a lease agreement with the Authority, as amended (the "Authority Lease" and together with the State Lease, the “Leases”) for the lease of approximately 7,010 square feet in the Office Building for use as Authority offices. The Authority Lease will be signed as amended upon the closing of the Bonds, will terminate in 2029 and is not expected to be renewed. The rental payments from the Leases are the primary source of revenue for payment of the Bonds.

The Bonds are special, limited obligations of the Authority payable solely from the Trust Estate which, as defined in the Indenture, means (i) the Revenues (as defined herein), the Loan Agreement, including, but not limited to all payments and prepayments due and to become due thereunder and under the Note, excepting, however, and reserving the Unassigned Rights (as defined in the Indenture) and the City Guaranty, (ii) the Bond Fund, the Project Fund, the Debt Service Reserve Fund (as such terms are defined in the Indenture) and any other funds created or established by the Indenture (except the Rebate Fund, as defined in the Indenture) including deposits therein, the investments thereof and the proceeds of such investments, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, and (iii) any and all other property of every name and nature from time to time by delivery or by writing of any kind, pledged, assigned or transferred, as and for additional security under the Indenture, by the Authority or by anyone on its behalf or with its written consent, to the Trustee, as authorized by the Indenture to receive any and all such property at any and all time and to hold and apply the same subject to the terms of the Indenture.

"Revenues" as defined in the Indenture means: (i) all rents, receipts, installment payments and other income derived by the Authority or paid to the Trustee with respect to the Bonds under the Loan Agreement, the Note, the Mortgage and the Assignment of Rents, Leases and Parking Revenue, and any income or revenue derived from the investment of any money in any fund or account established pursuant to this Indenture (except the Rebate Fund, as defined in the Indenture), including all Payment Installments (as defined in the Indenture) and any other payments made by the Borrower with respect to the Bonds or the Note pursuant to the Loan Agreement, and (ii) payments received under the City Guaranty and other discretionary payments by the City under the Support Agreement, but such term shall not include payments to the Authority, the Trustee or other Persons (as defined in the Indenture) pursuant to Unassigned Rights (as defined in the Indenture) and amounts on deposit in the Rebate Fund (as defined in the Indenture) or payments made to the Trustee for deposit in the Rebate Fund (as defined in the Indenture).

The Support Agreement obligates the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds. The City Guaranty states that the City has unconditionally guaranteed the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bonds for so long as the Bonds remain Outstanding (as defined in the Indenture) under the Indenture. The City, upon endorsement of the Bonds, will be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all taxable real property within the City without limitation as to rate or amount when required under the provisions of applicable law and the City Guaranty for the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bonds for so long as the Bonds shall remain Outstanding (as defined in the Indenture) under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" hereafter.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.

Fulton Bank, National Association has been appointed by the Authority, pursuant to the Bond Resolution, to serve as trustee, paying agent and registrar (the "Trustee", "Paying Agent" and "Registrar") for the Bonds.

The Authority, the Borrower and the Trustee have executed the Authority Assignment, dated as of July 1, 2021 (the "Authority Assignment"), pursuant to which the Authority has assigned to the Trustee, as security for the payment of the principal of and interest on the Bonds, certain of its rights under the Loan Agreement, the Note, the Mortgage, the Support Agreement, the City Guaranty and the other documents executed by the Borrower.

The Borrower and the Trustee have also executed the Assignment of Rents, Leases and Parking Revenues, dated as of July 1, 2021 (the "Assignment of Leases and Rents"), pursuant to which the Borrower has assigned to the Trustee, as additional security for the payment of the principal of and interest on the Bonds, certain of its rights to rents and parking revenues received and leases executed in connection with the operation and use of the Office Building and Parking Garage.

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 WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY) AND SHALL NOT CREATE OR CONSTITUTE OR BE OR CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BOND SOUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY). NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BOND SOUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS BUT ALL BONDS SHALL BE PAYABLE SOLELY

FROM THE TRUST ESTATE AND THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS PLEDGED OR AVAILABLE FOR THEIR PAYMENT, INCLUDING ANY FUNDS AVAILABLE UNDER THE CITY GUARANTY, AS AUTHORIZED IN THE ACT. THE CITY GUARANTY DOES NOT PROVIDE FOR THE PAYMENT OF REDEMPTION PREMIUM ON THE BONDS, OR ANY PAYMENT IN ADVANCE OF REGULARLY SCHEDULED PRINCIPAL (EXCLUDING SINKING FUND INSTALLMENTS, IF ANY). THE AUTHORITY HAS NO TAXING POWER.

Copies of the Bond Resolution, the Indenture, the Note, the Mortgage, the Authority Assignment, the Assignment of Leases and Rents, the Loan Agreement, the Support Agreement, the City Guaranty and the Leases will be filed at closing in the offices of the Authority in Salem, New Jersey and at the principal corporate trust office of the Trustee in Lancaster, Pennsylvania, and reference is made to such documents for the provisions relating to, among other things, the terms of and the security for the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the holders of the Bonds, and the rights, duties and obligations of the Authority, the Borrower, the City and the Trustee.

There follow in this Official Statement brief descriptions of the Bonds, the Bond Resolution, the Indenture, the Note, the Mortgage, the Authority Assignment, the Assignment of Leases and Rents, the Loan Agreement, the Support Agreement, the City Guaranty, the Leases, the Authority and the Refunding Project. A brief description of the economic, financial and demographic information relating to the City is attached to this Official Statement in Appendix A. The City's compiled and audited financial statements are attached to this Official Statement in Appendix B. The Borrower's financial statements for the years ended December 31, 2019 are attached to this Official Statement in Appendix C. The Authority has not confirmed the accuracy or completeness of the information relating to the City or the Borrower.

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. 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 BONDS

The Bonds are issued under and authorized pursuant to the Constitution and laws of the State including, particularly, the Act and the Bond Resolution.

The financing plan of the Authority regarding the issuance of the Bonds and the Refunding Project received positive findings from the Local Finance Board in the State Department of Community Affairs, Division of Local Government Services (the "Local Finance Board"), at a meeting held on April 14, 2021. The Authority confirmed the findings of the Local Finance Board by resolution adopted on June 10, 2021.

PURPOSE OF THE BOND ISSUE

General

The Bonds, together with certain available funds, are being issued for the purpose of: (i) currently refunding all of the Refunded Bonds, (ii) funding a deposit to the Debt Service Reserve Fund, as necessary; and (iii) financing the costs of issuance of the Bonds (collectively, the "Refunding Project").

The Refunding Project

The Refunding Project will include a deposit of a portion of the Bond proceeds, together with certain available funds (the "Escrow Deposit") as set forth in an Escrow Deposit Agreement (the "Escrow Agreement"), dated the date of issuance of the Bonds, between the Authority and the Trustee, as escrow agent (the "Escrow Agent"). The Escrow Deposit will be held as uninvested cash and will be available to make full and timely payments of the redemption price of, and interest on, the Refunded Bonds. The Authority will give irrevocable instructions to the Escrow Agent on the delivery date of the Bonds to have the Refunded Bonds called for redemption on _____, 2021.

The sufficiency of the Escrow Deposit provided for the Refunded Bonds will be verified by Bowman & Company, LLP, Voorhees, New Jersey (the "Verification Agent"), certified public accountants, at the time of delivery of the Bonds. All moneys deposited for the payment of the Refunded Bonds, including interest thereon, are pledged solely and irrevocably for the benefit of the holders of the Refunded Bonds.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated their date of delivery and will mature on the dates and in the amounts set forth on the inside front cover page hereof. The Bonds will bear interest payable semiannually on August 15 and February 15, commencing August 15, 2021, in each year until maturity or prior redemption at the rates set forth on the inside front cover page hereof. The record dates, as listed on the records of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Bonds, for the payment of interest on the Bonds, are each February 1 and August 1 (the "Record Dates"). Principal of (including sinking fund installments, if any) and interest on the Bonds will be payable at the office of the Trustee. The Bonds are subject to redemption prior to maturity as provided herein.

The Bonds will be issued as fully registered book-entry bonds and registered in the name of and held by Cede & Co. ("Cede"), as nominee for DTC, which will act as securities depository for the Bonds under its book-entry-only system. An individual purchaser may purchase a Bond in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof. Provided DTC, or its nominee Cede, is the Registered Owner of the Refunding Bonds, the principal of and interest on the Refunding Bonds will be paid to DTC or Cede, as its nominee. See "Book-Entry-Only System" below.

Redemption

Optional Redemption

The Bonds maturing on and after August 15, 20__ are subject to redemption prior to their stated maturity dates at the option of the Borrower (with the prior consent and approval of the Authority and the City), upon notice as set forth below, as a whole or in part (and if in part, in such maturities as the Borrower, with the prior consent and approval of the Authority and the City, shall determine and within any such maturity by lot as determined by the Trustee) on any date on or after August 15, 20__ at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date ("Optional Redemption").

Extraordinary Optional Redemption

The Bonds are subject to extraordinary optional redemption ("Extraordinary Optional Redemption") at the option of the Authority at the direction of the Borrower, after receiving prior written consent from the City and after sending written notice to the Authority and Trustee, as set forth below, in

the event of material loss or damage to the 2007 Project or condemnation of any material part of the 2007 Project, in the inverse order of maturity and within a maturity by lot (which order and lot shall be approved by the Bond Insurer), at a redemption price equal to 100% of the principal amount of each Bond redeemed, plus accrued interest to the redemption date, from and to the extent of the property insurance proceeds or condemnation awards which are received and released by the Trustee, after negotiation of adjustment of losses and settlement of claims by the Borrower, to be applied to the redemption of Bonds pursuant to the terms of the Loan Agreement and the Indenture. The Authority shall have no claim to any property insurance proceeds or condemnation awards released by the Trustee nor any duty in connection with property insurance claims or condemnation proceedings.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 15, 20__ shall be subject to mandatory sinking fund redemption by lot, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date on August 15 in each year and in the principal amount set forth below:

<u>Year (August 15)</u>	<u>Principal Amount</u>
20__	\$ _____
20__*	\$ _____

* Final Maturity

Notice of Redemption

The Borrower or Authority, as applicable, in exercising any of its options to redeem the Bonds, shall cause a notice to the Trustee to be sent such that the date of redemption shall not be more than sixty (60) days after the date the Borrower's notice is deposited in the United States first class mail, postage prepaid, to the Trustee. The Trustee, upon receipt of Borrower's notice in the event of Optional Redemption or Extraordinary Optional Redemption by Borrower, shall cause Registrar to cause a notice to be deposited in the United States mail first class, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Registrar. Such notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers, if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers), shall specify the date of the notice, the redemption date, the redemption price and the Trustee's name, address and telephone number and shall state that on the redemption date, the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that, from the date of redemption, interest will cease to accrue. Any defect in or failure to give such notice with respect to any particular Bond shall not affect the validity of any such redemption of other Bonds.

So long as the Bonds are in book-entry form, the Registrar shall mail such notice solely to DTC and the Registrar will not send redemption notices to Beneficial Owners of the Bonds unless a Beneficial Owner independently requests the Registrar to provide such notice and provides evidence of its interest in the Bonds.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Book-Entry-Only System

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Authority. Accordingly, the Authority does not make any representations concerning these matters.

DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, as set forth on the inside cover hereof, in the aggregate principal amount of such maturity, 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 ("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 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 ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, nor its nominee, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Authority or the Trustee; (ii) the transfer of any Bonds may be registered on the books maintained by the Trustee for such purposes only upon the surrender thereof to the Authority or the Trustee, together with the duly executed assignment in form satisfactory to the Authority or the Trustee; and (iii) for every exchange or registration of transfer of Bonds, the Authority or the Trustee may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each interest payment date to the registered owners thereof as of the close of business on the fifteenth (15th) day, whether or not a business day, of the calendar month next preceding an interest payment date.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR OTHER PERSON WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY REDEMPTION OR OTHER NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OF THE BONDS; OR (4) ANY OTHER ACTION TAKEN BY DTC OR CEDE AS REGISTERED OWNER OF THE BONDS. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

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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 Bonds:

Sources of Funds:

Par Amount of Bonds
Net Original Issue Premium
City Contribution¹
Available Funds²

TOTAL SOURCES OF FUNDS.

Uses of Funds:

Escrow Deposit
Costs of Issuance³
Debt Service Reserve Fund Deposit

TOTAL USES OF FUNDS

¹ The City received this amount from the State in December of 2020 for use in connection with the refunding of the Refunded Bonds.

² Includes available funds from the Debt Service Reserve Fund and Bond Fund for the Refunded Bonds.

³ Includes Underwriter's discount, legal, accounting, printing, municipal advisory, verification agent, municipal bond insurance and fiduciary expenses incurred in connection with the issuance of the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are special, limited obligations of the Authority payable solely from the Trust Estate which, as defined in the Indenture, means (i) the Revenues, the Loan Agreement, including, but not limited to all payments and prepayments due and to become due thereunder and under the Note, excepting, however, and reserving the Unassigned Rights (as defined in the Indenture) and the City Guaranty, (ii) the Bond Fund, the Project Fund, the Debt Service Reserve Fund (as such terms are defined in the Indenture) and any other funds created or established by the Indenture (except the Rebate Fund, as defined in the Indenture) including deposits therein, the investments thereof and the proceeds of such investments, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, and (iii) any and all other property of every name and nature from time to time by delivery or by writing of any kind, pledged, assigned or transferred, as and for additional security under the Indenture, by the Authority or by anyone on its behalf or with its written consent, to the Trustee, as authorized by the Indenture to receive any and all such property at any and all time and to hold and apply the same subject to the terms of the Indenture.

"Revenues" as defined in the Indenture means: (i) all rents, receipts, installment payments and other income derived by the Authority or paid to the Trustee with respect to the Bonds under the Loan Agreement, the Note, the Mortgage and the Assignment of Rents, Leases and Parking Revenue, and any income or revenue derived from the investment of any money in any fund or account established pursuant to this Indenture (except the Rebate Fund, as defined in the Indenture), including all Payment Installments (as defined in the Indenture) and any other payments made by the Borrower with respect to the Bonds or the Note pursuant to the Loan Agreement, and (ii) payments received under the City Guaranty and other discretionary payments by the City under the Support Agreement, but such term shall not include payments to the Authority, the Trustee or other Persons (as defined in the Indenture) pursuant to Unassigned Rights (as defined in the Indenture) and amounts on deposit in the Rebate Fund (as defined in the Indenture) or payments made to the Trustee for deposit in the Rebate Fund (as defined in the Indenture).

The Support Agreement obligates the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds. The City Guaranty states that the City has unconditionally guaranteed the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bonds for so long as the Bonds remain Outstanding (as defined in the Indenture) under the Indenture. The City, upon endorsement of the Bonds, will be unconditionally and irrevocably obligated to levy ad valorem taxes upon all taxable real property within the City without limitation as to rate or amount when required under the provisions of applicable law and the City Guaranty for the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bonds for so long as the Bonds shall remain Outstanding (as defined in the Indenture) under the Indenture.

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 WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY) AND SHALL NOT CREATE OR CONSTITUTE OR BE OR CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY). NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY WHICH HAS ONLY A SPECIAL AND LIMITED OBLIGATION TO PAY SUCH BONDS OUT OF THE TRUST ESTATE AND THE REVENUES AND EXCEPT TO THE EXTENT ANY GOVERNMENTAL UNIT IS OBLIGATED TO MAKE RENTAL PAYMENTS PURSUANT TO ITS RESPECTIVE LEASE, AND THE CITY, LIMITED BY THE CITY GUARANTY) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS BUT ALL BONDS SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE AND THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS PLEDGED OR AVAILABLE FOR THEIR PAYMENT, INCLUDING ANY FUNDS AVAILABLE UNDER THE CITY GUARANTY, AS AUTHORIZED IN THE ACT. THE CITY GUARANTY DOES NOT PROVIDE FOR THE PAYMENT OF REDEMPTION PREMIUM ON THE BONDS, OR ANY PAYMENT IN ADVANCE OF REGULARLY SCHEDULED PRINCIPAL (EXCLUDING SINKING FUND INSTALLMENTS, IF ANY). THE AUTHORITY HAS NO TAXING POWER.

The Trust Estate is pledged for the equal and proportionate benefit, security and protection (subject to the terms of the Indenture) of all registered owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the others of the Bonds.

Indenture- Debt Service Reserve Fund

Moneys shall be deposited in the Debt Service Reserve Fund created within the Indenture, so that the amount in the Debt Service Reserve Fund will equal the Debt Service Reserve Requirement, which Debt Service Reserve Fund shall be created and held in trust by the Trustee separate from all other funds and accounts under the Indenture. In the event there exists a deficiency in the Bond Fund for payment of interest or principal on the Bonds as of any principal or interest payment date, the Trustee shall transfer any remaining amount in the Debt Service Reserve Fund, to the extent of such deficiency, to the Bond Fund.

Unless the principal of and interest due on all Bonds shall have been paid in full, funds on deposit from time to time in the Debt Service Reserve Fund shall be used solely for payment of the interest and principal due on the Bonds. Provided no Event of Default has occurred and is continuing, any resulting deficit between funds on deposit in the Debt Service Reserve Fund and the amount of the Debt Service Reserve Fund Requirement shall be replenished pursuant to the terms of the Indenture.

Moneys in the Debt Service Reserve Fund at any time which shall not be required to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement shall be transferred to the Bond Fund and applied to the payment of the principal of, redemption price for and interest on the Bonds. Interest earnings on moneys in the Debt Service Reserve Fund shall be transferred, to the Bond Fund and applied in accordance with the priority set forth therein. On the Date of Delivery of the Bonds, the Debt Service Reserve Requirement will be \$_____. Thereafter, on _____, 20__ the Debt Service Reserve Requirement will be reduced to \$_____. Accordingly, on _____, 20__ when the Debt Service Reserve Requirement is reduced to \$_____, the Trustee shall transfer amounts held in the Debt Service Reserve Fund in excess of said amount to the Bond Fund and applied to the payment of the principal of, and interest on the Bonds.

Concurrently with the issuance of the Bonds, monies in the Debt Service Reserve Fund shall be invested in one or more of the Permitted Investments (as such term is defined in the Indenture) at the direction of the Authority and with the prior written consent of the City as more specifically set forth in the Indenture.

See Appendix D - "Copy of Indenture of Trust and Loan Agreement and Forms of First Supplemental Indenture of Trust, First Supplemental Loan Agreement, Mortgage and Security Agreement, Support Agreement and Guaranty Agreement" for a more complete description of the Debt Service Reserve Fund.

No recourse shall be had by the Trustee or any Bondholder for any claim based on the Bonds or the Indenture against any director, member, officer, agent or employee, past, present or future, of, as the case may be, the Authority, either directly or through the Authority, as the case may be, or any such successor body, under any constitutional provision, statute or rule of law or by assessment or penalty or by any legal or equitable proceeding or otherwise unless such claim is based upon the willful dishonesty of or intentional violation of law by such person. No covenant, stipulation, obligation or agreement of the Authority contained in the Bonds or the Indenture or in any document to which the Authority is a party shall be deemed to be a stipulation, obligation or agreement of any present or future director, member, officer, agent or employee of, as the case may be, the Authority in his individual capacity, and any director, member, officer, agent or employee of, as the case may be, of the Authority executing the Bonds

shall not be liable personally thereon or subject to any personal liability or accountability by reason of the issuance thereof.

Indenture to Constitute Contract

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the holders from time to time of the Bonds. Any pledge which is made in the Indenture for the benefit of the Owners of the Bonds and the covenants and agreements which are set forth therein are for the equal benefit, protection and security of: (i) the Owners of such Bonds all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction as to lien of any of the Bonds over any other thereof except as expressly provided in or pursuant to the terms of the Indenture; and (ii) the insurer of the Bonds.

Loan Agreement and Note

The Bonds are special obligations of the Authority which shall be payable solely from the Trust Estate and the Revenues. Pursuant to the Loan Agreement, the Borrower is required to make payments in such amounts as are required to pay the principal or Redemption Price of and interest on the Bonds when due, as evidenced by the Note. **The Borrower anticipates making such payments from amounts received under the Leases. The Borrower has no other significant source of income. In addition, the Leases are subject to termination by the State and the Authority under certain circumstances. See “LEASES”, “CERTAIN RISK FACTORS- Payments Under the Loan Agreement and Leases; Right to Terminate Leases” herein.**

THE BORROWER IS RELYING ON THE RENTAL PAYMENTS PAYABLE TO THE BORROWER UNDER THE LEASES TO HAVE THE FUNDS AVAILABLE TO MAKE PAYMENT INSTALLMENTS DUE UNDER THE LOAN AGREEMENT. ADDITIONALLY, RENTAL PAYMENTS DUE UNDER EACH OF THE STATE LEASE AND THE AUTHORITY LEASE ARE SUBJECT TO ANNUAL APPROPRIATION FROM THE STATE AND THE AUTHORITY, RESPECTIVELY.

Mortgage

The Borrower, as Mortgagor, and the Authority have entered into a Mortgage and Security Agreement, to grant to the Authority a first priority mortgage lien on and perfected security interest in the Mortgaged Property (as defined in the Mortgage) as security for the payment and performance of all obligations of the Borrower to the Authority.

Support Agreement

The City and the Authority have also each determined to enter into a Support Agreement providing for certain security by the City for the Bonds to ensure repayment of any deficiencies in debt service on the Bonds. The Support Agreement shall, among other things, additionally obligate the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds. **THE SUPPORT AGREEMENT DOES NOT CONSTITUTE A PLEDGE OF THE CREDIT OR TAXING POWER OF THE CITY. FAILURE BY THE CITY TO MAKE ANY ANNUAL APPROPRIATION PURSUANT TO THE SUPPORT AGREEMENT SHALL NOT CONSTITUTE A DEFAULT BY THE CITY AND SHALL NOT GIVE RISE TO ANY DAMAGE OR REMEDIES.**

City Guaranty and Guaranty Agreement

In connection with the issuance of the Bonds and the guaranty by the City of the payment of the principal of and interest on the Bonds, the Common Council of the City duly and finally adopted a Guaranty Ordinance on April 19, 2021 (the "Guaranty Ordinance"), in accordance with *N.J.S.A. 40:37A-80*, in order to provide additional security for the Bonds. Upon the endorsement of the Bonds by the City, the City will be unconditionally and irrevocably obligated to pay the principal of and interest on the Bonds, when due, including sinking fund installments, if any, for so long as the Bonds are Outstanding (as defined in the Indenture) under the Indenture. Furthermore, the City, upon endorsement of the Bonds by the City, will be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and interest on the Bonds, when due, including any sinking fund installments, if any, without limitation as to rate or amount, when required under the provisions of applicable law and the City Guaranty. **THE CITY GUARANTY DOES NOT PROVIDE FOR THE PAYMENT OF REDEMPTION PREMIUM ON THE BONDS, IF ANY, OR FOR ANY PAYMENT IN ADVANCE OF REGULARLY SCHEDULED PRINCIPAL (EXCLUDING SINKING FUND INSTALLMENTS) OR FOR ANY PAYMENT WHEN THE BONDS ARE NO LONGER OUTSTANDING (AS DEFINED IN THE INDENTURE) UNDER THE INDENTURE.**

The Authority, the City and the Trustee shall enter into an agreement dated the date of delivery of the Bonds (the "Guaranty Agreement") which shall provide that if, by the end of the twentieth (20th) day of the first month preceding a month in which the Authority is obligated to pay principal of or interest on the Bonds, there are insufficient funds in the Bond Fund (including the Surplus Account) and the Debt Service Reserve Fund to make such payments when due under the Indenture, the Trustee shall immediately notify the Authority and City of the amount of the deficiency and the City shall be obligated to pay such deficiency to the Trustee at least three (3) business days prior to the applicable interest payment date or maturity date for deposit by the Trustee into the City Guaranty Account of the Bond Fund in accordance with the terms of the Indenture.

In the event the City receives a notification from the Trustee under the Guaranty Agreement (as hereinafter defined) of a deficiency in the Bond Fund, the City shall immediately take all necessary actions to pay such principal of and interest on the Bonds, including the adoption of an emergency appropriation or an emergency temporary appropriation and the funding of such appropriation in accordance with the requirements of the Local Budget Law constituting Chapter 169 of the Pamphlet Laws of 1960 of the State of New Jersey (*N.J.S.A. 40A:4-1 et seq.*) and the acts amendatory thereof and supplemental thereto, the levy of *ad valorem* taxes upon all of the taxable property within the City, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirements of the City Guaranty. Notwithstanding the fact that the Authority is fully obligated to pay all principal and interest on the Bonds when due, the Authority shall determine in connection with the preparation of its annual budget if revenues, together with other available funds, for the ensuing fiscal year will be sufficient to meet its obligation to pay debt service charges during such fiscal year. If, after the adoption by the Borrower of its budget for its fiscal year, a deficiency is expected to arise during the Authority's fiscal year, the Authority shall give written notice thereof to the City and the City shall include such amounts in its annual budget in order to provide funds to pay principal of and interest on the Bonds when due. The Authority also shall monitor the receipt of revenues during each fiscal year and immediately upon discovery of any expected deficiency of revenues shall notify in writing the City of such expected deficiency of revenues.

The ability of the City to fund payments required under the City Guaranty may depend upon the City's ability to access the credit markets. See "CERTAIN RISK FACTORS- Ability of City to Pay Under Guaranty" and "RATING" herein.

LEASES

General

In 2007, the Borrower and the State entered into the State Lease for the lease by the State of approximately 38,518 square feet in the Office Building for use as office space for various State offices and departments. The State Lease has been amended two times including on February 11, 2021. The State Lease terminates in March of 2048. In 2007, the Borrower entered into the Authority Lease for the lease by the Authority of approximately 7,010 square feet in the Office Building for use as Authority offices. The Authority Lease will be signed as amended on the closing date of the Bonds, will terminate in March of 2029 and is not expected to be renewed. See “Appendix E- Copy of Executed State Lease and Authority Lease with Form of Authority Lease Amendment” herein.

The chart below reflects the amounts that will be due and owing under the Leases relating to rental payments from the State and the Authority for the years specified. The rental payments under the Leases are pledged by the Authority to the Trustee and collected as a Revenue source pursuant to the Indenture. The rental payments from the Leases are the primary source of revenue for payment of the Bonds. Upon the termination of the Authority Lease in 2029, the State Lease will be the primary source of revenue to secure payment for the Bonds. The State and the Authority have been making rental payments under their respective leases since 2007. Additionally, the City, on behalf of the Borrower has made (but was under no obligation to make) substantial contributions to the payment of operating expenses in the past. See “CERTAIN RISK FACTORS- Operating Expenses and Capital Reserves” herein.

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Aggregate Lease Rental Payments and Debt Service on the Bonds

Year Ending (8/15)	State Rental Payment	Authority Rental Payment	Total Rental Payments	Debt Service
2022	\$962,537.00	\$163,315.00	\$1,125,852.00	
2023	962,537.00	163,315.00	1,125,852.00	
2024	994,635.33	169,156.67	1,163,792.00	
2025	1,039,573.00	177,335.00	1,216,908.00	
2026	1,039,573.00	177,335.00	1,216,908.00	
2027	1,039,573.00	177,335.00	1,216,908.00	
2028	1,039,573.00	177,335.00	1,216,908.00	
2029	919,204.25	103,445.42	1,022,649.67	
2030	750,688.00		750,688.00	
2031	750,688.00		750,688.00	
2032	750,688.00		750,688.00	
2033	750,688.00		750,688.00	
2034	750,688.00		750,688.00	
2035	750,688.00		750,688.00	
2036	750,688.00		750,688.00	
2037	750,688.00		750,688.00	
2038	750,688.00		750,688.00	
2039	750,688.00		750,688.00	
2040	750,688.00		750,688.00	
2041	750,688.00		750,688.00	
2042	750,688.00		750,688.00	
2043	750,688.00		750,688.00	
2044	750,688.00		750,688.00	
2045	750,688.00		750,688.00	
2046	750,688.00		750,688.00	
2047	750,688.00		750,688.00	
2048	437,901.33		437,901.33	
Total:	\$21,947,490.90	\$1,308,572.09	\$23,256,063.00	

THE BORROWER IS RELYING ON THE RENTAL PAYMENTS PAYABLE TO THE BORROWER UNDER THE LEASES TO HAVE THE FUNDS AVAILABLE TO MAKE PAYMENT INSTALLMENTS DUE UNDER THE LOAN AGREEMENT. THE BORROWER HAS NO OTHER SIGNIFICANT SOURCE OF INCOME. ADDITIONALLY, RENTAL PAYMENTS DUE UNDER EACH OF THE STATE LEASE AND THE AUTHORITY LEASE ARE SUBJECT TO ANNUAL APPROPRIATION FROM THE STATE AND THE AUTHORITY, RESPECTIVELY.

THERE ARE NO ASSURANCES THAT THE STATE OR THE AUTHORITY WILL CONTINUE TO PAY THE AMOUNTS DUE FROM THEM UNDER THE STATE LEASE AND THE

AUTHORITY LEASE RESPECTIVELY IN THE EVENT OF ANY DESTRUCTION OR DAMAGE TO THE DEMISED PREMISES, CONDEMNATION OR TAKING OF ANY PART OF THE DEMISED PREMISES, OR ANY FAILURE OF THE BORROWER TO PROVIDE REQUIRED FACILITIES OR SERVICES.

THE OBLIGATION OF THE STATE AND THE AUTHORITY TO MAKE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE STATE OR THE AUTHORITY OR OF ANY OTHER AGENCY, DEPARTMENT OR POLITICAL SUBDIVISION OF THE STATE.

For more information on the Leases, including termination rights and the right of the State or the Authority to reduce and/or abate rental payments, see Appendix E “Copy of Executed State Lease and Authority Lease with Form of Authority Lease Amendment”. For a description of certain risks associated with the Leases, see “CERTAIN RISK FACTORS- Payments Under the Loan Agreement and Leases; Right to Terminate Leases; Operating Expenses and Capital Reserves” herein.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the

relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

THE BORROWER

Creation and Purpose

The Borrower a registered 501(c)(3) non-profit corporation and is also classified as a public charity under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. A Certificate of Incorporation was filed with the Secretary of State on July 19, 1988.

The Borrower has a mission statement to stimulate local business opportunities, champion historic preservation, and cultivate positive community growth to improve the lives of those who live and work in the City. The Borrower’s purposes, among other things, are to research, discover, procure, purchase, restore and assure the preservation, revitalization and rehabilitation of buildings, land, homes

and other articles that may relate to the history and architecture of commercial areas of the City; to promote, include, assure and procure the economic revitalization of the City; to hire appropriate personnel to conduct corporate activities, to hold meetings and other activities for the instruction and information of members and the public and to accept donations of money, real property or other property for the above purposes.

The Borrower has a mailing address of 219 E. Broadway, P.O. Box 33, Salem, New Jersey 08079.

Management

The activities of the Borrower are governed by its Board of Trustees (the "Trustee Board"). The Trustee Board shall have no less than eleven and no more than nineteen members. Ex-officio members may be added at the discretion of the Trustee Board but do not count towards a quorum.

The Trustee Board employs an Executive Director to serve at the will of the Trustee Board. The current Executive Director is Christopher Davenport, who has held the Executive Director position since October 11, 1999. The Executive Director has immediate and overall supervision of the operations of the Borrower, directs the day-to-day business of the Borrower, maintains the properties of the Borrower, hires, discharges, and determines the salaries and other compensation of all staff members under the Executive Director's supervision, and performs such additional duties as may be required by the Trustee Board. The Borrower currently employs the Executive Director and one other person on a full time basis, and three people on a part-time basis.

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 County Commissioners of the County ("Board") 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, 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 for, among other purposes, the purpose of providing for the construction of public office 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's mailing address is 286 Welchville Road, Alloway, New Jersey 08001, and its telephone number is 856-935-7900.

Management

The governing body of the Authority consists of five members appointed by the Board. The Authority's staff is supervised by the Executive Director. 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>
Cordy Taylor	Chairperson	January 31, 2026
Susan Bestwick	Vice Chairperson	January 31, 2024
Lewis Schneider	Treasurer	January 31, 2022
Barry Davis	Secretary	January 31, 2025
Steven DiMatteo	Member	January 31, 2023

PLEDGE OF THE STATE NOT TO LIMIT POWERS OF AUTHORITY OR RIGHTS OF BONDHOLDERS

The Act sets forth the pledge and agreement of the State with the holders of the bonds, notes (including the Bonds), or other indebtedness of the Authority that it will not limit or alter the rights vested by the Act in the Authority to fix, establish and collect tolls or facility charges, and revise such tolls and facility charges when necessary, as will be sufficient to always comply fully with and fulfill the terms of all agreements and covenants made with the holders of the Authority's obligations and will not in any manner impair, alter or abrogate any other power or obligation vested by the Act in the Authority or the rights and remedies of such holders, until such bonds, notes or other indebtedness, together with the interest thereon, and all costs and expenses in connection with any actions or proceedings taken by or on behalf of such holders, are fully paid and discharged or adequate provision is made for the payment of discharge thereof.

LITIGATION

Authority

In the opinion of Aimino & Dennen, LLC, Woodbury, New Jersey, General Counsel to the Authority, there is no litigation pending or, to the best of their knowledge, threatened which would restrain or enjoin the issuance or sale of the Bonds or in any way contesting the validity or affecting the authority for the issuance of the Bonds, the adoption of the Bond Resolution or the authorization, execution and delivery by the Authority of the Indenture, the Loan Agreement, the Authority Assignment or any other of the financing documents to which the Authority is a party, or the existence or powers of the Authority.

City

In the opinion of Chance & McCann, LLC, Bridgeton, New Jersey, City Counsel, there is no litigation pending or threatened to restrain or enjoin the City from entering into or delivering the City Guaranty or the Support Agreement or in any way contesting or affecting the 2007 Project or the Refunding Project. Also, there is no litigation pending or, to the best knowledge of City Counsel, threatened, that would have a material and adverse impact on the financial condition of the City if adversely decided, except as otherwise disclosed in this Official Statement, including its Appendices.

Borrower

In the opinion of Adam I. Telsey, Esq., Salem, New Jersey, Borrower's Counsel, there is no litigation pending or, to the best knowledge of Borrower's Counsel, threatened to restrain or enjoin the Borrower from entering into or delivering the Loan Agreement, the Note, the Mortgage, the Leases, or in any way contesting or affecting the 2007 Project or the Refunding Project. Also, there is no litigation pending or, to the best knowledge of Borrower's Counsel, threatened that would have a material and adverse impact on the financial condition of the Borrower if adversely decided, except as otherwise disclosed in this Official Statement, including its Appendices.

CERTAIN RISK FACTORS

The purchase of the Bonds involves numerous investment risks. No representation is made that the risks described or referred to in this Official Statement constitute all of the risks associated with investing in the Bonds. Moreover, the discussion herein of the risks to the owners of the Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended to draw attention to certain matters which could affect the Authority, the City or the Borrower. Accordingly, prior to making a decision to invest in the Bonds, each prospective purchaser thereof should make an independent evaluation of all of the information presented in this Official Statement, including the Appendices, and should review other pertinent information.

Payments Under the Loan Agreement and Leases

THE BORROWER HAS NO SIGNIFICANT SOURCE OF REVENUE OTHER THAN THE RENTAL PAYMENTS RECEIVED UNDER THE LEASES. THE BORROWER IS RELYING ON THE RENTAL PAYMENTS PAYABLE TO THE BORROWER UNDER THE STATE LEASE AND THE AUTHORITY LEASE TO HAVE THE FUNDS AVAILABLE TO MAKE PAYMENT INSTALLMENTS DUE UNDER THE LOAN AGREEMENT. ADDITIONALLY, RENTAL PAYMENTS DUE UNDER EACH OF THE STATE LEASE AND THE AUTHORITY LEASE ARE SUBJECT TO AND DEPENDENT UPON ANNUAL APPROPRIATION FROM THE STATE AND THE AUTHORITY, RESPECTIVELY.

Right to Terminate Leases

Payment Installments under the Loan Agreement and the Bonds are supported by the receipt of rent and other sums by the Borrower under the terms of the Leases. Moreover, the Leases confer termination rights to the State and the Authority, respectively, under certain circumstances, including but not limited to, destruction or damage to the premises, condemnation of taking of the premises and failure by the Borrower to provide certain facilities and services. No assurance can be given that the Leases will not be terminated prior to the expiration of their stated terms. See "Appendix E- Copy of Executed State Lease and Authority Lease with Form of Authority Lease Amendment" herein.

Operating Expenses and Capital Improvements

Pursuant to the Leases, the Borrower is obligated to pay for certain operating expenses and capital improvements relating to the 2007 Project. However, in the past the Borrower has not had sufficient revenues from the Leases to make such payments. The City, on behalf of the Borrower, has made substantial contributions for the purpose of satisfying such payments (i.e., the City contributed \$100,000 in 2018, \$150,000 in 2019, and \$285,000 in 2020). The City had no obligation, legal or otherwise, to make such contributions and has no obligation, legal or otherwise, to make any such contributions in the future. Operating expenses and capital improvements totaled approximately \$453,000 in 2008, \$387,000

in 2019 and \$533,00 in 2020. The failure of the Borrower to pay for such operating expenses and capital improvements in the future would allow for termination of the respective leases by the State and the Authority.

Ability of City to Pay Under Guaranty

Although, not subject to appropriation, the practical ability of the holders of the Bonds to realize upon the City's unconditional promise to pay under the City Guaranty is dependent upon the City's finances at the time a demand is made under the City Guaranty and, potentially, its ability to access the capital markets at that time to fund its payment obligation. The City was recently rated "Ba2" in connection with the issuance of the Bonds. See "RATING" herein.

Risk Relating to the Mortgage

The fair market value of the property comprising the lands of the 2007 Project (the "Property") may be less than the amount of the Bonds outstanding at any point in time. No assurance can be given that, in an Event of a Default and foreclosure, and the City is unable to appropriate funds under the Support Agreement or provide payment under the City Guaranty, as applicable, sufficient proceeds would be realized to pay all claims of the holders of the then outstanding Bonds. The Bonds are payable from payments to be made by the Borrower under the Loan Agreement, and if not made by the Borrower under the Loan Agreement, from funds appropriated by the City pursuant to the Support Agreement, or payments made by the City pursuant to the City Guaranty, as applicable. Pursuant to the Indenture, the Bonds are secured by an assignment to the Trustee of the Mortgage. The practical realization of value from this Project upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Indenture. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including particularly the Federal Bankruptcy Code), the remedies specified by the Loan Agreement, the Mortgage or the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of some or all of the covenants contained in the Loan Agreement, the Mortgage or the Indenture. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

Risks Relating to Tax-Exempt Status of Borrower

The federal tax-exempt status of the Bonds is dependent on the continued compliance by the Authority and Borrower with certain provisions of the Code including the continued tax-exempt status of Borrower under Section 501(c)(3) of the Code, the amount of unrelated business income which can be earned by Borrower as a Section 501(c)(3) entity under the Code prior to loss of exemption, and other use, expenditure and investment restrictions. Failure to comply with any of these requirements may result in the treatment of interest on the Bonds as taxable retroactive to the date of issuance. See "TAX MATTERS" herein.

Risks Relating to COVID-19

The outbreak of COVID-19 (the "Pandemic") a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and has been affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, President Trump declared the outbreak of

COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods and the temporary reprieve to certain at-risk inmates. On June 4, 2021, the Governor signed an Executive Order declaring the end of the pandemic, effective July 4, 2021, subject to certain executive orders remaining in effect until January 1, 2022. The Authority, Borrower and City expect ongoing actions may be taken by State, federal and local governments and private entities to mitigate impacts of the Pandemic. The Pandemic negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the Pandemic and alleviate the economic and health effects of the Pandemic.

The Plan includes various forms of financial relief including up to \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the Pandemic and to subsidize testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities.

Neither the Authority, the City, nor the Borrower can predict, and do not predict, the duration, severity or ultimate impact of the Pandemic, or the intervening legislative and gubernatorial measures in response thereto, upon global, State-wide and local economies and operations, including that of the Authority, City and the Borrower.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Authority which is recovered by the Authority from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the Authority unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may

direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of RATINGS herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority, the City nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Tax Purposes

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

Assuming the Authority and the Borrower respectively observe the covenants with respect to compliance with the Code, Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the Authority ("*Bond Counsel*"), is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

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

In rendering its opinion, Bond Counsel has relied on the opinion of Adam I. Telsey, Esq., Borrower's Counsel, with respect to the recognition by the Internal Revenue Service of the Borrower as a Section 501(c)(3) tax-exempt charitable organization which combats community deterioration and relieves government of some of its burdens, with respect to the 2007 Project as exclusively serving this recognized Section 501(c)(3) tax-exempt, charitable purpose, and with respect to the Borrower's continued compliance with all filing and other requirements, including the restriction not to engage in unrelated trade or business, in order to maintain its Section 501(c)(3) tax-exempt status.

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

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

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "*Discount Bonds*"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial

purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

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

Bank Qualification

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

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

Additional Federal Income Tax Consequences of Holding the Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code.

Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

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

State Taxation

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

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

ADDITIONALLY, EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

NEGOTIABILITY OF THE 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.

THE BONDS NOT A DEBT OF THE STATE

The 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 (a) the obligation of the Authority, which has no taxing power, which obligation is limited to the Trust Estate and Revenues under the Indenture, and (b) the obligation of the City, which has pledged pursuant to the City Guaranty its full faith and credit and will be obligated to levy *ad valorem* taxes on all taxable real property in the City in an amount sufficient to provide for payment under the City Guaranty as is needed to pay, when due, the principal (including sinking fund installments, if any) of and interest on the Bonds for so long as the Bonds remain Outstanding (as defined in the Indenture) under the Indenture.

SECONDARY MARKET DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the Authority will, prior to the issuance of the Bonds enter into an agreement (the “Authority Continuing Disclosure Agreement”) with Phoenix Advisors, LLC, as dissemination agent (the “Dissemination Agent”) to provide notice of certain listed events to the Electronic Municipal Market Access System (“EMMA”) and as described in the Authority Continuing Disclosure Agreement. See "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENTS" hereto.

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 of the Authority for the fiscal year ending December 31, 2015; (ii) audited financial information of the County of Salem, as required under certain filing requirements, for the fiscal years ending December 31, 2017; (iii) certain operating data of the County of Salem, as required under certain filing requirements for the fiscal years ending in December 31, 2015, 2016 and 2017; and (iv) operating data of the Authority for the fiscal year ending December 31, 2015. Additionally, the Authority previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data of the County of Salem; and (iii) operating data of the Authority, as described above. Such notices of events and late filings have since been filed with EMMA. The Authority appointed Phoenix Advisors, LLC in February of 2020 to serve as continuing disclosure agent.

In accordance with the provisions of Rule 15c2-12, the City will, simultaneously with the issuance of the Bonds, execute and deliver a continuing disclosure agreement (the “City Continuing Disclosure Agreement”) to obligate the City to directly file the “Annual Report” as defined therein and to provide notice of certain listed events to EMMA as described in the City Continuing Disclosure Agreement. See “APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENTS”.

In connection with the issuance of the City’s previously issued bonds, the City failed to timely file its audited financial statements for the year ended December 31, 2018. The City has appointed Acacia Financial Group, Inc., to serve as continuing disclosure agent to assist in the timely filing of the City’s annual financial and operating information.

In accordance with the provisions of Rule 15c2-12, the Borrower will, simultaneously with the issuance of the Bonds, execute and deliver a continuing disclosure agreement (the “Borrower Continuing Disclosure Agreement” and together with the Authority Continuing Disclosure Agreement and the City Continuing Disclosure Agreement, the “Continuing Disclosure Agreements”) to obligate the Borrower to directly file the “Annual Report” as defined therein and to provide notice of certain listed events to

EMMA as described in the Borrower Continuing Disclosure Agreement. See “APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENTS”.

Within the five years immediately preceding the date of this Official Statement, the Borrower previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information, as required, for the fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019; and (ii) operating data, as required, for the fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019. Additionally, the Borrower previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information and (ii) operating data, as described above. Such notices of events and late filings have since been filed with EMMA.

MUNICIPAL BANKRUPTCY

The undertakings of the Authority and the City should be considered with reference to Chapter 9 of the United States Bankruptcy Code ("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 the State, that is insolvent or unable to meet its debts may file a petition in a United States Bankruptcy Court ("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 City 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 Bonds, the holders of the 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 City, 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, specially 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.

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE AUTHORITY OR THE CITY EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCES OF PAYMENT OF AND SECURITY FOR THE BONDS.

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, office building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking 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 Bonds, and that such obligations are authorized security for any and all public deposits.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Bonds to the Underwriter are subject to the approval of certain legal matters by Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority by its counsel, Aimino & Dennen, LLC, Woodbury, New Jersey; for the City by its counsel, Chance & McCann, LLC, Bridgeton, New Jersey, and its bond counsel Hawkins Delafield & Wood LLP, Newark, New Jersey; for the Borrower by its counsel, Adam I. Telsey, Esq., Salem, New Jersey; and for the Underwriter by its counsel, McManimon, Scotland & Baumann, LLC, Roseland, New Jersey.

The various legal opinions and/or certifications to be delivered concurrently with the delivery of the 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.

INDEPENDENT AUDITORS

Bowman & Company LLP, Voorhees and Woodbury, New Jersey takes responsibility for the compiled and audited financial statements of the City contained in APPENDIX B to this Official Statement to the extent specified in their Independent Auditor's Report. Ford-Scott & Associates, LLC, Ocean City, New Jersey takes responsibility for the audited financial statements of the Borrower contained in APPENDIX C to this Official Statement to the extent specified in their Independent Auditor's Report.

MUNICIPAL ADVISORS

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the Authority with respect to this transaction ("Authority 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 Preliminary Official Statement and the Appendices hereto. The Authority Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Acacia Financial Group, Inc., Mt. Laurel, New Jersey has served as municipal advisor to the City with respect to this transaction ("City Municipal Advisor"). The City 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 Preliminary Official Statement and the Appendices hereto. The City Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Bonds have been purchased by RBC Capital Markets, LLC (the “Underwriter”) at an aggregate purchase price of \$ _____ (the “Bonds Purchase Price”). The Bonds Purchase Price reflects the aggregate principal amount of the Bonds of \$ _____, [plus/less] aggregate original issue [premium/discount] of \$ _____, less an Underwriter’s aggregate discount of \$ _____. The Underwriter is obligated to purchase all of the Bonds if any Bonds are purchased.

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

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority and/or the City. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority and/or the City.

RATING

The Bonds will be rated “AA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) as a result of the issuance of the Policy by AGM. Additionally, Moody's Investors Service, Inc. (“Moody's” and together with S&P, the “Rating Agencies”) has assigned an underlying rating of “Ba2” to the Bonds. Explanations of the significance of such bond ratings may be obtained from the Rating Agencies. Such bond ratings express only the views of the Rating Agencies. There is no assurance that any such bond ratings will continue for any period of time or that the ratings will not be revised or withdrawn. Any such revision or withdrawal of the ratings may have an effect on the marketability and market price of the Bonds.

INDEPENDENT VERIFICATION OF MATHEMATICAL ACCURACY

The sufficiency of the Escrow Deposit to provide for the payment of the principal or redemption price of and interest on the Refunded Bonds on the Redemption Date will be verified by the Verification Agent.

EXCERPTS AND APPENDICES

Appendix A to this Official Statement consists of certain economic, financial and demographic information concerning the City. The City information has been provided by the City from public documents of the City and from other public or official documents or publications which are referred to therein. Neither the Authority, the Municipal Advisor nor the Underwriter have confirmed the accuracy or

completeness of any of Appendix A, and the Authority, the Municipal Advisor and the Underwriter disclaims any responsibility for the accuracy or completeness thereof.

Appendix B to this Official Statement consists of the compiled and audited financial statements for the City. The City's financial statements have been prepared by Bowman & Company LLP, Voorhees and Woodbury, New Jersey, the auditor for the City. Neither the Authority, the Municipal Advisor nor the Underwriter have confirmed the accuracy or completeness of any of Appendix B, and the Authority, the Municipal Advisor and the Underwriter disclaim any responsibility for the accuracy or completeness thereof.

Appendix C to this Official Statement consists of certain financial statements of the Borrower as of December 31, 2019. Neither the Authority, the Municipal Advisor nor the Underwriter have confirmed the accuracy or completeness of any of Appendix C, and the Authority, the Municipal Advisor and the Underwriter disclaim any responsibility for the accuracy or completeness thereof.

Appendix D to this Official Statement consists of a copy of the Indenture and Loan Agreement and Forms of First Supplemental Indenture of Trust, First Supplemental Loan Agreement, Mortgage and Security Agreement, Support Agreement and Guaranty Agreement.

Appendix E to this Official Statement consists of a copy of the executed State Lease and the executed Authority Lease with a form of amendment.

Appendix F to this Official Statement is the proposed form of opinion of Bond Counsel to the Authority.

Appendix G to this Official Statement consists of the forms of the Continuing Disclosure Agreements to be executed by the Authority, the City and the Borrower.

Appendix H to this Official Statement consists of a specimen copy of the Municipal Bond Insurance Policy.

MISCELLANEOUS

The execution and delivery of this Official Statement has been duly authorized by the Authority. Concurrently with the delivery of the 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 Underwriter or the purchaser or holder of any of the 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 City or the Authority since the date hereof. The information contained in this Official Statement is not to be construed as a representation by the Underwriter.

The execution by its Chairman and the delivery of this Official Statement is duly authorized by the Authority.

THE SALEM COUNTY IMPROVEMENT AUTHORITY

By: _____
CORDY TAYLOR, Chairperson

Dated: _____, 2021

APPENDIX A

Certain Economic, Financial and Demographic Information Concerning the City

GENERAL INFORMATION ON THE CITY

Overview

The City of Salem was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. Salem's rich historical heritage, which dates back to 1640, is evident in the number of interesting colonial style buildings in the central area. The successful efforts of the City, and other civic community groups, to preserve these historical buildings have contributed much to the charm of the City. In addition to its important role as the County Seat, the City is a residential community, a regional commercial center, and a source of service and industrial employment.

Form of Government

The Municipality operates under the City form of government headed by a Mayor who is elected at large to a three-year term. Eight (8) Council members are elected to four-year terms an election is held yearly. Executive and legislative responsibility of the City rests with the Mayor and Council. The Municipal Clerk acts as City Administrator and oversees the daily operations of the City.

Public Services

Communication services are provided by various companies, AT & T, Verizon Telephone Company and Comcast Communications. Natural gas is provided by South Jersey Gas Company and electric service is provided by Atlantic City Electric. Water and Sewer Service is provided by the City of Salem.

Health Care Facilities

The Salem Medical Center is located on Route 45, one mile from the City. The 126 bed not-for-profit facility provides a full range of general hospital and clinical services to the residents of the area. The Medical Center has made significant investments in the facility including a new 26-bed Adult Inpatient Psychiatric Unit, a Wound Care and Hyperbaric Medicine Center and numerous upgrades to medical technology. Other hospital facilities used by Salem residents include those in Wilmington and Philadelphia.

Retail Trade Center

Salem is the retail trade center for the surrounding area as well as for City residents. Commercial functions center along Broadway and around the Courthouse area. A center-city plaza area has been constructed to house a branch of the Salem Community College, shopping facilities and State offices.

City Employees

	<u>2020</u>	<u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>2017</u>	<u>2016</u>
Full-Time	49	52	55	55	57
Part-Time	<u>26</u>	<u>48</u>	<u>38</u>	<u>36</u>	<u>37</u>
Total	<u>75</u>	<u>100</u>	<u>93</u>	<u>91</u>	<u>94</u>

Employee Collective Bargaining Units

There are two employee collective bargaining units between the City and its employees as follows:

	<u>Number of Employees Represented</u>	<u>Contract Expiration Date</u>
Blue Collar Workers Association	23	12/31/2023
Salem City Police Department	19	12/31/2021

Compensated Absences

Unused sick leave may be accumulated and carried forward to subsequent years. Employees earn vacation days in accordance with the number of years of service. Unused vacation days earned during the year may only be carried over to the subsequent year. Unused vacation days carried over from the previous year are forfeited.

Under existing policies of the City, upon retirement employees will receive one-half of the accumulated unused sick leave to a maximum of \$15,000.00. The maximum has been reduced in more recent contracts to as low as \$10,000.00. Unused accumulated vacation is paid for at straight time.

For additional information regarding compensated absences, see Appendix B: INDEPENDENT AUDITOR’S REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY, Note 10 to Financial Statements.

Pension Costs

Those City employees who are eligible for pension coverage are enrolled in one of two pension systems established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension costs, see Appendix B: INDEPENDENT AUDITOR’S REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY, Note 8 to Financial Statements.

Population(1)

The following table outlines the population of the City, the County and the State.

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2010 Federal Census	5,146	66,083	8,791,894
2000 Federal Census	5,842	64,232	8,414,350
1990 Federal Census	6,883	65,294	7,730,188
1980 Federal Census	6,959	64,676	7,365,011

Selected Estimated Census 2019 Data for the City (1)

Median household income	\$24,926
Per capita income	\$17,394

(1) Source: U.S. Department of Commerce, Bureau of Census.

Labor Force (1)

The following table outlines employment information for the City, the County and the State for the years ending 2016 to 2020.

<u>City of Salem</u>	<u>Total Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployment</u>	<u>Unemployment Rate</u>
2020	1,729	1,420	309	17.9%
2019	1,667	1,485	182	10.9%
2018	1,630	1,454	176	10.8%
2017	1,699	1,467	232	13.7%
2016	1,715	1,505	210	12.2%

<u>County of Salem</u>	<u>Total Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployment</u>	<u>Unemployment Rate</u>
2020	29,532	26,715	2,817	9.5%
2019	29,180	27,771	1,409	4.8%
2018	28,756	27,198	1,558	5.4%
2017	29,163	27,367	1,796	6.2%
2016	29,970	28,051	1,919	6.4%

<u>State of New Jersey</u>	<u>Total Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployment</u>	<u>Unemployment Rate</u>
2020	4,495,200	4,055,300	439,900	9.8%
2019	4,522,200	4,367,300	154,900	3.4%
2018	4,455,500	4,278,300	177,200	4.0%
2017	4,476,100	4,274,100	202,000	4.5%
2016	4,492,800	4,271,200	221,600	4.9%

Business and Industry

Industrial facilities still continue in a belt along the Salem River and Fenwick Creek. The Wind Turbine facility that will be built in Lower Alloways Creek has already created interest in Salem City properties from businesses that will support the Turbine facility.

The Salem Port Authority has finalized a lease agreement which will provide the lessee, South Jersey Port Corporation (SJPC), the opportunity to modernize and expand the Salem Port facilities in order to provide access to a foreign trade zone in addition to their Camden Port. The economic potential of this enterprise was further enhanced when the U.S. Army Corp. of Engineers dredged the river deeper than the previous fourteen feet. The SJPC has sublet the lease to a British terminal operator. This will create longshore jobs and spill-over business.

(1) Source: New Jersey Department of Labor and Workforce Development.

LARGEST PRIVATE SECTOR COUNTY EMPLOYERS (3)

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
PSE&G	Nuclear Power Generating Plant	1,200
Mannington Mills, Inc.	Floor Coverings	500
Salem Medical Center	Medical Facility	400
R.E. Pierson Construction	Construction	125
Inspira Hospital - Elmer	Acute Care Facility	Cannot verify#
Atlantic City Electric	Public Utility	500
McLane NJ	Grocery Distribution	400

Planning and Development

The City has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building. The City building codes conform to standards of the New Jersey Uniform Construction Code. These codes and other municipal codes are codified as a basis for improved administration and regulation.

The City adopted the Municipal Land Use Law and was amended by Ordinance Nos. 0019 which consolidated the Planning Board and the Zoning Board of Adjustment in December 2000. The Municipal Land Use Law gave the City Planning Board authority to regulate most land use other than single family use. In this way, the City is able to guide the approximate use or development of land to promote the public health, safety, morals and general welfare.

A Master Plan, prepared by the Master Plan Committee and the City's engineer, was adopted in May 2002 and a re-examination was done in 2021.

BUILDING PERMITS(1)

<u>Year</u>	<u>Total Units Authorized</u>	<u>Est. Construction Value</u>
2021(2)	52	\$865,667
2020	125	2,246,379
2019	181	1,518,964
2018	245	1,220,352
2017	181	1,179,983
2016	175	886,068

(1) Source: City Construction Official

(2) As of April 30, 2021

(3) Source: County Economic Development Office

EDUCATION

Overview

The public school system in the City is operated by the Salem City School District ("School District"), a Type II school district, whose boundaries are coterminous with those of the City and in which a Board of Education ("Board") adopts proposals for, and, in general, the legally registered voters at a school election approve, the issuance of school debt and annual school budgets. The School District is also in a sending/receiving relationship with Elsinboro Township, Mannington Township, Quinton Township and Lower Alloway Creek Township for students in grades 9 to 12. As a Type II school district, the School District operates independently through the Board. The Board is comprised of twelve (12) members, nine (9) members from the City of Salem one (1) from Elsinboro Township, one (1) from Mannington Township, and (1) from Quinton Township, elected to three (3) year terms. The terms of the Board members are staggered so that three (3) members' terms expire each year.

The School District operates three (3) schools with grade levels including preschool to grade 12.

Administration

The administration of the School District is the responsibility of the Superintendent of Schools. In addition, finances are maintained through the office of the School Business Administrator.

SALEM CITY SCHOOL DISTRICT SCHOOL ENROLLMENTS

October 15 Actual

<u>Grade</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Pre-K (Full-Day)	138	159	166	151	150
K (Full-Day)	91	112	71	99	105
1	112	74	95	98	85
2	54	74	90	96	82
3	73	84	69	73	68
4	80	64	61	76	53
5	63	56	49	62	45
6	51	55	43	55	57
7	61	47	60	69	45
8	48	36	48	58	47
9	76	96	73	99	83
10	95	65	65	94	65
11	64	69	75	81	54
12	65	74	61	69	58
Special Education	<u>171</u>	<u>174</u>	<u>177</u>	<u>223</u>	<u>176</u>
Totals	<u>1,242</u>	<u>1,239</u>	<u>1,203</u>	<u>1,403</u>	<u>1,173</u>

Present School Facilities, Enrollment and Capacity

The following table outlines the facility of the School District and capacity thereof.

<u>Name of School</u>	<u>Date Constructed</u>	<u>Date of Last Major Renovations/ Additions</u>	<u>Grade Level</u>	<u>Enrollment October 15, 2020</u>	<u>Capacity</u>
John Fenwick School	1955	--	Pre K-2	424	455
Middle School	1915	1950	3-8	448	772
High School	1970	--	9-12	<u>366</u>	879
				<u>1,238</u>	

HIGHER EDUCATION FACILITIES

Created in 1957, the Salem County Board for Vocational Education operates a special purpose district in which a wide range of educational programs and services are provided to county residents. The primary focus of the educational programs offered by the Board of Education is on secondary full time and share time career and technical education; postsecondary student courses; and a wide array of community continuing education.

At the Salem County Career and Technical High School, programs are available on a tuition-free basis to students who reside in Salem County. Full time and share time students may choose from fourteen (14) career and technical programs that are available at CTHS. In the shared-time programs for juniors and seniors, students participate in a 1,080 hour intensive career-technical education program and spend the other half of the day at their home school receiving academic instruction required for graduation. Full time students come to CTHS in their freshman year and spend all four years at CTHS. They attain a minimum of 140 credits in core and elective courses. In 1996 SCVTS started its first academy program, which has expanded to include ten (10) Arts, Science, and Technology Academies hosted at five diverse partner high schools in the county. Currently over 700 students are enrolled in career and technical courses at SCVTS.

SCVTS also operates several community outreach programs as part of its mission to serve the needs of the community. They include: Adult Basic Skills Education, GED Testing, 21st Century Community Learning Center Program, and a wide array of special interest courses depending upon the community needs and interest. These courses include vocational programs, community service programs and customized courses for business and industry.

Salem Community College (SCC) is a two-year, public, comprehensive institution of higher education authorized to grant associate degrees in the arts, fine arts, science and applied science, and certificates. SCC offers more than 40 programs of study in liberal arts, social science, business, nursing, allied health and technology. SCC features the nation's only associate degree program in scientific glass technology and offers a unique fine arts degree program in glass art. Thanks to a federal grant, SCC now offers associate in applied science degree programs in nuclear and sustainable energy technology. Fall semester enrollment exceeded 1,500 students. SCC also enrolls students in noncredit courses and customized training programs.

CERTAIN TAX INFORMATION
TEN LARGEST TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2021 Assessed Valuation</u>
Pallasite REO 2018-1 LLC	Vacant	\$5,220,000
PSEG Power, LLC	Office Building	4,552,600
United Way of Salem County Inc.	Vacant	3,372,100
Salem Manor Holding, LLC	Apartment Complex	2,634,900
Verizon	Communications	2,597,646
Aluchem, Inc.	Manufacturer of Custom Minerals	1,749,700
4 th and Griffith Street LLC	Vacant	1,570,900
Salem Chestnut Apartments, LLC	Apartment Complex	1,529,400
Tilbury Road Associates, Inc.	Shipping Business	1,472,600
49Broadway Partners	Rite Aid	1,456,800

CURRENT TAX COLLECTIONS (2)

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Balance Dec. 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2020 (3)	\$8,898,378	\$6,729,891	75.63%	\$1,237,455	13.91%
2019	8,750,799	7,122,192	81.39	688,196	7.86
2018	8,599,980	6,679,995	77.67	1,134,679	13.19
2017	8,611,083	6,943,572	80.64	837,288	9.72
2016	8,475,936	6,925,770	81.71	610,185	7.20

DELINQUENT TAXES (2)

<u>Year</u>	<u>Balance</u>	<u>Added</u>	<u>Collected</u>		<u>Transferred</u>	<u>Other</u>	<u>Balance</u>
	<u>Jan. 1</u>		<u>Amount</u>	<u>Percentage</u>	<u>To/From To Liens</u>	<u>Credits/ Adjustments</u>	
2020 (3)	\$1,138,648	---	\$603,705	53.02%	---	\$689	\$534,254
2019	1,625,218	---	471,854	29.03	\$651,000	51,912	450,452
2018	1,307,320	---	429,574	32.86	357,156	30,050	490,540
2017	1,011,733	---	462,478	45.71	85,159	(5,936)	470,032
2016	1,158,002	---	447,428	38.64	293,856	15,171	401,547

- (1) Source: Tax Assessor's Office
(2) Source: Annual Reports of Audit, unless otherwise indicated
(3) Compiled Annual Financial Statement

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Transfer to Foreclosed</u>	<u>Adjustments</u>	<u>Balance Dec. 31</u>
2020 (2)	\$4,486,469	\$860,257	\$141,490	---	---	\$5,205,236
2019	4,260,000	1,512,144	599,729	\$479,407	(\$206,539)	4,486,469
2018	3,466,169	1,175,300	337,824	---	(43,646)	4,260,000
2017	2,750,683	836,252	120,766	---	---	3,466,169
2016	1,874,685	1,185,880	309,882	---	---	2,750,683

FORECLOSED PROPERTY (3)(4)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added By Transfer</u>	<u>Adjustment to Assessed Valuation</u>	<u>Sales Contracts Receivables</u>	<u>Balance Dec. 31</u>
2020 (2)	\$3,676,400	---	---	---	\$3,676,400
2019	2,514,400	\$622,959	(\$539,041)	---	3,676,400
2018	2,530,100	---	(9,200)	\$6,500	2,514,400
2017	2,759,700	---	(229,600)	---	2,530,100
2016	2,719,600	---	40,100	---	2,759,700

WATER AND SEWER UTILITY COLLECTIONS (1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Levy</u>	<u>Collected</u>	<u>Other Credits</u>	<u>Balance Dec. 31</u>
2020 (2)	\$486,130	\$2,916,370	\$2,389,284	\$3,940	\$1,009,276
2019	682,501	2,064,083	2,110,416	150,038	486,130
2018	1,053,879	2,003,146	2,352,168	22,356	682,501
2017	813,178	3,690,712	2,876,220	573,791	1,053,879
2016	910,705	2,986,458	2,909,662	174,322	813,178

**WATER AND SEWER
FIVE LARGEST WATER AND SEWER CONSUMER BILLINGS IN 2020(3)**

<u>Consumer</u>	<u>2020 Billings</u>	<u>Nature of Business</u>
Restoring Homes	\$232,217	Apartments
Salem Manor	153,512	Apartments
Salem City Housing Authority	72,849	Authority
Mannington Mills	70,839	Manufactures Flooring
Third Garden PK Lmt	69,190	Trailer Park

(1) Source: Annual Report of Audit

(2) Compiled Annual Financial Statement

(3) Source: City's Tax Collector

(4) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

**NET ASSESSED VALUATIONS AND
ANNUAL TAX RATES (1)**

Tax Rate (2)

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Total</u>	<u>County</u>	<u>County Open Space</u>	<u>Local School</u>	<u>Municipal</u>
2021	\$135,366,672	---	---	---	---	---
2020	125,115,488	\$7.112	\$1.382	\$.023	\$2.055	\$3.652
2019	123,788,835	7.069	1.372	.024	2.042	3.631
2018	124,382,603	6.914	1.281	.023	2.008	3.602
2017(3)	123,956,510	6.830	1.219	.022	2.006	3.583
2016	215,567,834	3.916	.726	.014	1.148	2.028

**RATIO OF ASSESSED VALUATION TO TRUE VALUE
AND TRUE VALUE PER CAPITA (4)**

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value Per Capita (5)</u>
2021	\$120,484,090	91.53%	\$131,633,443	\$25,580
2020	122,817,320	90.82	135,231,579	26,279
2019	121,650,020	88.57	137,349,012	26,690
2018	122,201,040	93.12	131,229,639	25,501
2017	121,656,000	92.33	131,762,157	25,605

REAL PROPERTY CLASSIFICATION (1)

<u>Year</u>	<u>Assessed Value Land Use Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Farm</u>
2021	\$120,484,090	\$2,291,400	\$68,503,020	\$30,784,270	\$12,912,500	\$5,716,800	\$276,100
2020	122,817,320	2,275,500	68,430,720	33,031,200	12,912,500	5,887,400	280,000
2019	121,650,020	2,726,800	69,396,520	30,456,900	12,912,500	5,887,400	269,900
2018	122,201,040	2,726,200	69,566,940	30,779,600	12,912,500	5,945,900	269,900
2017	121,656,000	2,585,600	69,479,900	29,729,900	13,644,800	5,945,900	269,900

(1) Source: City's Tax Assessor

(2) Per \$100 of assessed valuation

(3) Revaluation

(4) Source: State of New Jersey, Department of Treasury, Division of Taxation

(5) Based on 2010 Census of 5,146

CITY OF SALEM
2021 INTRODUCED MUNICIPAL BUDGET

CURRENT FUND

Anticipated Revenues:

Fund Balance	\$ 834,000.00
Miscellaneous Revenues:	
Local Revenues	136,337.00
State Aid Without Offsetting Appropriations	2,670,939.00
Additional Revenues	69,179.00
Public and Private Programs	16,879.22
Other Special Items	574,067.00
Receipts from Delinquent Taxes	630,000.00
Amount to be Raised by Taxation for Municipal Purpose	4,933,399.55
Total Current Revenues	\$ 9,864,800.77

Appropriations:

Within "CAPS"	
Operations	\$ 5,886,664.75
Deferred Charges and Statutory Expenditures	1,068,424.15
Excluded from "CAPS"	
Other Operations	53,000.00
Shared Service Agreements	129,010.00
Additional Appropriations Offset by Revenues	69,179.00
Public and Private Programs Offset by Revenues	17,337.22
Capital Improvements	110,000.00
Debt Service	459,115.00
Deferred Charges	64,000.00
Transferred to Board of Education	16,290.00
Reserve for Uncollected Taxes	1,991,780.65
Total Current Appropriations	\$ 9,864,800.77

WATER AND SEWER UTILITY FUND

Anticipated Revenues:

Fund Balance	
Rents	\$ 2,423,229.00
Miscellaneous	316,283.00
Reserve for Payment of Debt	575,850.00
Deficit (General Budget)	273,308.78
Total Water/Sewer Revenues	\$ 3,588,670.78

Appropriations:

Operating	\$ 2,350,000.00
Capital Improvements	220,000.00
Debt Service	849,430.00
Deferred Charges and Statutory Expenditures	169,240.78
Total Water/Sewer Appropriations	\$ 3,588,670.78

**CITY OF SALEM
 CAPITAL PROGRAM IN INTRODUCED BUDGET
 PROJECTS SCHEDULED FOR THE YEARS 2021-2023**

	<u>Estimated Total Cost</u>	<u>Current Year 2021</u>	<u>Capital Improvement Fund</u>	<u>Grants-In Aid and Other Funds</u>	<u>Debt Authorized</u>	
					<u>Bonds and Notes General</u>	<u>Self Liquidating</u>
Various Capital Equipment General	\$ 100,000.00		\$ 100,000.00			
Streets and Roads Improvements	100,000.00		10,000.00		\$ 90,000.00	
Various Capital Equipment Utility	570,000.00	\$ 200,000.00	20,000.00	\$ 350,000.00		
	\$ 770,000.00	\$ 200,000.00	\$ 130,000.00	\$ 350,000.00	\$ 90,000.00	\$ -

CITY OF SALEM
STATEMENT OF INDEBTEDNESS⁽¹⁾

The following table summarizes the direct debt of the City as of December 31, 2020 in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Water/Sewer, and debt of the Local School District. Deductions from gross debt to arrive at net debt include deductible school debt, Reserve for Payment of Debt, as well as debt considered to be self-liquidating. The resulting net debt of \$1,671,777 represents 1.234% of the average of equalized valuations for the City for the last three (3) years, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued				Deductions					Net Debt
	Bonds and Notes	Loans	Bonds Issued by Another Public Body	Debt Authorized But Not Issued	Gross Debt	Bonds Issued by Another Public Body	School District	Self-Liquidating Debt	Reserve for Payment of Debt	
General	\$ 1,500,000	\$ 208,765		\$ 66,440	\$ 1,775,205				\$ 312,192	\$ 1,463,012
Water/Sewer	395,000	6,991,447		3,987,487	11,373,934			\$ 11,373,934		
Local School District	980,000				980,000		\$ 980,000			
Bonds Issued by Another Public Body			\$ 18,308,765		18,308,765	\$ 18,100,000				208,765
	<u>\$ 2,875,000</u>	<u>\$ 7,200,212</u>	<u>\$ 18,308,765</u>	<u>\$ 4,053,927</u>	<u>\$ 32,437,903</u>	<u>\$ 18,100,000</u>	<u>\$ 980,000</u>	<u>\$ 11,373,934</u>	<u>\$ 312,192</u>	<u>\$ 1,671,777</u>

(1) As of December 31, 2020

Source: 2020 Annual Debt Statement. As Amended

DEBT RATIOS AND VALUATIONS(1)(2)

Average of Equalized Valuations of Real Property with Improvements and Second Class Railroad for 2018, 2019 and 2020	\$135,366,672
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2018, 2019 and 2020	1.235%
2021 Net Valuation Taxable	\$123,081,736
2021 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$134,231,089
Gross Debt (3):	
As a percentage of 2021 Net Valuation Taxable	26.35%
As a percentage of 2021 Equalized Valuations	24.17%
Net Debt (3):	
As a percentage of 2021 Net Valuation Taxable	1.36%
As a percentage of 2021 Equalized Valuations	1.25%
Gross Debt Per Capita (4)	\$6,304
Net Debt Per Capita (4)	\$325

CITY BORROWING CAPACITY(1)(2)

3.5% of Averaged (2018-20) Equalized Valuation of Real Property including Improvements (\$135,366,672)	\$4,737,834
Net Debt	<u>1,671,777</u>
Remaining Borrowing Capacity	<u><u>\$3,066,058</u></u>

LOCAL SCHOOL BORROWING CAPACITY(1)(2)

4% of Averaged (2018-20) Equalized Valuation of Real Property including Improvements (\$135,366,672)	\$5,414,667
Local School Debt	<u>980,000</u>
Remaining Borrowing Capacity	<u><u>\$4,434,667</u></u>

(1) As of December 31, 2020

(2) Source: City Records

(3) Excluding overlapping debt

(4) Based on 2010 Federal Census of 5,146

**COUNTY OF SALEM
OVERLAPPING DEBT
AS OF DECEMBER 31, 2020**

	DEBT ISSUED			Net Debt Outstanding Allocated to Issuer	Debt Auth. but not Issued
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>		
County of Salem:					
General	\$ 86,340,000	\$ 5,647,496 (1)	\$ 80,692,504	\$2,243,252 (3)	\$ 1,905,428
Salem County Improvement Authority	16,033,292	16,033,292 (2)	-		
	<u>\$102,373,292</u>	<u>\$ 21,680,788</u>	<u>\$ 80,692,504</u>	<u>\$2,243,252</u>	<u>\$ 1,905,428</u>

- (1) Deductible from County College Bonds
(2) Deductible in accordance with N.J.S. 40:37A-80
(3) Such debt is allocated as a proportion of the Issuer's share of the total 2020 Net Valuation on which County taxes are apportioned, which is 2.78%.

CITY OF SALEM
SCHEDULE OF DEBT SERVICE (1)

Year	General Serial Bonds & Loans			Water and Sewer Utility Bonds & Loans (2)			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$ 262,500.00	\$ 51,497.94	\$ 313,997.94	\$ 613,126.15	\$ 236,166.69	\$ 849,292.84	\$ 1,163,290.78
2022	262,500.00	44,020.22	306,520.22	630,004.05	219,071.53	849,075.58	1,155,595.80
2023	262,500.00	35,216.18	297,716.18	649,356.73	201,297.89	850,654.62	1,148,370.80
2024	262,500.00	25,154.41	287,654.41	665,207.61	182,548.78	847,756.39	1,135,410.80
2025	262,500.00	15,092.65	277,592.65	685,581.30	163,076.85	848,658.15	1,126,250.80
2026	262,500.00	5,030.88	267,530.88	705,503.57	142,696.34	848,199.91	1,115,730.79
2027	12,500.00		12,500.00	700,001.55	121,889.25	821,890.80	834,390.80
2028	12,500.00		12,500.00	722,103.67	100,667.13	822,770.80	835,270.80
2029	12,500.00		12,500.00	693,116.92	78,451.00	771,567.92	784,067.92
2030	12,500.00		12,500.00	305,649.63	45,504.50	351,154.13	363,654.13
2031	12,500.00		12,500.00	300,398.63	30,999.38	331,398.01	343,898.01
2032	12,500.00		12,500.00	25,037.33	19,558.67	44,596.00	57,096.00
2033	12,500.00		12,500.00	26,112.73	18,483.27	44,596.00	57,096.00
2034	12,500.00		12,500.00	27,234.31	17,361.69	44,596.00	57,096.00
2035	12,500.00		12,500.00	28,404.06	16,191.94	44,596.00	57,096.00
2036	12,500.00		12,500.00	29,624.06	14,971.94	44,596.00	57,096.00
2037	8,764.80		8,764.80	30,896.46	13,699.54	44,596.00	53,360.80
2038	-		-	32,223.51	12,372.49	44,596.00	44,596.00
2039	-		-	33,607.57	10,988.43	44,596.00	44,596.00
2040	-		-	35,051.06	9,544.94	44,596.00	44,596.00
2041	-		-	36,556.55	8,039.45	44,596.00	44,596.00
2042	-		-	38,126.72	6,469.28	44,596.00	44,596.00
2043	-		-	39,764.32	4,831.68	44,596.00	44,596.00
2044	-		-	41,472.27	3,123.73	44,596.00	44,596.00
2045	-		-	42,286.50	1,342.49	43,628.99	43,628.99
	<u>\$ 1,708,764.80</u>	<u>\$ 176,012.28</u>	<u>\$ 1,884,777.08</u>	<u>\$ 7,136,447.26</u>	<u>\$ 1,679,348.88</u>	<u>\$ 8,815,796.14</u>	<u>\$ 10,700,573.22</u>

(1) As of December 31, 2020

(2) Includes Bonded Debt, EIT, NJ & USDA Loans

Source: City Auditor

APPENDIX B

Compiled and Audited Financial Statements for the City of Salem

FOR THE YEAR ENDED 2020
COMPILED FINANCIAL STATEMENTS

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and
Members of the City Council
City of Salem
Salem, New Jersey 08079

Management is responsible for the accompanying financial statements of the City of Salem, in the County of Salem, New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance--regulatory basis of the various funds as of December 31, 2020 and the related statements of operations and changes in fund balances-- regulatory basis for the year then ended, in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for determining that this regulatory basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements referred to above have been prepared in conformity with accounting practices prescribed by 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.

Management has elected to omit substantially all of the disclosures required by these regulatory accounting practices. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, reserves, fund balance, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ Fred S. Caltabiano
Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
April 2, 2021

CITY OF SALEM
CURRENT FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020

ASSETS:

Regular Fund:

Cash	\$ 8,383,288.18
Cash -- Change Fund	200.00
Prepaid Debt Service	<u>330,350.00</u>
	<u>8,713,838.18</u>

Receivables and Other Assets with Full Reserves:

Delinquent Property Taxes Receivable	1,771,709.16
Tax Title Liens	5,205,235.57
Property Acquired for Taxes -- Assessed Valuation	3,676,400.00
Due from Trust -- Animal Control Fund	<u>16,592.38</u>
	<u>10,669,937.11</u>

Deferred Charges:

Special Emergency - Revaluation	<u>64,000.00</u>
	<u>64,000.00</u>

Total Regular Fund

19,447,775.29

Federal and State Grant Fund:

Due from Current Fund	254,278.91
Federal and State Grants Receivable	<u>559,819.39</u>

Total Federal and State Grant Fund

814,098.30

\$ 20,261,873.59

(Continued)

CITY OF SALEM
CURRENT FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020

LIABILITIES, RESERVES AND FUND BALANCE:

Regular Fund:

Liabilities:

Appropriation Reserves	\$	710,673.76
Reserve for Encumbrances		132,436.20
Accounts Payable		12,500.00
Prepaid Taxes		184,939.77
Tax Overpayments		212,545.42
Due to State of NJ Senior Citizens/Veterans Deductions		2,869.33
Local District School Taxes Payable		61,708.46
Due to Federal and State Grant Fund		254,278.91
Due to Trust -- Other Funds		728,399.22
Due to General Capital Fund		341,175.03
Due to Utility Capital Fund		2,196,080.18
Due to Volunteer Fire Co		3,000.00
Special Emergency Note Payable - Revaluation		64,000.00
Reserve for Finlaw Building Bond Refinancing		2,500,000.00
Reserve for Revaluation		92,331.76

7,496,938.04

Reserves for Receivables and Other Assets		10,669,937.11
Fund Balance		1,280,900.14

19,447,775.29

Federal and State Grant Fund:

Appropriated Reserves		802,444.79
Unappropriated Reserves		11,653.51

814,098.30

Total Federal and State Grant Fund

\$ 20,261,873.59

See Independent Accountant's Compilation Report and selected notes.

CITY OF SALEM
CURRENT FUND
Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2020

REVENUE AND OTHER INCOME REALIZED:	
Fund Balance Anticipated	\$ 834,000.00
Miscellaneous Revenues Anticipated	4,254,387.27
Receipts from Delinquent Taxes and Tax Title Liens	745,195.19
Receipts from Current Taxes	6,729,891.23
Non-Budget Revenue	385,582.45
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	243,322.85
Liquidation of Interfund Receivable	6,266.88
	13,198,645.87
Total Income	13,198,645.87
EXPENDITURES:	
Budget Appropriations:	
Within "CAPS":	
Operations:	
Salaries and Wages	2,797,494.00
Other Expenses	2,982,920.00
Deferred Charges and Statutory Expenditures	1,111,996.80
Excluded from "CAPS":	
Operations:	
Other Expenses	646,018.22
Capital Improvements	53,000.00
Municipal Debt Service	609,977.66
Deferred Charges	64,000.00
Transferred to Board of Education for Use of Local School	16,283.00
Local District School Tax	2,571,489.00
County Taxes	1,711,477.34
Refund of Prior Year Revenue	6,299.11
	12,570,955.13
Total Expenditures	12,570,955.13
Excess in Revenue	627,690.74
Fund Balance January 1,	1,487,209.40
	2,114,900.14
Decreased by:	
Utilized as Anticipated Revenue	834,000.00
	834,000.00
Fund Balance December 31,	\$ 1,280,900.14

See Independent Accountant's Compilation Report and selected notes.

CITY OF SALEM
TRUST FUNDS
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020

ASSETS:

Animal Control Fund:	
Cash	\$ 7,021.21
Deferred Charges:	
Deficit - Reserve for Animal Control Expenditures	<u>9,674.37</u>
Total Animal Control Fund	<u>16,695.58</u>
Other Funds:	
Cash	1,118,467.32
Due from Current Fund	728,399.22
Due from Utility Operating Fund	<u>188,119.53</u>
Total Other Funds	<u>2,034,986.07</u>
	<u><u>\$ 2,051,681.65</u></u>

LIABILITIES, RESERVES AND FUND BALANCE:

Animal Control Fund:	
Due to Current Fund	\$ 16,592.38
Due to State of New Jersey	<u>103.20</u>
Total Animal Control Fund	<u>16,695.58</u>
Other Funds:	
Due to General Capital Fund	75,275.25
Due to State of New Jersey - Criminal Disposition and Revenue Collection Fund	35,993.14
Reserve for:	
Community Development Housing Equity	15,773.79
Small Cities Rehab	30,777.10
Developer's Escrow	42,005.89
POAA	10,976.42
Payroll Withholdings Payable	1,069,409.06
Public Defender	438.55
Landfill	96,254.72
Tax Title Liens	534,709.12
Unemployment Compensation	65,900.06
Accumulated Sick Leave	33,350.27
Off-Duty Police	8,457.75
Municipal Pool Donations Account	<u>15,664.95</u>
Total Other Funds	<u>2,034,986.07</u>
	<u><u>\$ 2,051,681.65</u></u>

See Independent Accountant's Compilation Report and selected notes.

CITY OF SALEM
GENERAL CAPITAL FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020

ASSETS:

Cash	\$	54,108.65
Grants Receivable		409,499.77
Due from Current Fund		341,175.03
Due from Trust -- Other Funds		75,275.25
Due from Utility Capital Fund		12,244.50
Deferred Charges to Future Taxation:		
Funded		1,708,764.80
Unfunded		66,439.77
		\$ 2,667,507.77
		\$ 2,667,507.77

LIABILITIES, RESERVES AND FUND BALANCE:

Serial Bonds	\$	1,500,000.00
Demolition Loan		208,764.80
Improvement Authorizations:		
Funded		510,819.98
Unfunded		62,704.57
Reserve for the Payment of Bonds & Notes		312,192.20
Reserve for Payment of Guaranteed Debt		18,195.00
Capital Improvement Fund		54,831.22
		\$ 2,667,507.77
		\$ 2,667,507.77

See Independent Accountant's Compilation Report and selected notes.

CITY OF SALEM
WATER AND SEWER UTILITY FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020

ASSETS:

Operating Fund:

Cash	\$ 1,409,669.12
Prepaid Debt Service	<u>22,298.00</u>

1,431,967.12

Receivables with Full Reserves:

Consumer Accounts Receivable	1,009,275.73
Utility Liens Receivable	<u>887,446.00</u>

1,896,721.73

Deferred Charges

Overexpenditure of Appropriation Reserves	<u>15,182.78</u>
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Total Operating Fund

3,343,871.63

Capital Fund:

Cash	4,129.37
Due from Current Fund	2,196,080.18
Due from Utility Operating Fund	1,002,535.64
Grant Receivable	880,950.00
Fixed Capital	22,933,096.90
Fixed Capital Authorized and Uncompleted	<u>17,284,150.00</u>

Total Capital Fund

44,300,942.09

\$ 47,644,813.72

(Continued)

CITY OF SALEM
WATER AND SEWER UTILITY FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2020

LIABILITIES, RESERVES AND FUND BALANCE:

Operating Fund:

Liabilities:

Appropriation Reserves	\$ 17,729.80
Encumbrances	154,694.59
Accrued Interest on Bonds and Notes	83,753.68
Due to Trust Fund	188,119.53
Due to Utility Capital Fund	1,002,535.64

1,446,833.24

Reserve for Receivables	1,896,721.73
Fund Balance	316.66

1,896,721.73

3,343,871.63

Capital Fund:

Serial Bonds	145,000.00
Bond Anticipation Note	250,000.00
Wastewater Improvement Bonds	2,404,045.12
USDA Loan Payable	682,285.94
New Jersey Environmental Infrastructure Trust Loans Payable	3,564,796.79
State of New Jersey Loan - Dam Restoration Program	340,319.41
Due to General Capital Fund	12,244.50
Improvement Authorizations:	
Funded	49,771.93
Unfunded	4,160,614.08
Capital Improvement Fund	98,551.53
Deferred Reserve for Amortization	9,481,866.36
Reserve for Payment of Debt/Capital	3,750,000.00
Reserve for Amortization	19,361,446.43

44,300,942.09

\$ 47,644,813.72

See Independent Accountant's Compilation Report and selected notes.

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2020

REVENUE AND OTHER INCOME REALIZED:

Operating Surplus Anticipated	
Water and Sewer Rents	\$ 2,423,229.72
Miscellaneous	796,283.04
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	16,330.07
Total Income	3,235,842.83

EXPENDITURES:

Operating	2,350,000.00
Capital Improvement Fund	20,000.00
Debt Service	832,446.12
Deferred Charges and Statutory Expenditures	142,763.00
Deficit in Operations in Prior Years	255,523.36
Refund of Prior Year Revenue	1,237.52
Total Expenditures	3,601,970.00

Excess (Deficit) in Revenue	(366,127.17)
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Adjustments to Income before Surplus:

Realized from General Budget for Anticipated Deficit	366,127.17
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Statutory Excess to Fund Balance	-
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FUND BALANCE:

Balance January 1	316.66
Balance December 31	\$ 316.66

See Independent Accountant's Compilation Report and selected notes.

CITY OF SALEM
Selected Information – Substantially All Disclosures Required
By the Regulatory Basis of Accounting Have Been Omitted
For the Year Ended December 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Salem (hereafter referred to as the “City”) was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. According to the 2010 census, the population is 5,146.

The Municipality operates under the City form of government headed by a Mayor who is elected at large to a three-year term. The (8) Council members are elected to four year terms and election are held yearly. Executive and legislative responsibility of the City rests with the Mayor and Council. The Administrator and CFO oversee the daily operations of the City.

Component Units - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. If the provisions of the aforementioned GASB Statement, as amended 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 City, the primary government:

City of Salem Free Public Library
 112 West Broadway
 Salem, New Jersey 08079

Stand Up for Salem, Inc.
 P.O. Box 453
 Salem, New Jersey 08079

City of Salem Municipal Port Authority
 19 South Front Street
 Salem, New Jersey 08079

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 City 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 City accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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.

Water/Sewer Utility Operating and Capital Funds - The water/sewer utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned water/sewer operations.

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 City must adopt an annual budget for its current and water/sewer utility funds 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 municipal budget no later than February 10 of 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 municipality. 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 municipal 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 City'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 municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

Cash, Cash Equivalents and Investments (Cont'd) - 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 City 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.

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 City 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 City 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 City'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.

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

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

Foreclosed Property - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

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.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund balances included in the current fund and sewer utility operating 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 City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the County of Salem and City of Salem School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the City of Salem School District. Operations is charged for the full amount required to be raised by taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2019 and decreased by the amount deferred at December 31, 2020.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Salem. 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 is charged for the amount due to the County for the year, based upon the ratables required to be 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)

Reserve for Uncollected Taxes - The inclusion of the "reserve for uncollected taxes" appropriation in the City's annual budget protects the City from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

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 payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual 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 and utility capital funds. 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.

**FOR THE YEARS ENDED 2019, 2018, 2017, 2016
AND 2015 AUDITED FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Salem
Salem, New Jersey 08079

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 City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2019, 2018, 2017, 2016 and 2015, 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 City'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 unmodified and qualified 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 City 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 City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2019, 2018, 2017, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously, except for the general fixed asset group of accounts - regulatory basis, present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Salem, in the County of Salem, State of New Jersey, as of December 31, 2019, 2018, 2017, 2016 and 2015, 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.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ Fred S. Caltabiano
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
October 29, 2020

CITY OF SALEM
CURRENT FUND
Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,				
	2019	2018	2017	2016	2015
ASSETS:					
Cash	\$ 3,078,843.72	\$ 2,930,723.91	\$ 1,860,511.01	\$ 1,083,175.75	\$ 850,012.14
Federal and State Grants Receivable	460,768.89	165,175.17	382,134.89	56,838.91	135,593.80
Prepaid Debt Service	304,225.00	303,200.00	297,025.00	290,700.00	284,225.00
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	1,138,647.65	1,625,218.55	1,307,320.41	1,011,732.57	1,158,002.39
Tax Title Liens	4,486,468.78	4,259,999.67	3,466,168.88	2,750,683.64	1,874,685.03
Property Acquired for Taxes -- Assessed Valuation	3,676,400.00	2,514,400.00	2,530,100.00	2,759,700.00	2,719,600.00
Revenue Accounts Receivable		6,266.28	1,465.07	2,942.75	4,081.47
Other Receivables				967.61	55,759.49
Interfunds Receivable	31,369.24	129,783.73	81,163.32	110,908.94	19,605.72
Deferred Charges	133,542.96	192,000.00	281,427.05	359,092.50	164,396.68
	<u>\$ 13,310,266.24</u>	<u>\$ 12,126,767.31</u>	<u>\$ 10,207,315.63</u>	<u>\$ 8,426,742.67</u>	<u>\$ 7,265,961.72</u>
LIABILITIES, RESERVES AND FUND BALANCE:					
Appropriation Reserves	\$ 693,289.67	\$ 398,328.24	\$ 424,165.12	\$ 353,585.88	\$ 561,032.84
Reserve for Encumbrances	95,911.69	97,482.01	110,312.06	7,299.79	18,174.42
Tax Overpayments	96,733.60	114,945.58	78,637.76		
County Taxes Payable			44.05	44.05	
Prepaid Taxes	120,836.48	143,578.90	137,424.24	74,643.80	82,586.37
Due to State of New Jersey	2,869.33	5,328.23	3,828.23	4,828.23	2,078.23
Due to Volunteer Fire Co.	3,000.00	3,000.00	3,000.00	3,000.00	
Local District School Taxes Payable	39,859.66	484,037.16	217,419.12	19,642.00	419,507.94
Interfunds Payable	725,810.09	1,067,285.91	343,398.19	336,351.31	127,967.37
Special Emergency Notes - Revaluation	128,000.00	192,000.00	256,000.00	320,000.00	
Reserve for Revaluation	123,091.76	133,660.71			
Reserves for Receivables and Other Assets	9,324,375.69	8,418,877.32	7,445,155.07	6,734,221.78	5,834,748.82
Fund Balance	1,487,209.40	786,277.17	724,633.58	422,716.93	72,394.87
Reserve for Federal and State Grants	469,278.87	281,966.08	463,298.21	150,408.90	147,470.86
	<u>\$ 13,310,266.24</u>	<u>\$ 12,126,767.31</u>	<u>\$ 10,207,315.63</u>	<u>\$ 8,426,742.67</u>	<u>\$ 7,265,961.72</u>

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

CITY OF SALEM
CURRENT FUND
 Statements of Operations and Changes in Fund Balance -- Regulatory Basis

	For The Years Ended December 31,				
	2019	2018	2017	2016	2015
REVENUE AND OTHER INCOME REALIZED:					
Fund Balance Anticipated	\$ 493,000.00	\$ 382,200.00	\$ 190,000.00		\$ 300,000.00
Miscellaneous Revenues Anticipated	4,171,414.53	3,808,953.84	5,138,684.69	\$ 3,291,177.78	2,740,098.22
Receipts from Delinquent Taxes and Tax Title Liens	1,071,583.35	767,398.06	583,244.55	757,310.36	495,021.32
Receipts from Current Taxes	7,122,191.70	6,679,994.50	6,943,571.80	6,925,769.53	7,202,345.45
Non-Budget Revenue	226,237.58	213,349.59	228,278.79	156,134.22	162,274.61
Other Income	292,051.15	276,777.71	244,390.78	274,297.82	324,289.81
County Taxes Payable Adjustment		44.05			
School Taxes Payable Adjustment	15,765.76				
Total Income	13,392,244.07	12,128,717.75	13,328,170.61	11,404,689.71	11,224,029.41
EXPENDITURES:					
Budget Appropriations:					
Within "CAPS":					
Operations:					
Salaries and Wages	2,620,824.89	2,630,981.00	2,556,979.00	2,617,217.00	2,733,249.00
Other Expenses	3,056,347.05	3,236,360.00	2,817,235.00	3,092,699.00	2,606,494.00
Deferred Charges and Statutory Expenditures	966,140.22	661,165.05	977,918.02	852,197.68	669,045.72
Excluded from "CAPS":					
Operations:					
Other Expenses	693,154.44	497,433.93	1,942,399.81	316,340.41	513,948.70
Capital Improvements	20,933.00	10,000.00	10,000.00		
Municipal Debt Service	465,558.00	412,862.28	374,593.93	371,830.00	461,633.75
Deferred Charges and Statutory Expenditures	72,494.70	86,900.00	90,000.00	26,000.00	26,000.00
Transferred to Board of Education for Use of Local School	16,373.00	16,551.00	16,514.00	30,500.00	15,800.00
Local District School Tax	2,527,761.00	2,497,941.00	2,485,645.00	2,473,259.18	2,490,268.00
County Taxes	1,727,152.85	1,619,718.50	1,536,673.12	1,594,249.31	1,805,733.09
Due County for Added and Omitted Taxes			26,633.07	2,328.34	
Refund of Prior Year Revenue	3,539.70	1,968.58	1,663.01	5,485.73	2,685.61
Grant Receivable Adjustment	18,166.55				
Creation of Interfunds	9,866.44	12,992.82			55,116.44
Total Expenditures	12,198,311.84	11,684,874.16	12,836,253.96	11,382,106.65	11,379,974.31
Excess (Deficit) in Revenue	1,193,932.23	443,843.59	491,916.65	22,583.06	(155,944.90)
Adjustment to Income Before Fund Balance:					
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year					
				327,739.00	155,944.90
FUND BALANCE:					
Balance January 1,	786,277.17	724,633.58	422,716.93	72,394.87	372,394.87
	1,980,209.40	1,168,477.17	914,633.58	422,716.93	372,394.87
Utilized as Anticipated Revenue	493,000.00	382,200.00	190,000.00		300,000.00
Balance December 31,	\$ 1,487,209.40	\$ 786,277.17	\$ 724,633.58	\$ 422,716.93	\$ 72,394.87

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

CITY OF SALEM
TRUST AND OTHER FUND
 Statements of Assets, Liabilities and Reserves -- Regulatory Basis

	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS:					
Animal Control Fund:					
Cash	\$ 13,105.34	\$ 10,954.96	\$ 2,582.91	\$ 8,470.09	\$ 16,810.31
Deferred Charge Deficit	9,857.12	2,106.86		3,699.66	
Other Funds:					
Cash	1,203,262.25	1,155,170.77	964,314.39	997,020.00	899,415.22
Interfunds Receivable	<u>113,032.83</u>	<u>153,032.83</u>	<u>160,740.07</u>	<u>160,738.04</u>	<u>121,305.28</u>
	<u>\$ 1,339,257.54</u>	<u>\$ 1,321,265.42</u>	<u>\$ 1,127,637.37</u>	<u>\$ 1,169,927.79</u>	<u>\$ 1,037,530.81</u>
LIABILITIES AND RESERVES					
Animal Control Fund:					
Interfunds Payable	\$ 22,859.26	\$ 12,992.82		\$ 12,136.75	\$ 15,955.79
Other Accounts Payable	103.20	69.00	\$ 37.20	33.00	33.00
Reserve for Animal Control Expenditures			2,545.71		821.52
Other Funds:					
Interfunds Payable	75,275.25	75,275.25	75,275.25	75,275.25	75,275.25
Other Accounts Payable	35,993.14	35,993.14	35,993.14	35,993.14	35,993.14
Reserve for Special Funds	<u>1,205,026.69</u>	<u>1,196,935.21</u>	<u>1,013,785.77</u>	<u>1,046,489.65</u>	<u>909,452.11</u>
	<u>\$ 1,339,257.54</u>	<u>\$ 1,321,265.42</u>	<u>\$ 1,127,637.07</u>	<u>\$ 1,169,927.79</u>	<u>\$ 1,037,530.81</u>

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

CITY OF SALEM
GENERAL CAPITAL FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

ASSETS:	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 4,608.65	\$ 4,608.65	\$ 7,513.45	\$ 9,011.53	\$ 10,714.06
State and Federal Grant Receivable	409,499.77	409,499.77	409,499.77	440,373.77	440,373.77
Interfunds Receivable	691,787.03	438,409.18	741,242.98	759,792.38	680,985.91
Deferred Charge over Expenditure	4,407.75	20,093.10		251,138.86	
Deferred Charges to Future Taxation:					
Funded	1,996,264.80	1,995,000.00	2,230,000.00	2,455,000.00	2,670,000.00
Unfunded	66,439.77	321,199.27	344,099.27	120,099.27	146,099.27
	<u>\$ 3,173,007.77</u>	<u>\$ 3,188,809.97</u>	<u>\$ 3,732,355.47</u>	<u>\$ 4,035,415.81</u>	<u>\$ 3,948,173.01</u>
LIABILITIES, RESERVES AND FUND BALANCE:					
General Serial Bonds	\$ 1,750,000.00	\$ 1,995,000.00	\$ 2,230,000.00	\$ 2,455,000.00	\$ 2,670,000.00
Demolition Loan	246,264.80				
Improvement Authorizations:					
Funded	551,819.98	471,819.98	471,819.98	502,968.96	839,697.99
Unfunded	62,704.57	62,704.57	293,250.07	62,704.57	66,568.57
Reserve for Payment of Bonds and Notes	362,192.20	400,192.20	428,192.20	679,331.06	56,495.23
Reserve for Pmt of Guraranteed Debt	178,195.00	178,195.00	188,195.00	224,513.00	204,513.00
Reserve for Capital Projects -Penrose Donation			50,000.00	50,000.00	50,000.00
Capital Improvement Fund	21,831.22	80,898.22	70,898.22	60,898.22	60,898.22
	<u>\$ 3,173,007.77</u>	<u>\$ 3,188,809.97</u>	<u>\$ 3,732,355.47</u>	<u>\$ 4,035,415.81</u>	<u>\$ 3,948,173.01</u>

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

CITY OF SALEM
WATER AND SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS:					
Operating Fund:					
Cash	\$ 290,033.51	\$ 596,091.00	\$ 1,043,797.07	\$ 917,020.47	\$ 957,129.26
Prepaid Debt Service	22,298.00	22,298.00	22,298.00	22,298.00	22,298.00
Interfund Receivables			38,895.52		
	<u>312,331.51</u>	<u>618,389.00</u>	<u>1,104,990.59</u>	<u>939,318.47</u>	<u>979,427.26</u>
Receivables with Full Reserves:					
Consumer Accounts Receivable	486,129.78	682,500.92	1,053,879.42	813,178.42	910,704.54
Utility Liens Receivable	930,006.06	878,384.44	923,623.87	463,895.67	356,654.06
	<u>1,416,135.84</u>	<u>1,560,885.36</u>	<u>1,977,503.29</u>	<u>1,277,074.09</u>	<u>1,267,358.60</u>
Deferred Charges					
Deficit in Operations	255,523.36				
Total Operating Fund	<u>1,983,990.71</u>	<u>2,179,274.36</u>	<u>3,082,493.88</u>	<u>2,216,392.56</u>	<u>2,246,785.86</u>
Capital Fund:					
Cash	9,469.14	6,280.64	43.39	43.39	43.39
Interfunds Receivable	366,830.89	1,028,459.13	486,960.70	474,610.52	307,515.52
Grant Receivable	880,950.00	880,950.00	880,950.00		
Fixed Capital	22,933,096.90	22,933,096.90	22,203,855.06	22,203,855.06	22,203,855.06
Fixed Capital Authorized and Uncompleted	17,284,150.00	17,284,150.00	17,444,150.00	17,124,150.00	17,124,150.00
Total Capital Fund	<u>41,474,496.93</u>	<u>42,132,936.67</u>	<u>41,015,959.15</u>	<u>39,802,658.97</u>	<u>39,635,563.97</u>
	<u>\$ 43,458,487.64</u>	<u>\$ 44,312,211.03</u>	<u>\$ 44,098,453.03</u>	<u>\$ 42,019,051.53</u>	<u>\$ 41,882,349.83</u>

(Continued)

CITY OF SALEM
WATER AND SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE:					
Operating Fund:					
Liabilities:					
Appropriation Reserves	\$ 18,999.50	\$ 97,566.18	\$ 112,668.41	\$ 59,983.91	\$ 35,747.59
Encumbrances	77,310.70	154,323.89	177,607.52	26,218.98	106.62
Accounts Payable					106,897.99
Accrued Interest on Bonds and Notes	104,397.12	110,460.56	119,559.60	125,849.91	131,882.82
Interfunds Payable	366,830.89	155,721.71	412,580.05	404,537.47	232,464.92
Reserve for Receivables	1,416,135.84	1,560,885.36	1,977,503.29	1,277,074.09	1,267,358.60
Fund Balance	316.66	100,316.66	282,575.01	322,728.20	472,327.32
Total Operating Fund	<u>1,983,990.71</u>	<u>2,179,274.36</u>	<u>3,082,493.88</u>	<u>2,216,392.56</u>	<u>2,246,785.86</u>
Capital Fund:					
Bonds Payable	165,000.00	185,000.00	205,000.00	225,000.00	245,000.00
Bond Anticipation Note	250,000.00				
Wastewater Improvement Bonds	2,564,573.26	2,717,364.66	2,862,792.20	3,001,210.77	3,132,958.19
USDA Loan	697,401.29	711,894.16	725,790.17	739,113.91	751,888.94
NJ Environmental Infrastructure Trust Fund Loan	3,932,632.31	4,292,467.83	4,655,303.35	5,013,138.87	5,547,974.40
State of New Jersey Loan	372,541.17	404,128.04	435,092.52	465,446.88	495,203.14
Interfunds Payable	12,244.50	438,409.18	677,749.10	677,749.10	677,749.10
Reserve for Appropriated Grant	643,745.55	823,139.53	859,950.18		
Improvement Authorizations:					
Funded	212,942.95	621,352.28	81,313.77	11,313.77	11,313.77
Unfunded	4,197,252.35	4,211,724.10	3,408,283.52	3,161,933.52	3,161,933.52
Reserve for Payment of Debt	100,000.00				
Reserve for Amortization	18,776,880.51	18,589,596.24	18,410,272.69	18,238,530.38	18,074,007.93
Deferred Reserve for Amortization	9,470,731.51	9,079,309.12	8,655,860.12	8,180,670.24	7,468,983.45
Capital Improvement Fund	78,551.53	58,551.53	38,551.53	88,551.53	68,551.53
Total Capital Fund	<u>41,474,496.93</u>	<u>42,132,936.67</u>	<u>41,015,959.15</u>	<u>39,802,658.97</u>	<u>39,635,563.97</u>
	<u>\$ 43,458,487.64</u>	<u>\$ 44,312,211.03</u>	<u>\$ 44,098,453.03</u>	<u>\$ 42,019,051.53</u>	<u>\$ 41,882,349.83</u>

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

CITY OF SALEM
WATER AND SEWER UTILITY OPERATING FUND
Statements of Operations and Changes in Operating Fund Balance -- Regulatory Basis

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
REVENUE AND OTHER INCOME REALIZED:					
Operating Surplus Anticipated	\$ 100,000.00	\$ 200,908.00	\$ 200,908.00	\$ 200,000.00	\$ 200,000.00
Water and Sewer Rents	2,208,832.44	2,424,757.42	3,001,431.48	2,976,742.77	3,146,404.13
Miscellaneous	415,176.28	624,579.92	390,453.48	400,647.82	463,423.71
Deficit (General Budget)	211,000.00				
Reserve for Payment of Debt					168,793.99
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	126,689.70	136,854.16	65,584.10	16,148.94	17,831.26
Cancelled Accounts Payable				106,897.99	11,257.10
Total Income	3,061,698.42	3,387,099.50	3,658,377.06	3,700,437.52	4,007,710.19
EXPENDITURES:					
Operating	2,300,000.00	2,310,000.00	2,485,000.00	2,485,000.00	2,425,000.00
Capital Improvements	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Debt Service	834,440.00	848,450.79	819,810.25	837,910.18	833,313.39
Deferred Charges and Statutory Expenditures	157,624.00	178,742.00	172,812.00	299,454.00	493,698.70
Refund of Prior Year Revenue	5,157.78	11,257.06			
Other				7,672.46	
Total Expenditures	3,317,221.78	3,368,449.85	3,497,622.25	3,650,036.64	3,772,012.09
Excess (Deficit) in Revenue	(255,523.36)	18,649.65	160,754.81	50,400.88	235,698.10
Operating Deficit to be Raised in Budget of Succeeding Year	255,523.36				
Statutory Excess to Fund Balance	---	18,649.65	160,754.81	50,400.88	235,698.10
FUND BALANCE:					
Balance January 1	100,316.66	282,575.01	322,728.20	472,327.32	436,629.22
Decreased by:	100,316.66	301,224.66	483,483.01	522,728.20	672,327.32
Utilized as Revenue	100,000.00	200,908.00	200,908.00	200,000.00	200,000.00
Balance December 31	\$ 316.66	\$ 100,316.66	\$ 282,575.01	\$ 322,728.20	\$ 472,327.32

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

CITY OF SALEM
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Salem (hereafter referred to as the "City") was incorporated in 1858 and is located in southwest New Jersey approximately thirty-five miles southeast of the City of Philadelphia and ten miles from the Delaware Memorial Bridge. According to the 2010 census, the population is 5,146.

The Municipality operates under the City form of government headed by a Mayor who is elected at large to a three-year term. The (8) Council members are elected to four year terms and election are held yearly. Executive and legislative responsibility of the City rests with the Mayor and Council. The Administrator and CFO oversee the daily operations of the City.

Component Units - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. If the provisions of the aforementioned GASB Statement, as amended 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 City, the primary government:

City of Salem Free Public Library
112 West Broadway
Salem, New Jersey 08079

Stand Up for Salem, Inc.
P.O. Box 453
Salem, New Jersey 08079

City of Salem Municipal Port Authority
19 South Front Street
Salem, New Jersey 08079

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 City 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 City accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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.

Water/Sewer Utility Operating and Capital Funds - The water/sewer utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned water/sewer operations.

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.

Budgets and Budgetary Accounting - The City must adopt an annual budget for its current and water/sewer utility funds 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 municipal budget no later than February 10 of 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 municipality. 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 municipal 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 City'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 municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

Cash, Cash Equivalents and Investments (Cont'd) - 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 City 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.

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 City 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 City 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 City'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.

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

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment and improvements and contributed capital.

Foreclosed Property - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally over-expenditures 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.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund Balances included in the current fund and water/sewer utility operating 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 City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the County of Salem and City of Salem School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the City of Salem School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2018 and decreased by the amount deferred at December 31, 2019.

County Taxes - The municipality is responsible for levying, collecting and remitting county taxes for the County of Salem. 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 is charged for the amount due the County for the year, based upon the ratables required to be 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)

Reserve for Uncollected Taxes - The inclusion of the "reserve for uncollected taxes" appropriation in the City's annual budget protects the City from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

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 payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual 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 and utility capital funds. 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.

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 City's deposits might not be recovered. Although the City 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, 2019, the City's bank balances of \$4,923,946.28 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 4,257,157.65
Uninsured and Uncollateralized	<u>666,788.63</u>
Total	<u>\$ 4,923,946.28</u>

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 Schedule of Tax Rates

	<u>Year Ended</u>				
	<u>2019</u>	<u>2018</u>	<u>2017 R</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$ 7.069</u>	<u>\$ 6.914</u>	<u>\$ 6.830</u>	<u>\$ 3.916</u>	<u>\$ 3.866</u>
Apportionment of Tax Rate:					
Municipal	\$ 3.593	\$ 3.567	\$ 3.543	\$ 2.005	\$ 1.920
Municipal Library	.038	.035	.040	.023	.027
County	1.372	1.281	1.219	.726	.791
County Open Space	.024	.023	.022	.014	.017
Local School	2.042	2.008	2.006	1.148	1.111

R = Revaluation

Note 3: PROPERTY TAXES (CONT'D)

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2019	\$ 123,788,835.00
2018	124,382,603.00
2017 R	123,956,510.00
2016	215,567,834.00
2015	223,962,313.00

R = Revaluation

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2019	\$ 8,750,799.02	\$ 7,122,191.70	81.39%
2018	8,599,980.04	6,679,994.50	77.67%
2017	8,611,082.52	6,943,571.80	80.64%
2016	8,475,936.47	6,925,769.53	81.71%
2015	8,659,607.59	7,202,345.45	83.17%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2019	\$ 4,486,468.78	\$ 1,138,647.65	\$ 5,625,116.43	64.28%
2018	4,259,999.67	1,625,218.55	5,885,218.22	68.43%
2017	3,466,168.88	1,307,320.41	4,773,489.29	55.43%
2016	2,750,683.64	1,011,732.57	3,762,416.21	44.39%
2015	1,874,685.03	1,158,002.39	3,032,687.42	35.02%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2019	377
2018	378
2017	319
2016	386
2015	213

Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 3,676,400.00
2018	2,514,400.00
2017	2,530,100.00
2016	2,759,700.00
2015	2,719,600.00

Note 5: WATER/SEWER UTILITY SERVICE CHARGES

The following is a five-year comparison of water/sewer utility service charges (rents) for the current and previous four years:

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2019	\$ 682,500.92	\$ 878,384.44	\$ 2,064,082.92	\$ 3,624,968.28	\$ 2,208,832.44
2018	1,053,879.42	923,623.87	2,003,145.60	3,980,648.89	2,424,757.42
2017	813,178.42	463,895.67	3,690,712.63	4,967,786.72	3,001,431.48
2016	910,704.54	356,654.06	2,986,458.26	4,253,816.86	2,909,662.35
2015	614,783.46	288,528.25	3,510,451.02	4,413,762.73	3,146,404.13

Note 6: FUND BALANCES APPROPRIATED

The following schedule details 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:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>			
2019	\$ 1,487,209.40	\$ 834,000.00	56.08%
2018	786,277.17	465,000.00	59.14%
2017	724,633.58	382,200.00	52.74%
2016	422,716.93	190,000.00	44.95%
2015	72,394.87	-	-
<u>Water/Sewer Utility Fund</u>			
2019	\$ 316.66	\$ -	-
2018	100,316.66	90,408.00	90.12%
2017	282,575.01	200,908.00	71.10%
2016	322,728.20	200,908.00	62.25%
2015	472,327.32	200,000.00	42.34%

Note 7: 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, 2019:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 22,859.26	\$ 725,810.09
Federal and State Grant	8,509.98	
Trust - Animal Control		22,859.26
Trust - Other	113,032.83	75,275.25
General Capital	691,787.03	
Utility - Operating		366,830.89
Utility - Capital	366,830.89	12,244.50
	<u>\$ 1,203,019.99</u>	<u>\$ 1,203,019.99</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 2020, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: PENSION PLANS

A substantial number of the City'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 City 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, required supplementary information and detailed information about the PERS and PFRS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

<https://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' 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 City, 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' Board of Trustees is primarily responsible for the administration of the PERS.

Note 8: 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' 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 City. The PFRS' 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 New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (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. 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 1/55th 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 1/60th 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 8: 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. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2019 was 12.64% of the City'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 8: 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, 2019, the City's contractually required contribution to the pension plan for the year ended December 31, 2019 is \$199,152.00, and was payable by April 1, 2020. 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, 2018, the City's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$238,487.00, which was paid on April 1, 2019. Employee contributions to the Plan during the year ended December 31, 2019 were \$122,601.93.

Police and Firemen's Retirement System - The contribution policy for PFRS is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 10.0% in State fiscal year 2019. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, 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 City's contractually required contribution rate for the year ended December 31, 2019 was 29.16% of the City'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, 2019, the City's contractually required contribution to the pension plan for the year ended December 31, 2019 is \$388,160.00, and was payable by April 1, 2020. 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, 2018, the City's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$373,485.00, which was paid on April 1, 2019. Employee contributions to the Plan during the year ended December 31, 2019 were \$136,706.90.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the City, for the year ended December 31, 2019 was 3.76% of the City's covered payroll.

Note 8: 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, 2019, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2019 is \$50,033.00, and was payable by April 1, 2020. Based on the PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2018 was \$41,586.00, which was paid on April 1, 2019.

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 City 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, 2019, employee contributions totaled \$1,489.14, and the City's contributions were \$672.77. There were no forfeitures during the year.

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2019, the City's proportionate share of the PERS net pension liability was \$3,689,110.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. The City's proportion of the net pension liability was based on a projection of the City'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, 2019 measurement date, the City's proportion was .0204740297%, which was a decrease of .0035022982% from its proportion measured as of June 30, 2018.

At December 31, 2019, the City's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is \$(60,915.00). This (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2019, the City's contribution to PERS was \$238,487.00, and was paid on April 1, 2019.

Police and Firemen's Retirement System - At December 31, 2019, the City's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

City's Proportionate Share of Net Pension Liability	\$ 4,702,685.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the City	<u>742,563.00</u>
	<u>\$ 5,445,248.00</u>

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. The City's proportion of the net pension liability was based on a projection of the City'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, 2019 measurement date, the City's proportion was .0384274753%, which was an increase of .0002250492% from its proportion measured as of June 30, 2018. Likewise, at June 30, 2019, the State of New Jersey's proportion, on-behalf of the City, was .0384274753%, which was an increase of .0002250492% from its proportion, on-behalf of the City, measured as of June 30, 2018.

At December 31, 2019, the City's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is \$184,287.00. This (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2019, the City's contribution to PFRS was \$373,485.00, and was paid on April 1, 2019.

At December 31, 2019, the State's proportionate share of the PFRS pension (benefit) expense, associated with the City, calculated by the Plan as of the June 30, 2019 measurement date is \$86,280.00. This on-behalf (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2019, the City 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	\$ 66,215.00	\$ 39,697.00	\$ 105,912.00	\$ 16,297.00	\$ 29,774.00	\$ 46,071.00
Changes of Assumptions	368,371.00	161,140.00	529,511.00	1,280,478.00	1,519,865.00	2,800,343.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	58,234.00	63,720.00	121,954.00
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	175,757.00	465,423.00	641,180.00	986,346.00	334,279.00	1,320,625.00
City Contributions Subsequent to the Measurement Date	99,576.00	194,080.00	293,656.00	-	-	-
	<u>\$ 709,919.00</u>	<u>\$ 860,340.00</u>	<u>\$ 1,570,259.00</u>	<u>\$ 2,341,355.00</u>	<u>\$ 1,947,638.00</u>	<u>\$ 4,288,993.00</u>

\$99,576.00 and \$194,080.00 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, 2020. These amounts were based on an estimated April 1, 2021 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2019 to the City's year end of December 31, 2019.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) 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 City 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	-
June 30, 2018	-	5.63	5.73	-
June 30, 2019	5.21	-	-	5.92
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
June 30, 2018	-	5.63	-	5.73
June 30, 2019	-	5.21	-	5.92
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
June 30, 2018	-	5.00	-	5.00
June 30, 2019	-	5.00	-	5.00
Changes in Proportion and Differences between City 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
June 30, 2018	5.63	5.63	5.73	5.73
June 30, 2019	5.21	5.21	5.92	5.92

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) 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:

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2020	\$ (338,088.00)	\$ (360,071.00)	\$ (698,159.00)
2021	(587,444.00)	(485,769.00)	(1,073,213.00)
2022	(486,893.00)	(244,819.00)	(731,712.00)
2023	(271,732.00)	(94,992.00)	(366,724.00)
2024	(46,855.00)	(95,727.00)	(142,582.00)
	<u>\$ (1,731,012.00)</u>	<u>\$ (1,281,378.00)</u>	<u>\$ (3,012,390.00)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases (1):		
Through 2026	2.00% - 6.00%	
Thereafter	3.00% - 7.00%	
Through All Future Years		3.25% - 15.25%
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2013 - June 30, 2018

(1) Based on Years of Service

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For PFRS, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2019) 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' and PFRS' target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

Note 8: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 was 6.28% for PERS and 6.85% 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 3.50% as of June 30, 2019, 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057 for PERS and 2076 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 for PERS and 2076 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Public Employees' Retirement System (PERS) - The following presents the City's proportionate share of the net pension liability at June 30, 2019, the Plan's measurement date, calculated using a discount rate of 6.28%, as well as what the City'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:

	PERS		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
City's Proportionate Share of the Net Pension Liability	\$ 4,659,945.00	\$ 3,689,110.00	\$ 2,871,043.00

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 City's annual required contribution. As such, the net pension liability as of June 30, 2019, the Plan's measurement date, for the City and the State of New Jersey, calculated using a discount rate of 6.85%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	PFRS		
	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
City's Proportionate Share of the Net Pension Liability	\$ 6,356,316.00	\$ 4,702,685.00	\$ 3,334,067.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the City	1,003,674.00	742,563.00	526,455.00
	<u>\$ 7,359,990.00</u>	<u>\$ 5,445,248.00</u>	<u>\$ 3,860,522.00</u>

Note 8: PENSION PLANS (CONT'D)**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 (benefit) 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 <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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 City's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Seven Plan Years)

	<u>Measurement Date Ended June 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Proportion of the Net Pension Liability	0.0204740297%	0.0239763279%	0.0229690805%	0.0264465080%
City's Proportionate Share of the Net Pension Liability	\$ 3,689,110.00	\$ 4,720,819.00	\$ 5,346,835.00	\$ 7,832,697.00
City's Covered Payroll (Plan Measurement Period)	\$ 1,501,708.00	\$ 1,588,992.00	\$ 1,653,120.00	\$ 1,714,708.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	245.66%	297.10%	323.44%	456.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%
	<u>Measurement Date Ended June 30,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
City's Proportion of the Net Pension Liability	0.0260340491%	0.0257785927%	0.0259466887%	
City's Proportionate Share of the Net Pension Liability	\$ 5,844,122.00	\$ 4,826,458.00	\$ 4,958,928.00	
City's Covered Payroll (Plan Measurement Period)	\$ 1,686,724.00	\$ 1,750,944.00	\$ 1,683,892.00	
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	346.48%	275.65%	294.49%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the City's Contributions - Public Employees' Retirement System (PERS) (Last Seven Years)***

	<u>Year Ended December 31,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Contractually Required Contribution	\$ 199,152.00	\$ 238,487.00	\$ 212,784.00	\$ 234,947.00
City's Contribution in Relation to the Contractually Required Contribution	\$ (199,152.00)	(238,487.00)	(212,784.00)	(234,947.00)
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll (Calendar Year)	\$ 1,575,556.00	\$ 1,465,541.00	\$ 1,600,625.00	\$ 1,629,568.00
City's Contributions as a Percentage of Covered Payroll	12.64%	16.27%	13.29%	14.42%
	<u>Year Ended December 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
City's Contractually Required Contribution	\$ 223,823.00	\$ 212,515.00	\$ 195,503.00	
City's Contribution in Relation to the Contractually Required Contribution	(223,823.00)	(212,515.00)	(195,503.00)	
City's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	
City's Covered Payroll (Calendar Year)	\$ 1,714,672.00	\$ 1,687,530.00	\$ 1,677,341.00	
City's Contributions as a Percentage of Covered Payroll	13.05%	12.59%	11.66%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the City's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Seven Plan Years)***

	<u>Measurement Date Ended June 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Proportion of the Net Pension Liability	0.0384274753%	0.0382024261%	0.0342346532%	0.0338269678%
City's Proportionate Share of the Net Pension Liability	\$ 4,702,685.00	\$ 5,169,418.00	\$ 5,285,169.00	\$ 6,461,816.00
State's Proportionate Share of the Net Pension Liability associated with the City	<u>742,563.00</u>	<u>702,180.00</u>	<u>591,983.00</u>	<u>542,632.00</u>
Total	<u>\$ 5,445,248.00</u>	<u>\$ 5,871,598.00</u>	<u>\$ 5,877,152.00</u>	<u>\$ 7,004,448.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 1,302,428.00	\$ 1,267,388.00	\$ 1,162,916.00	\$ 1,104,788.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	361.07%	407.88%	454.48%	584.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.00%	62.48%	58.60%	52.01%
	<u>Measurement Date Ended June 30,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
City's Proportion of the Net Pension Liability	0.0403136692%	0.0452469726%	0.0489470796%	
City's Proportionate Share of the Net Pension Liability	\$ 6,714,852.00	\$ 5,691,649.00	\$ 6,507,073.00	
State's Proportionate Share of the Net Pension Liability associated with the City	<u>588,870.00</u>	<u>612,895.00</u>	<u>606,538.00</u>	
Total	<u>\$ 7,303,722.00</u>	<u>\$ 6,304,544.00</u>	<u>\$ 7,113,611.00</u>	
City's Covered Payroll (Plan Measurement Period)	\$ 1,274,744.00	\$ 1,513,080.00	\$ 1,519,788.00	
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	526.76%	376.16%	428.16%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the City's Contributions - Police and Firemen's Retirement System (PFRS) (Last Seven Years)***

	<u>Year Ended December 31,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Contractually Required Contribution	\$ 388,160.00	\$ 373,485.00	\$ 302,983.00	\$ 275,805.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(388,160.00)</u>	<u>(373,485.00)</u>	<u>(302,983.00)</u>	<u>(275,805.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,331,089.00	\$ 1,313,907.00	\$ 1,261,680.00	\$ 1,185,130.00
City's Contributions as a Percentage of Covered Payroll	29.16%	28.43%	24.01%	23.27%
	<u>Year Ended December 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
City's Contractually Required Contribution	\$ 327,690.00	\$ 347,528.00	\$ 357,107.00	
City's Contribution in Relation to the Contractually Required Contribution	<u>(327,690.00)</u>	<u>(347,528.00)</u>	<u>(357,107.00)</u>	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered Payroll (Calendar Year)	\$ 1,115,123.00	\$ 1,304,666.00	\$ 1,432,978.00	
City's Contributions as a Percentage of Covered Payroll	29.39%	26.64%	24.92%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)****Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017, 5.66% 2018, and 6.28% 2019.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-2010 General Below-Median Income Employee mortality table with a 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees and beneficiaries, the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, 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.

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

The Discount Rate changed at June 30th over the following years, 6.32% 2014, 5.79% 2015, 5.55% 2016, 6.14% 2017, 6.51% 2018 and 6.85% 2019.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018 and 2019.

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)****Other Notes to Supplementary Pension Information (Cont'd)*****Police and Firemen's Retirement System (PFRS) (Cont'd)*****Changes in Assumptions (Cont'd)**

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2013 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-201 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees, the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For beneficiaries mortality, the Pub-2010 General Retiree Below-Median Income Weighted mortality table, unadjusted, and with future improvement from the base year of 2010 on a generational basis was used. For disabled mortality, the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, 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, demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**General Information about the OPEB Plan**

Plan Description and Benefits Provided - The City contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**General Information about the OPEB Plan (Cont'd)**

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The City was billed monthly by the Plan and paid \$457,665.59, for the year ended December 31, 2019, representing 15.75% of the City's covered payroll. During the year ended December 31, 2019, retirees were not required to contribute to the Plan.

Special Funding Situation Component - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80% of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 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, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

The amount of actual contributions to the OPEB Plan made by the State, on-behalf of the City, is not known, however, under the Special Funding Situation, the State's OPEB (benefit) expense, on-behalf of the City, is \$36,853.00 for the year ended December 31, 2019 representing 1.27% of the City's covered payroll.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

OPEB Liability - At December 31, 2019 the City's and State's proportionate share of the net OPEB liability were as follows:

City's Proportionate Share of Net OPEB Liability	\$ 8,721,367.00
State of New Jersey's Proportionate Share of Net OPEB Liability Associated with the City	<u>2,780,265.00</u>
	<u>\$ 11,501,632.00</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

The City's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the City's proportion was .064383% which was a decrease of .000312% from its proportion measured as of the June 30, 2018 measurement date.

The State's proportion of the net OPEB liability, on-behalf of the City was based on the ratio of the plan members of an individual employer to the total members of the Plan's special funding situation during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the State's proportion on-behalf of the City was .050315% which was a decrease of .002472% from its proportion measured as of the June 30, 2018 measurement date.

OPEB (Benefit) Expense - At December 31, 2019, the City's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is (\$164,430.00). This (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2019, the City made contributions to the Plan totaling \$457,665.59.

At December 31, 2019, the State's proportionate share of the OPEB (benefit) expense, associated with the City, calculated by the Plan as of the June 30, 2019 measurement date is \$36,853.00. This on-behalf (benefit) expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2019, the City had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 2,550,468.00
Changes of Assumptions	-	3,090,658.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	7,184.00	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	-	469,629.00
City Contributions Subsequent to the Measurement Date	266,895.33	-
	<u>\$ 274,079.33</u>	<u>\$ 6,110,755.00</u>

\$266,895.33 reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be included as a reduction of the City's net OPEB liability during the year ending December 31, 2020. The City will amortize the above other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
June 30, 2017	-	-
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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 the OPEB liability will be recognized in future periods as follows:

Year Ending Dec. 31,	
2020	\$ (1,000,728.00)
2021	(1,000,728.00)
2022	(1,001,292.00)
2023	(1,002,202.00)
2024	(1,003,034.00)
Thereafter	<u>(1,095,587.00)</u>
	<u>\$ (6,103,571.00)</u>

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2019 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
PERS:	
Initial Fiscal Year Applied:	
Rate Through 2026	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Rate for all Years	3.25% to 15.25%

* Salary Increases are Based on Years of Service
Within the Respective Plan

PERS mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

PFRS mortality rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Actuarial Assumptions (Cont'd)**

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pay interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

As previously mentioned, the OPEB Plan has a special funding situation where the State of New Jersey pays a portion of the City's contributions for certain eligible employees. As such, the proportionate share of the net OPEB liability as of June 30, 2019, the Plan's measurement date, for the City and the State of New Jersey, calculated using a discount rate of 3.50%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
City's Proportionate Share of the Net OPEB Liability	\$ 10,084,119.00	\$ 8,721,367.00	\$ 7,613,951.00
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the City	<u>3,214,694.00</u>	<u>2,780,265.00</u>	<u>2,427,234.00</u>
	<u>\$ 13,298,813.00</u>	<u>\$ 11,501,632.00</u>	<u>\$ 10,041,185.00</u>

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The City's and State's proportionate share of the net OPEB Liability as of June 30, 2019, the Plan's measurement date, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$ 7,359,759.00	\$ 8,721,367.00	\$ 10,458,327.00
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the City	<u>2,346,201.00</u>	<u>2,780,265.00</u>	<u>3,333,987.00</u>
	<u>\$ 9,705,960.00</u>	<u>\$ 11,501,632.00</u>	<u>\$ 13,792,314.00</u>

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (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 the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Supplementary OPEB Information

In accordance with GASBS No. 75, the following information is also presented for the State Health Benefits Local Government Retired Employees Plan. 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 City's Proportionate Share of the net OPEB Liability (Last Three Plan Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.064383%	0.064695%	0.065766%
City's Proportionate Share of the Net OPEB Liability	\$ 8,721,367.00	\$ 10,135,519.00	\$ 13,426,648.00
State's Proportionate Share of the Net OPEB Liability Associated with the City	<u>2,780,265.00</u>	<u>3,280,102.00</u>	<u>4,685,871.00</u>
Total	<u>\$ 11,501,632.00</u>	<u>\$ 13,415,621.00</u>	<u>\$ 18,112,519.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 2,807,929.00	\$ 2,862,383.00	\$ 2,817,355.00
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	310.60%	354.09%	476.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)***Schedule of the City's Contributions (Last Three Years)***

	<u>Year Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Required Contributions	\$ 457,665.59	\$ 690,513.21	\$ 675,634.28
City's Contributions in Relation to the Required Contribution	<u>(457,665.59)</u>	<u>(690,513.21)</u>	<u>(675,634.28)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 2,906,645.00	\$ 2,780,248.00	\$ 2,862,305.00
City's Contributions as a Percentage of Covered Payroll	15.75%	24.84%	23.60%

Other Notes to Supplementary OPEB Information**Changes in Benefit Terms**

In 2019, there were slight changes to the Chapter 48 provisions.

Changes in Assumptions

In 2019, the discount rate changed to 3.50% from 3.87%, and there were changes in the assumed health care cost trend, PPO/HMO future retiree elections, and excise tax assumptions. Further, decrements, salary scale, and mortality assumptions were updated based on the July 1, 2013 - June 30, 2018 PFRS and July 1, 2014 - June 30, 2018 PERS experience studies. For mortality related to PFRS members and retirees, the Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used. For mortality related to PERS members and retirees, the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used.

In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

In 2017, the discount rate changed to 3.58% from 2.85%.

Note 10: COMPENSATED ABSENCES

Unused sick leave may be accumulated and carried forward to subsequent years. Employees earn vacation days in accordance with the number of years of service. Unused vacation days earned during the year may only be carried over to the subsequent year. Unused vacation days carried over from the previous year are forfeited.

Under existing policies of the City, upon retirement employees will receive one-half of the accumulated unused sick leave to a maximum of \$15,000.00. Unused accumulated vacation is paid for at straight time.

The City has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2019 the balance of the fund was \$33,350.27. It is estimated that, at December 31, 2019, accrued benefits for compensated absences are valued at \$379,724.60.

Note 11: SANITARY LANDFILL ESCROW CLOSURE FUND

The City of Salem operated a municipal landfill located in the City. The Sanitary Landfill Facility Closure and Contingency Fund Act of 1981 was enacted to provide funding, during the life of the landfill, of costs associated with the closure of sanitary landfills. The Act requires the owner or operator of every sanitary landfill to establish an escrow account for closure and deposit, on a monthly basis, an amount equal to \$1.00 per ton of solid waste accepted for disposal. No withdrawals may be made from the fund without written approval from the State Department of Environmental Protection and Energy.

In December 2003, the landfill reached 100% of its holding capacity and is no longer accepting waste; the landfill is in the post closure process. However, the escrow closure fund balance at year-end does not necessarily represent the estimated cost of post closure as of that date. The required balance of the fund merely represents the amount required to be escrowed in accordance with the statute. Actual costs associated with post closure are not known.

Note 12: CAPITAL DEBT**General Debt - Serial Bonds**

General Serial Bonds, Series 2012 - On June 15, 2012, the City issued \$3,110,000.00 of general serial bonds, with interest rates of 3.00-4.00%. The bonds were issued for the purpose of funding various capital projects. The final maturity of the bonds is June 15, 2026.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 250,000.00	\$ 58,907.06	\$ 308,907.06
2021	250,000.00	51,497.94	301,497.94
2022	250,000.00	44,020.22	294,020.22
2023	250,000.00	35,216.18	285,216.18
2024	250,000.00	25,154.41	275,154.41
2025-2026	500,000.00	20,123.53	520,123.53
	<u>\$ 1,750,000.00</u>	<u>\$ 234,919.34</u>	<u>\$ 1,984,919.34</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt - Serial Bonds**

Water/Sewer Serial Bonds, Series 2012 - On June 15, 2012, the City issued \$290,000.00 of water/sewer serial bonds, with interest rates of 3.00-4.00%. The bonds were issued for the purpose of funding various capital projects. The final maturity of the bonds is June 15, 2026.

The following schedule represents the remaining debt service, through maturity, for the water/sewer serial bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,000.00	\$ 5,492.94	\$ 25,492.94
2021	20,000.00	4,802.06	24,802.06
2022	25,000.00	4,104.78	29,104.78
2023	25,000.00	3,283.82	28,283.82
2024	25,000.00	2,345.59	27,345.59
2025-2026	50,000.00	1,876.47	51,876.47
	<u>\$ 165,000.00</u>	<u>\$ 21,905.66</u>	<u>\$ 186,905.66</u>

Water/Sewer Debt – Wastewater Improvement Bonds

On August 1, 1991, the City issued \$4,939,700.00 of water/sewer wastewater improvement bonds, with an interest rate of 5.00%. The bonds were issued for the purpose of funding treatment system capital projects. The final maturity of the bonds is August 1, 2031.

The following schedule represents the remaining debt service, through maturity, for the water/sewer wastewater improvement bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 160,528.14	\$ 126,273.86	\$ 286,802.00
2021	168,656.64	118,145.36	286,802.00
2022	177,196.73	109,605.27	286,802.00
2023	186,169.26	100,632.74	286,802.00
2024	195,596.12	91,205.88	286,802.00
2025-2029	1,136,962.45	297,047.55	1,434,010.00
2030-2031	539,463.92	34,140.09	573,604.01
	<u>\$ 2,564,573.26</u>	<u>\$ 877,050.75</u>	<u>\$ 3,441,624.01</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt – USDA Loan**

On May 16, 2005, the City entered into a loan agreement for a \$854,000.00 water/sewer USDA loan, with an interest rate of 4.25%. The proceeds were used for various capital projects. The final maturity of the loan is July 1, 2045.

The following schedule represents the remaining debt service, through maturity, for the water/sewer USDA loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,115.35	\$ 29,480.65	\$ 44,596.00
2021	15,764.58	28,831.42	44,596.00
2022	16,441.70	28,154.30	44,596.00
2023	17,147.90	27,448.10	44,596.00
2024	17,884.42	26,711.58	44,596.00
2025-2029	101,626.06	121,353.94	222,980.00
2030-2034	125,408.19	97,571.81	222,980.00
2035-2039	154,755.66	68,224.34	222,980.00
2040-2044	190,970.92	32,009.08	222,980.00
2045	42,286.51	1,342.49	43,629.00
	<u>\$ 697,401.29</u>	<u>\$ 461,127.71</u>	<u>\$ 1,158,529.00</u>

Water/Sewer Debt - New Jersey Environmental Infrastructure Loans

On March 10, 2010, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$4,043,875.00, at no interest, from the fund loan, and \$3,235,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund the water plant and pumping station projects. Semiannual debt payments are due February 1st and August 1st through 2029.

The following schedule represents the remaining debt service, through maturity, for the water/sewer New Jersey Environmental Infrastructure loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 367,835.52	\$ 83,945.00	\$ 451,780.52
2021	375,835.52	77,745.00	453,580.52
2022	377,835.52	71,225.00	449,060.52
2023	386,835.52	64,625.00	451,460.52
2024	391,835.52	57,665.00	449,500.52
2025-2029	2,032,454.72	174,205.00	2,206,659.72
	<u>\$ 3,932,632.32</u>	<u>\$ 529,410.00</u>	<u>\$ 4,462,042.32</u>

Note 12: CAPITAL DEBT (CONT'D)**Water/Sewer Debt – State of NJ Dam Restoration Loan**

On July 31, 2012, the City entered into a loan agreement for a \$581,000.00 water/sewer State of NJ dam restoration loan, with an interest rate of 2.00%. The proceeds were used for the Quinton / Elkinton Dams project. The final maturity of the loan is April 30, 2030.

The following schedule represents the remaining debt service, through maturity, for the water/sewer State of NJ dam restoration loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 32,221.76	\$ 7,290.51	\$ 39,512.27
2021	32,869.41	6,642.85	39,512.26
2022	33,530.10	5,982.18	39,512.28
2023	34,204.05	5,308.23	39,512.28
2024	34,891.55	4,620.73	39,512.28
2025-2029	185,263.78	12,297.61	197,561.39
2030	19,560.52	195.61	19,756.13
	<u>\$ 372,541.17</u>	<u>\$ 42,337.72</u>	<u>\$ 414,878.89</u>

General Debt – State of NJ Demolition Loan

The City entered into an interest free loan agreement for a \$250,000.00 from the State of NJ Demolition Loan Program. The proceeds were used for Ordinance 16-12 Demolition of Unsafe Buildings & Structures with the City. The final maturity of the loan is October 13, 2039.

The following schedule represents the remaining debt service, through maturity, for the water/sewer State of NJ Demolition Loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 12,500.00	\$ -	\$ 12,500.00
2021	12,500.00	-	12,500.00
2022	12,500.00	-	12,500.00
2023	12,500.00	-	12,500.00
2024	12,500.00	-	12,500.00
2025-2029	62,500.00	-	62,500.00
2030-2034	62,500.00	-	62,500.00
2035-2039	58,764.80	-	58,764.80
	<u>\$ 246,264.80</u>	<u>\$ -</u>	<u>\$ 246,264.80</u>

Note 12: CAPITAL DEBT (CONT'D)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 1,996,264.80	\$ 1,995,000.00	\$ 2,230,000.00
Water/Sewer Utility:			
Bonds, Loans and Notes	7,982,148.03	8,310,854.69	8,883,978.24
Total Issued	<u>9,978,412.83</u>	<u>10,305,854.69</u>	<u>11,113,978.24</u>
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes	66,439.77	321,199.27	344,099.27
Water/Sewer Utility:			
Notes	3,987,486.85	4,237,486.85	3,697,894.01
Total Authorized but not Issued	<u>4,053,926.62</u>	<u>4,558,686.12</u>	<u>4,041,993.28</u>
Total Issued and Authorized but not Issued	<u>14,032,339.45</u>	<u>14,864,540.81</u>	<u>15,155,971.52</u>
<u>Deductions</u>			
General:			
Reserve for Payment of Bonds	362,192.20	400,192.20	428,192.20
Water/Sewer Utility:			
Reserve for Payment of Bonds	100,000.00	-	-
Water/Sewer Utility:			
Self-Liquidating	4,828,529.28	11,402,372.54	12,581,872.25
Total Deductions	<u>5,290,721.48</u>	<u>11,802,564.74</u>	<u>13,010,064.45</u>
Net Debt	<u>\$ 8,741,617.97</u>	<u>\$ 3,061,976.07</u>	<u>\$ 2,145,907.07</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 6.514%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 1,230,000.00	\$ 1,230,000.00	
Self-Liquidating	11,969,634.88	4,928,529.28	\$ 7,041,105.60
Guaranteed Bonds	18,275,000.00	18,275,000.00	
General	2,062,704.57	362,192.20	1,700,512.37
	<u>\$ 33,537,339.45</u>	<u>\$ 24,795,721.48</u>	<u>\$ 8,741,617.97</u>

Net debt \$8,741,617.97 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$134,187,253.33, equals 6.514%.

Note 12: CAPITAL DEBT (CONT'D)

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$	4,696,553.87
Less: Net Debt		<u>8,741,617.97</u>
Remaining Borrowing Power	\$	<u>(4,045,064.10)</u>

**Calculation of "Self-Liquidating Purpose,"
Water/Sewer Utility Per N.J.S.A. 40:2-45**

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$	2,935,008.72
Deductions:		
Operating and Maintenance Costs	\$	2,457,624.00
Debt Service		<u>834,440.00</u>
Total Deductions		<u>3,292,064.00</u>
Excess/(Deficit) in Revenue	\$	<u>(357,055.28)</u>

Operating Deficit in Utility Fund has caused the City to go over the Statutory Debt Limit.

Note 13: SCHOOL TAXES

City of Salem School District Tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the current fund liabilities as follows:

	<u>Balance December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance of Tax	\$ 1,272,088.66	\$ 1,716,266.16
Deferred	<u>1,232,229.00</u>	<u>1,232,229.00</u>
	<u>\$ 39,859.66</u>	<u>\$ 484,037.16</u>

Note 14: RISK MANAGEMENT

The City 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.

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability, vehicle, surety bonds, etc.

New Jersey Unemployment Compensation Insurance - The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State.

The following is a summary of City contributions, reimbursements to the State for benefits paid and the ending balance of the City's trust fund for the current and previous two years:

<u>Year</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 9,860.33	\$ 5,944.53	\$ 9,860.33	\$ 65,900.06
2018	479.14	5,670.44	11,434.38	59,955.53
2017	8,302.17	11,181.29	8,302.17	65,240.33

Note 15: CONCENTRATIONS

The City 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 City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2019, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

<u>Description</u>	<u>Balance December 31, 2019</u>	<u>2020 Budget Appropriation</u>
Current Fund:		
Special Emergency - Revaluation	\$ 128,000.00	\$ 64,000.00
Overexpenditure of Appropriation Reserves	5,542.96	5,542.96
Animal Control Fund:		
Deficit Reserve for Expenditures	9,822.92	9,822.92
General Capital Fund		
Overexpenditure of Improvement Authorization	4,407.75	4,407.75
Utility Operating Fund		
Operating Deficit	255,523.36	255,523.36

The appropriations in the 2020 Budget are not less than that required by the statutes.

Note 17: TAX ABATEMENTS

The City has entered into various property tax abatement agreements with developers under the Long Term Tax Exemption Law N.J.S.A. 40A:20-1. Under this law, municipalities may grant property tax abatements for the clearance, replanning, development, and redevelopment of blighted areas. For the year ended December 31, 2019, the City abated approximately \$253,812.77 in property taxes.

Note 18: DEBT SERVICE AGREEMENT

On June 19, 2006, the City unconditionally guaranteed the payment, when due, of the principal of and interest on the Bonds to be issued by the Salem County Improvement Authority for Stand Up For Salem, Inc. to finance the Finlaw Building Project. At December 31, 2019, \$18,275,000.00 in bonds covered by this agreement was outstanding.

Cash flows from the Finlaw Building Project had not been sufficient to satisfy the debt service requirements. Stand Up For Salem, Inc. has made withdraws from a Debt Service Reserve fund, which in accordance with the bond covenants, was reserved and set aside from the \$19,500,000.00 bond proceeds.

<u>Date</u>	<u>Withdraw Amount</u>
02-15-09	\$ 488,348.04
08-15-09	127,211.89
02-15-10	54,595.35
08-15-10	158,893.04
02-15-11	102,437.23
08-15-11	142,003.53
02-15-12 through 08-15-19	None
	<u>\$ 1,073,489.08</u>

The December 31, 2019 Balance in the Stand Up For Salem, Inc.'s Debt Service Reserve fund was approximately \$802,000.00

The City of Salem's 2012 Budget included a budget appropriation of \$135,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$80,487.00 was paid 08/15/12 by the City; the remaining \$54,513.00 was reserved for possible future year deficits.

The City of Salem's 2013 Budget included a budget appropriation of \$125,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$50,000.00 was paid 08/15/13 by the City; the remaining \$75,000.00 was reserved for possible future year deficits.

The City of Salem's 2014 Budget included a budget appropriation of \$105,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$50,000.00 was paid 08/15/15 by the City; the remaining \$55,000.00 was reserved for possible future year deficits.

The City of Salem's 2015 Budget included a budget appropriation of \$70,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$50,000.00 was paid 08/15/15 by the City; the remaining \$20,000.00 was reserved for possible future year deficits.

Note 18: DEBT SERVICE AGREEMENT (CONT'D)

The City of Salem's 2016 Budget included a budget appropriation of \$70,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$50,000.00 was paid 08/15/16 by the City; the remaining \$20,000.00 was reserved for possible future year deficits.

The City of Salem's 2017 Budget included a net budget appropriation of \$63,682.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$100,000.00 was paid 08/15/17 by the City.

The City of Salem's 2018 Budget included a net budget appropriation of \$90,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$100,000.00 was paid 08/15/18 by the City.

The City of Salem's 2019 Budget included a budget appropriation of \$150,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$150,000.00 was paid 08/15/19 by the City.

The City of Salem's 2020 Budget included a budget appropriation of \$125,000.00 to cover any deficit instead of requiring Stand Up For Salem, Inc. to make a withdraw from the Debt Service Reserve Fund. \$280,000.00 was paid 08/15/20 by the City.

Summary of City of Salem Reserve for Guaranteed Debt

<u>Budget Year</u>	<u>Amount</u>
2012	\$ 54,513.00
2012 (utilized in 2017)	(36,318.00)
2012 (utilized in 2018)	(10,000.00)
2013	75,000.00
2014	55,000.00
2015	20,000.00
2016	20,000.00
2017	None
2018	None
2019	None
Balance 12/31/19	\$ 178,195.00
Utilized in 2020	(160,000.00)
Balance 8/15/20	\$18,195.00

Note 19: 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 City expects such amount, if any, to be immaterial.

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

Tax Appeals - As of December 31, 2019, several tax appeals were on file against the City. If such appeals are not settled in favor of the City, the estimated impact of the tax refunds could be material.

Note 20: SUBSEQUENT EVENTS

COVID-19 - On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for calendar year 2020.

APPENDIX C

Audited Financial Statement of the Borrower
as of December 31, 2019



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors of
Stand Up for Salem, Inc.
Salem, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Stand Up for Salem, Inc. which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stand Up for Salem, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the accompanying schedule of expenditures of state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and State Awards, and NJ OMB 15-08 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2020 on our consideration of Stand Up for Salem, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Stand Up for Salem, Inc.'s internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

November 27, 2020

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31,

	2019	2018
ASSETS:		
Cash and Cash Equivalents	\$ 257,586	142,831
Cash and Cash Equivalents - Restricted	1,260,413	1,235,535
Grant Receivable	60,815	82,125
Property Held for Sale	138,614	138,614
Land, Building & Equipment (Net of Accumulated Depreciation of \$5,792,171 and \$5,257,534)	15,677,432	16,081,642
Total Assets	17,394,860	17,680,747
LIABILITIES AND NET ASSETS:		
Line of Credit Payable	102,345	60,373
Accrued Interest Payable	360,063	362,868
Revenue Bonds Payable	18,556,902	18,700,919
Loans Payable	41,314	42,611
Note Payable	2,495,783	2,495,783
Total Liabilities	21,556,407	21,662,554
Net Assets:		
Without Donor Restrictions	(4,242,711)	(4,036,427)
With Donor Restrictions	81,164	54,620
Total Net Assets	(4,161,547)	(3,981,807)
Total Liabilities and Net Assets	\$ 17,394,860	\$ 17,680,747

The accompanying notes are an integral part of these financial statements

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	Without Donor Restrictions	With Donor Restrictions	2019	Without Donor Restrictions	With Donor Restrictions	2018
Changes in Net Assets:						
Support and Revenue:						
Contributions and Donations	\$ 127,381	140,090	267,471	144,627	184,090	328,717
State Grants	179,459		179,459	120,038		120,038
Other Grants	6,193		6,193	2,000		2,000
Fundraising Events	38,921		38,921	38,302		38,302
Program Revenue	245,303		245,303	281,003		281,003
Rental Income	1,360,588		1,360,588	1,227,105		1,227,105
Other Income	20,635		20,635	17,757		17,757
Net Assets Released from Restriction	113,546	(113,546)	-	270,990	(270,990)	-
Total revenue, gains and other support	<u>2,092,026</u>	<u>26,544</u>	<u>2,118,570</u>	<u>2,101,822</u>	<u>(86,900)</u>	<u>2,014,922</u>
Expenses						
Program Expenses	115,461		115,461	134,325		134,325
Fundraising Expenses	29,460		29,460	25,402		25,402
Administrative Expenses	2,153,389		2,153,389	2,276,847		2,276,847
Total Expenses	<u>2,298,310</u>	<u>-</u>	<u>2,298,310</u>	<u>2,436,574</u>	<u>-</u>	<u>2,436,574</u>
(Decrease) in net assets	(206,284)	26,544	(179,740)	(334,752)	(86,900)	(421,652)
Net assets/(deficit) at beginning of year	<u>(4,036,427)</u>	<u>54,620</u>	<u>(3,981,807)</u>	<u>(3,701,675)</u>	<u>141,520</u>	<u>(3,560,155)</u>
Net assets/(deficit) at end of year	<u>\$ (4,242,711)</u>	<u>81,164</u>	<u>(4,161,547)</u>	<u>(4,036,427)</u>	<u>54,620</u>	<u>\$(3,981,807)</u>

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The accompanying notes are an integral part of these financial statements

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	Program Expenses	Fundraising Expenses	Administrative Expense	2019	Program Expenses	Fundraising Expenses	Administrative Expense	2018
Salaries	\$ 2,940		130,461	133,401	21,109		127,694	148,803
Employee Benefits	265		31,894	32,159	1,900		40,519	42,419
Total Salaries and Related Expenses	3,205	-	162,355	165,560	23,009	-	168,213	191,222
Repairs	16,607			16,607	6,980			6,980
NRTC Construction Expenses	1,489			1,489	28,001			28,001
Senior Gardens Construction Expenses	240			240	25017			25,017
Consultants			5,000	5,000				-
Miscellaneous			1,311	1,311			315	315
Fundraising Supplies		29,460		29,460		25,402		25,402
Advertising & Promotion	2,967		302	3,269	5,250		325	5,575
Program Supplies	90,105		8,588	98,693	44,437		23,320	67,757
Professional Fees			12,036	12,036			64,942	64,942
Bank Fees			189	189			30	30
Office Expenses	848		5,303	6,151	815		9,172	9,987
Telephone			3,033	3,033			4,451	4,451
Postage & Shipping			222	222			1,556	1,556
Utilities			2,787	2,787				-
Rental Occupancy Expenses			402,540	402,540			455,710	455,710
Insurance			17,160	17,160	816		13,413	14,229
Interest Expense			997,926	997,926			1,004,023	1,004,023
	115,461	29,460	1,618,752	1,763,673	134,325	25,402	1,745,470	1,905,197
Depreciation			534,637	534,637			531,377	531,377
Total Operating Expenses	\$ 115,461	29,460	2,153,389	2,298,310	134,325	25,402	2,276,847	2,436,574

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (179,740)	(421,652)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	534,637	531,377
Amortization Expense	34,551	34,551
(Increase)/Decrease in:		
Grant Receivable	21,310	31,672
Increase/(Decrease) in:		
Accounts Payable	-	(87,286)
(Decrease) in:		
Accrued Interest Payable	(2,805)	(2,661)
Premium on Revenue Bonds Payable	(8,568)	(8,316)
NET CASH PROVIDED BY OPERATING ACTIVITIES	399,385	77,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(130,427)	(72,803)
NET CASH (USED) BY INVESTING ACTIVITIES	(130,427)	(72,803)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Overdraft	-	(8,301)
Increase in Line of Credit	99,525	60,373
Payment of Line of Credit	(57,553)	-
Reduction of Note Payable	(170,000)	(165,000)
Payment on Loans	(1,297)	(136,227)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(129,325)	(249,155)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	139,633	(244,273)
CASH AND CASH EQUIVALENTS		
Beginning of Year	1,378,366	1,622,639
End of Year	\$ 1,517,999	\$ 1,378,366
Supplemental Information		
Interest Paid	\$ 974,748	980,446

The accompanying notes are an integral part of these financial statements

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stand Up for Salem, Inc. (the "Agency") have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

The Agency, located in the City of Salem, New Jersey, is a non-profit Agency incorporated on July 19, 1988 for the purpose of preserving, revitalizing and rehabilitating the buildings, land, homes and other articles that may relate to the history and architecture of the City of Salem and surrounding areas, to promote, induce, assure and procure the economic revitalization of the City and to foster low-income housing.

Basis of Presentation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Agency reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

It is the policy of the Agency to report donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Tax Exemption

The Agency is exempt from Federal income taxes under the Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from State income taxes and is registered with the State of New Jersey under the New Jersey Charitable Registration and Investigation Act (CRI) of 1994. No provision has been made for federal or state income taxes.

STAND UP FOR SALEM, INC.
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The Agency regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The Agency believes that in the event of an examination by taxing authorities, the Agency's positions would prevail based upon the technical merits of such positions. Therefore, the Agency has concluded that no tax benefits or liabilities are required to be recognized. The Agency is generally no longer subject to examination by the Internal Revenue Service for years before January 1, 2017. The Agency is generally no longer subject to examination by the New Jersey Attorney General for years before January 1, 2016.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Depreciable assets are valued at historical cost or estimated fair market value for donated assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated based on the straight-line method. It is the policy of the Agency to capitalize property and equipment with a cost of \$500 or more.

Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred; additions and major renewals considered to be betterments are capitalized.

Cash and Cash Equivalents

The Agency considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Contributed Services

The Agency receives a substantial amount of services donated by its members in carrying out the Agency's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under GAAP.

STAND UP FOR SALEM, INC.
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NOTES TO FINANCIAL STATEMENTS
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New Accounting Pronouncement

As of January 1, 2019, the Agency adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending June 30, 2020 and 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

During the year, the Agency also adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an agency determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending June 30, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, the Agency adopted the provisions of FASB ASU 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The agency has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

Effective for the Agency in 2019, FASB ASU 2016-01, Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10) allows an NFP to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Agency's 2019 and 2020 financial statements.

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NOTES TO FINANCIAL STATEMENTS
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Recent Accounting Pronouncements Not Yet Effective

In July 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-07, "Codification Updates to SEC Sections". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-03, "Not-for-Profit Entities (Topic 958) Updating the Definition of Collections". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-01, "Lease (Topic 842) Codification Improvements". The standard which is effective for years beginning after December 15, 2019 could have an effect on the Agency's financial reporting.

In December 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-20, "Lease (Topic 842) Narrow-Scope Improvements for Lessors". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In November 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses". The standard which is effective for years beginning after December 15, 2020 will not have an effect on the Agency's financial reporting.

In November 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-18, "Collaborative Arrangements (Topic 808)" The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In October 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-17, "Consolidation (Topic 810)" The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)" The standard which is effective for years beginning after December 15, 2019 could have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)." The standard which is effective for years beginning after December 15, 2021 could have an effect on the Agency's financial reporting.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-13, "Fair Value Measurement (Topic 820)." The standard which is effective for years beginning after December 15, 2019 will have an effect on the Agency's financial reporting.

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In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-12, "Financial Services—Insurance (Topic 944)." The standard which is effective for years beginning after December 15, 2020 will not have an effect on the Agency's financial reporting.

In July 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-11, "Leases (Topic 842) Targeted Improvements." The standard which is effective for years beginning after December 15, 2019 could have an effect on the Agency's financial reporting.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-07, "Compensation—Stock Compensation (Topic 718)." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In January 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-01, "Land Easement Practical Expedient for Transition to Topic 842." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In November 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-14, "Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In September 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-13, "Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)." The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In August 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-12, "Derivatives and Hedging (Topic 815)", Targeted Improvements to Accounting for Hedging Activities. The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In July 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-11, "Accounting for Certain Financial Instruments (Topics 260,480 and 815)". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-08, "Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20)". The standard which is effective for years beginning after December 15, 2019 will not have an effect on the Agency's financial reporting.

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In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-04, "Intangibles—Goodwill and Other (Topic 350)". The standard which is effective for years beginning after December 15, 2021 could have an effect on the Agency's financial reporting.

In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-03, "Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323)". The standard which is effective for years beginning after December 15, 2020 will not have an effect on the Agency's financial reporting.

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses". The standard which is effective for years beginning after December 15, 2020 will not have an effect on the Agency's financial reporting.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)". The standard which is effective for years beginning after December 15, 2021 will have an effect on the Agency's financial reporting.

Note 2: ECONOMIC DEPENDENCY

The Agency receives a substantial portion of its unrestricted revenues from local businesses. Support of \$100,000 was received from one local business. A reduction in the level of support, if such were to occur, may have an effect on the Agency's programs or activities.

Note 3: LIQUIDITY AND AVAILABILITY OF FUNDS

The Agency's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Financial assets at year end:	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 257,586	142,831
Cash and Cash Equivalents - Restricted	1,260,413	1,235,535
Grant Receivable	<u>60,815</u>	<u>82,125</u>
Total financial assets	1,578,814	1,460,491
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>81,164</u>	<u>54,620</u>
	<u>81,164</u>	<u>54,620</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,497,650</u></u>	<u><u>1,405,871</u></u>

STAND UP FOR SALEM, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2019 and 2018 consisted of the following cash accounts:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Checking	\$ 257,586	142,831
Debt Service Reserve	800,477	786,130
Other Restricted Cash Accounts	459,936	449,405
Totals	<u>\$ 1,517,999</u>	<u>1,378,366</u>

During the 2019 and 2018 calendar years, \$974,748 and \$980,446, respectively was paid for interest and \$0 and \$0 taxes.

Note 5: DEPRECIATION

Depreciable assets are recorded at cost less accumulated depreciation. Depreciation is calculated based on the straight-line method. The useful lives of assets range from 5 to 40 years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred; additions and major renewals considered to be betterments are capitalized. Depreciation expense was \$534,637 in 2019 and \$531,377 in 2018.

A summary of fixed assets is as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Land	\$ 86,867	86,867
Buildings & Improvements	21,375,723	21,245,296
Furniture & Equipment	7,013	7,013
Total Land, Buildings & Equipment	<u>21,469,603</u>	<u>21,339,176</u>
Less: Accumulated Depreciation	<u>(5,792,171)</u>	<u>(5,257,534)</u>
Net Land, Buildings & Equipment	<u>\$ 15,677,432</u>	<u>16,081,642</u>

Note 6: LINE OF CREDIT PAYABLE

During the years ended December 31, 2019 and 2018, the Agency had a 24 month \$224,400 non revolving line of credit with Fulton Bank commencing on July 24, 2017. The balance outstanding as of December 31, 2019 and 2018 was \$102,345 and 60,373, respectively. The line of credit has a variable interest rate of 1% above the Wall Street Journal Prime Rate and as of December 31, 2019 and 2018 was 6.25% and 4.25% respectively.

Note 7: NOTE PAYABLE

On December 17, 2008, the City of Salem, a Municipal Corporation of the State of New Jersey loaned the Agency \$2,500,000 for the Main Street Redevelopment Plan, primarily the Finlaw Building Project authorized through improvement authorization 08-23. The expenditures related to the project are charged to the improvement authorization and are included in Stand Up for Salem's Land, Buildings and Equipment (net of accumulated depreciation). The loan is due on demand by the City of Salem and is intended to be repaid with the future sale of the building. As of December 31, 2019 and 2018 the balance due is \$2,495,783 and \$2,495,783, respectively.

STAND UP FOR SALEM, INC.
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NOTES TO FINANCIAL STATEMENTS
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Note 8: REVENUE BONDS PAYABLE

On July 11, 2007, the Salem County Improvement Authority (“Authority”) issued \$19,500,000 in revenue bonds to provide a loan to Stand Up for Salem, Inc. for the purpose of acquisition, design, and construction of a project at 195 East Broadway, commonly referred to as the Finlaw Building and other nearby properties in the City of Salem. The project consists of property development, improvement, and construction of a five story office building in the approximate size of 50,000 square feet and an adjacent parking facility. The bonds are secured by a loan agreement dated July 1, 2007 between the Authority and the Agency, a promissory note dated July 1, 2007 from the Agency to the Authority in the amount of \$19,500,000, and a mortgage and security agreement dated July 1, 2007 from the Agency to the Authority. The City of Salem has guaranteed the payment, when due, of principal and interest on the bonds. Also on July 1, 2007 the Agency executed an assignment of rents, leases and parking revenues to Fulton Financial Advisors, N.A., the trustee of these bond funds, as additional security for the payment of the principal and interest on the bonds. Leases for office space and parking have been executed with various state and other agencies.

Principal and interest due on the government revenue bonds payable outstanding is as follows as of December 31, 2019:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	175,000	960,169	1,135,169
2021	180,000	952,469	1,132,469
2022	-	944,369	944,369
2023	-	944,369	944,369
2024	-	944,369	944,369
Thereafter	<u>17,920,000</u>	<u>10,056,475</u>	<u>27,976,475</u>
Total Before Premium and Issuance Costs	18,275,000	14,802,220	33,077,220
Add: Unamortized Premium	921,107		
Less: Unamortized Debt Issuance Costs	<u>(639,205)</u>		
Total After Premium and Issuance Costs	<u>\$ 18,556,902</u>	<u>14,802,220</u>	<u>33,077,220</u>

The combination of serial and term bonds are to be paid down annually with the final maturity due August 15, 2038. Interest rates on the bonds range from 4.00% to 5.375%. Interest is paid semi-annually on February 15th and August 15th, so the accrued interest at year end is 4.5 months. As of December 31, 2019 and 2018, accrued interest payable was \$360,063 and \$362,868, respectively.

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The bond document requires that mandatory sinking fund payments be made in the following years in advance of the term bond maturities:

<u>Year</u>	<u>Amount</u>
2022	\$ 190,000
2023	255,000
2024	300,000
2025	315,000
2026	330,000
2027	345,000
2028	1,120,000
2029	1,200,000
2030	1,260,000
2031	1,325,000
2032	1,390,000
2033	1,455,000
2034	1,530,000
2035	1,605,000
2036	1,695,000
2037	1,740,000
2038	<u>1,865,000</u>
Total	<u><u>\$ 17,920,000</u></u>

Costs associated with the bond issuance totaling \$1,071,093 are being amortized over the life of the bonds. Amortization for the years ended December 31, 2019 and 2018 were \$34,551 and \$34,551 respectively. Cumulative amortization of the debt issuance costs as of December 31, 2019 and 2018 were \$431,888 and \$397,337 respectively.

As a result of the bond issue there was a premium in the amount of \$982,847. The amortization of the premium is as follows:

<u>Year</u>	<u>Amortization</u>	<u>Balance</u>
2020	8,820	912,287
2021	9,072	903,215
2028	143,899	759,316
2032	260,832	498,484
2038	<u>498,484</u>	-
Total	<u><u>\$ 921,107</u></u>	

STAND UP FOR SALEM, INC.
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Note 9: LOANS PAYABLE

On December 13, 2016, the Agency entered into a \$50,000 construction loan with Community Loan Fund of New Jersey, Inc. The Loan proceeds are to be used solely for the renovations at 201 Wesley Street, Salem, New Jersey. Advances once repaid may not be reborrowed. Loan draws are paid directly to the contractors. The balance outstanding as of December 31, 2019 and 2018 was \$41,314 and \$4,611, respectively. Construction was complete in July 2017 and at the time the loan converted and became payable. The amortization of the loan is as follows:

Year	Principal	Interest	Total
2020	1,377	2,443	3,821
2021	1,462	2,358	3,821
2022	1,553	2,268	3,821
2023	1,649	2,170	3,819
2024	1,751	2,069	3,820
Thereafter	33,521	14,223	19,103
	<u>41,314</u>	<u>25,531</u>	<u>38,203</u>

On April 1, 2017, the Agency entered into a \$135,000 bridge loan with Wells Fargo. The loan proceeds are to be used in the mission of aid to community building, residency advocacy and neighborhood revitalization and to develop the former JC Penny Building into a Building Preservation Arts Education Center. The balance outstanding as of December 31, 2019 and 2018 was \$0 and \$0, respectively. As of August 17, 2018 the loan was repaid in full including accrued interest.

Note 10: NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Town Square Project	\$ 4,552	\$ 4,552
Yuletide Program	-	3,215
Pederson Park	20,000	20,000
Walnut Street Revitalization	51,200	-
JC Penny Pre-Construction	-	13,853
Americorps Vista Project	2,412	10,000
Wells Fargo Home Owership Grant	3,000	3,000
	<u>\$ 81,164</u>	<u>54,620</u>

Net asset with donor restrictions include monies received through contributions and donations to be used specifically for the intended purpose of the contributions.

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Net assets without donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	<u>\$ (4,242,711)</u>	<u>(4,036,427)</u>
	<u><u>\$ (4,242,711)</u></u>	<u><u>(4,036,427)</u></u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Yuletide Program	\$ 3,215	-
Walnut Street Revitalization	63,890	164,467
Salem City Health and Wellness Park	-	38,955
JC Penny Pre-Construction	13,853	
Forman Acton	-	17,568
Thrive Grant	-	15,000
Friends Foundation on Aging	-	35,000
Americorps Vista Project	7,588	-
MSNJ Placemaker	<u>25,000</u>	-
	<u><u>\$ 113,546</u></u>	<u><u>270,990</u></u>

Senior Gardens is a community garden on Hires Avenue that was started as a largely volunteer effort in 2009/2010. During 2018 SUFS received a grant from the Friends Council on Aging (a Philadelphia funding agency associated with but independent from the Philadelphia Yearly Meeting of the Religious Society of Friends {Quakers}) for \$35,000 to enhance the functionality of the Garden and to make it more accessible to the residents of the Salem Senior Village. Raised beds and hard pathways were constructed to allow for wheelchair access. The Agency also hired a part time “garden manager”. The project has been a resounding success and the full \$35,000 was released from restrictions. SUFS still provides funding out of its general account for the garden manager.

Note 11: CONCENTRATION OF RISK

As of December 31, 2019 and 2018, the Agency had cash equivalents at financial institutions and in money market funds, which at times during the year may exceed federal insured limits. The Agency only deposits funds in recognized fiscally stable financial institutions. The Agency also has funds invested in funds which are not covered by the Federal Deposit Insurance Corporation (FDIC).

Note 12: PROPERTY LEASES

On April 1, 2009 the Agency signed a 20 year lease agreement renting office space in the Finlaw Building to State of New Jersey. The lease calls for monthly rental payments of \$65,000 for years 1 to 5; \$71,500 for years 6 to 15 and \$78,000 for years 16 to 20. The lease also contains provisions for renting parking spaces to the lessee at a monthly cost of \$11,200 and reimbursement for a percentage of utilities including electricity and gas. The lease expires March 31, 2029.

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

On April 1, 2009 the Agency signed a 34 month lease agreement renting office space in the Finlaw Building to Office of Legislative Services. The lease calls for monthly rental payments of \$2,475. The lease expired January 31, 2012. The lease was renewed on December 31, 2013 for the period of February 1, 2014 to January 31, 2016 with an increase in the base rental rate for the current published Consumer Price Index. The lease was renewed February 1, 2019 with increases based on the Consumer Price Index. The lease was renewed February 1, 2020 with increases based on the Consumer Price Index.

On April 1, 2009 the Agency signed a 20 year lease agreement renting office space in the Finlaw Building to the Salem County Improvement Authority. The lease calls for monthly rental payments of \$17,963 for years 1 to 5; \$19,132 for years 6 to 15 and \$20,300 for years 16 to 20. The lease also contains provisions for renting parking spaces to the lessee at a monthly cost of \$2,500. The lease expires March 31, 2029.

On May 1, 2018, the Agency signed a 3 year lease agreement renting 201 Wesley Street, which was acquired and rehabilitated by the Agency and is included in property held for sale on the statement of financial position. The term of this lease is for three (3) years starting June, 1, 2017 and ending May 31, 2020. The monthly rent payments are \$1,000. The lease also includes a \$50,000 purchase option and must be exercised in writing no later than April 1, 2020. As of November 27, the lease was not renewed.

During 2019 and 2018, the Agency recognized rental income of \$1,360,588 and \$1,227,105 respectively.

The following is a schedule by years of future minimum rentals under the leases at December 31, 2019:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	1,270,266
2021	1,264,266
2022	1,264,266
2023	1,264,266
2024	1,264,266
Thereafter	<u>6,781,410</u>
Total	<u><u>\$ 13,108,740</u></u>

Note 13: GOING CONCERN

The Agency has sustained losses over the past several years related to the recording of depreciation expense on the Finlaw building. The Agency is current with all debt payments and other operating expenses. All debt associated with the Finlaw building is guaranteed by the City of Salem.

Note 14: RECLASSIFICATION OF BALANCES

Certain accounts in the financial statements for the year ending December 31, 2018, have been reclassified to conform to the current year presentation. These reclassifications had no effect on the financial position of the Agency or results of operations.

STAND UP FOR SALEM, INC.
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 15: SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through November 27, 2020, the date which the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continued to spread throughout the United States. On March 21, 2020, the Governor of New Jersey declared a health emergency and issued an order to close all nonessential businesses until further notice. Immediate impacts include fewer public events and modifying existing ones. Less sponsorship money if events are again cancelled. Summer camp and after school activities were canceled. The agency has tried to offset this with online and take home activities. There was also less live interaction internally as well as the community which also makes outreach harder. If further government orders mandate that PLAN/NJ reduce or cease operations, the results of operations could be negatively affected, and the impact cannot be reasonably estimated at this time. No adjustments have been made to the financial statements due to this uncertainty.

On April 30, 2020, the Agency received loan proceeds in the amount of \$35,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) provides loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of qualifying businesses. The loan is forgivable after 8 or 24 weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness could be reduced if the borrower terminates employees, reduces salary levels, or uses more than 25% of the loan proceeds for "non-payroll" costs as defined by the United States Small Business Administration. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral period of six months. As of November 27, 2020 the Agency has used the proceeds for purposes consistent with the PPP. While the Agency currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there can be no assurance that the loan will be forgiven, in whole, or in part.

APPENDIX D

Copy of Indenture of Trust and Loan Agreement and Forms of First Supplemental Indenture of Trust, First Supplemental Loan Agreement, Mortgage and Security Agreement, Support Agreement and Guaranty Agreement

INDENTURE OF TRUST
between
THE SALEM COUNTY IMPROVEMENT AUTHORITY
and
FULTON FINANCIAL ADVISORS, N.A., AS TRUSTEE

Dated as of July 1, 2007

Relating to:
\$19,500,000
City-Guaranteed Revenue Bonds
(Finlaw State Office Building Project)
Series 2007

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WHEREAS, the Authority subsequently adopted a bond resolution on August 14, 2006 ("Bond Resolution") authorizing, among other things, the issuance of the Bonds and the execution of certain documents used in the consummation of the transactions contemplated by said Bonds; and

WHEREAS, the Authority will issue the Bonds pursuant to the Act, the Bond Resolution, this Indenture, and other related documents; and

WHEREAS, the Authority proposes to apply the proceeds from the sale of the Bonds to make a loan to the Borrower pursuant to a loan agreement ("Loan Agreement") for the purposes of financing the Costs of the Project; and

WHEREAS, upon receipt of such proceeds, the Borrower intends to undertake the acquisition, design, construction and operation of the Project; and

WHEREAS, as evidence of and security for all of its payment obligations hereunder and under the Loan Agreement, including the payment of all debt service requirements on the Bonds the Borrower has: (i) executed and delivered to the Authority (a) a promissory note ("Note") payable to the Authority to evidence the loan (b) real estate mortgage and security agreement ("Mortgage") granting to the Authority a first lien on and security interest in the Mortgaged Property and Pledged Property (as defined therein), subject only to Permitted Encumbrances, and (c) Uniform Commercial Code financing statements evidencing the security interest created hereunder and by the Mortgage; and (ii) executed and delivered to the Trustee an Assignment of Leases, Rents and Parking Revenues ("Assignment of Leases and Rents") granting to the Trustee a first lien and security interest in the Leases, the Rents and the Parking Revenues (as each such term is defined therein) executed, delivered and collected in connection with the use of the Office Building and the Parking Facility; and

WHEREAS, the Bonds are special, limited obligations of the Authority, payable solely from and secured by its interest in the pledged Revenues, including amounts payable by the Borrower pursuant to the Loan Agreement (subject to the rights of the Authority reserved therein), the Mortgage and the Note, all funds held by the Trustee under the Indenture (except the Rebate Fund) and all income derived from the investment of such funds; and

WHEREAS, pursuant to an Assignment Agreement, by and between the Authority and the Trustee ("Authority Assignment"), the Authority will assign (with certain reservations) its rights and benefits under the Loan Agreement, the Note and the Mortgage to the Trustee as security for the Bonds; and

WHEREAS, to induce prospective purchasers of the Bonds to purchase the same and provide additional security to the owners thereof, the City of Salem, County of Salem, New Jersey ("City") has, in accordance with Section 37 of the Act, *N.J.S.A. 40:37A-80*, agreed to unconditionally and irrevocably guaranty the punctual payment of the principal of and interest on the Bonds ("City Guaranty"); and

WHEREAS, the Authority and the City have also each determined that it will be economical, efficient and otherwise advantageous to each of them and to the residents of the City for the City and the Authority to enter into an agreement providing for certain financial assistance ("Support Agreement"), which Support Agreement shall, among other things, additionally obligate the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds from amounts which are available therefor; and

INDENTURE OF TRUST

THIS INDENTURE OF TRUST ("Indenture"), dated as of July 1, 2007, between The Salem County Improvement Authority ("Authority"), duly created by a resolution of the Board of Chosen Freeholders of the County of Salem, New Jersey ("County") as a public body corporate and politic of the State of New Jersey ("State") pursuant to and in accordance with the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto ("Act"), and Fulton Financial Advisors, N.A., Lancaster, Pennsylvania, as trustee (as more fully defined herein, the "Trustee").

WITNESSETH:

WHEREAS, the Authority has been duly created by a resolution of the Board of Chosen Freeholders of the County as a public body corporate and politic of the State pursuant to and in accordance with the Act; and

WHEREAS, the Authority is authorized pursuant to the Act (*N.J.S.A. 40:37A-54(1)*), to finance the planning, design, acquisition, construction, improvement, renovation, installation, maintenance and operation of facilities or any other type of real or personal property within the County for a corporation organized as a non-profit corporation under the laws of the State, except those facilities or any other type of real or personal property which can be financed pursuant to the provisions of *N.J.S.A. 26:2-1 et. seq.*; and

WHEREAS, the Authority has received an application for financial assistance, dated January 9, 2006 ("Application"), from Stand Up for Salem, Inc., a New Jersey non-profit corporation ("Borrower") relating to: (i) the acquisition of certain property located at 195 East Broadway, Salem, New Jersey 08079 and existing improvements thereon (commonly referred to as the Finlaw Building), as well as other nearby properties (presently designated as Block 61, Lots 4, 5 and part of Lots 7 and 8, to be consolidated and hereafter known as Block 61, Lot 4 on the Official Tax Map of the City of Salem, and presently designated Block 61, Lots 23, 24, 25, 26, 28, a portion of Lot 15 and a portion of Belden Street (now vacated) in the City of Salem, all to be consolidated and hereafter known as Block 61.01, Lot 23, on the Official Tax Map of the City of Salem) (collectively, the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 50,000 square feet, to house various State agencies and other entities ("Office Building"); and (b) an adjacent parking facility to house approximately 275 spaces ("Parking Facility"); (iv) all other costs and expenses necessary therefore or related to the proposed project, including capitalized interest and the funding of a debt service reserve fund; and (v) the costs of issuance with respect to the proposed financing, all as further described in said Application and the other information submitted in connection therewith (collectively, the "Project"); and

WHEREAS, the Authority has reviewed the Application and has, pursuant to a resolution adopted on January 9, 2006, made certain findings and determinations with respect to said Application and preliminarily authorized, *inter alia*, the issuance of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 ("Bonds") to finance the cost thereof; and

WHEREAS, the Authority 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:37A-54(1)*, for approval of the Project and the issuance of the Bonds and City Guaranty (hereinafter defined) and received the requisite approval from the Local Finance Board on October 9, 2006; and

WHEREAS, the Authority and the Trustee may provide for the issuance of Additional Bonds for the purpose of refinancing the Bonds; and

WHEREAS, the Bonds and Additional Bonds, if any, shall be equally secured by this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, the redemption premium, if any, and the interest on, and the purchase price of, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders (as hereinafter defined) thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority, for the benefit of the respective Holders from time to time, does hereby grant a security interest in, pledge and assign to the Trustee, and to its successors in the trusts hereby created, and to them and their assigns forever, all of the Authority's rights, title and interest in and to the following (the "Trust Estate"):

I.

The Revenues (as hereinafter defined), the Loan Agreement, including, but not limited to all payments and prepayments due and to become due thereunder and under the Note, excepting, however, and reserving the Unassigned Rights and the City Guaranty.

II.

The Bond Fund, the Project Fund, the Debt Service Reserve Fund (as such terms are hereinafter defined) and any other funds created or established by this Indenture (except the Rebate Fund, as hereinafter defined) including deposits therein, the investments thereof and the proceeds of such investments, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions hereinafter set forth.

III.

Any and all other property of every name 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 on 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.

TO HAVE AND TO HOLD all the said property, together with all the privileges and appurtenances thereto belonging, incident or appertaining thereto, unto the Trustee and its successors in said trusts and to them and their assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all Holders of the Bonds issued or to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise of any of the Bonds over any of the others;

PROVIDED, HOWEVER, that when the principal of (including mandatory sinking fund installments, if any), redemption premium, if any, and interest on all of the Bonds secured hereby have been paid or shall be deemed to have been paid in accordance with the terms and provisions of this Indenture, then this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture shall be in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all property hereby pledged, assigned or transferred is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective Holders, from time to time, of the Bonds, as follows:

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shall be determined after projecting operation of any sinking, purchase, redemption or analogous fund established for the Bonds.

"Authorized Borrower Representative" means any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee, as the person authorized to act on behalf of a Borrower. Such certificate shall contain the specimen signature of such person, and shall be signed on behalf of the Borrower by its president, treasurer, secretary or one of its senior vice presidents, vice presidents or assistant secretaries. Such certificate may designate an alternate or alternates which may act as an Authorized Borrower Representative.

"Authorized City Representative" means the Mayor, Council President, Chief Financial Officer, Administrator or Clerk of the City. In addition an Authorized City Representative shall mean any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee, as the person authorized to act on behalf of the City. Such certificate shall contain the specimen signature of such person, and shall be signed on behalf of the City by the Clerk. Such certificate may designate an alternate or alternates which may act as an Authorized City Representative.

"Authorized Denomination" shall mean \$5,000 and any integral multiple of \$5,000.

"Authorized Officer" shall mean (1) with respect to the Authority: the Chairman, the Vice Chairman, the Secretary or the Executive Director of the Authority and, when used with reference to an act or document, also means any other person who shall be authorized by Resolution or the by-laws of the Authority to perform such act or to execute such document or any other person or persons who shall be authorized by Resolution of the Authority to act on behalf of the Authority or by a written certificate duly executed on behalf of the Authority by the Chairman or the Executive Director of the Authority, which certificate shall set forth such authorization and shall contain the specimen signature of each such person, and (2) with respect to the Trustee or the Paying Agent: any officer of the Trustee or the Paying Agent respectively authorized by the Trustee or the Paying Agent to act or execute documents on behalf of the Trustee or the Paying Agent, as the case may be.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States.

"Bond Documents" shall mean this Indenture, the Authority Assignment, the Loan Agreement, the Mortgage, the Note, the Support Agreement, the City Guaranty, the Guaranty Agreement, the Assignment of Leases and Rents, and the Financing Statements.

"Bond Fund" shall mean the Bond Fund established pursuant to Section 5.02 hereof.

"Bond Payment Date" means each February 15 and August 15, commencing February 15, 2008, and each date on which principal or interest shall be payable on any of the Bonds according to their respective terms and this Indenture so long as any of the Bonds shall be Outstanding.

"Bond Year" shall mean, with respect to the Bonds, each one-year period that ends on August 15, except that the first and last Bond Years shall be short periods. For each Series of Additional Bonds, the Bond Year shall be designated in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

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ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of the Loan Agreement and of any Indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

"Act" shall have the meaning ascribed thereto in the preamble of this Indenture.

2.03. "Additional Bonds" shall mean any Bonds issued pursuant to the provisions of Section

"Administrative Expense Account" shall mean the Account within the Project Fund by that name established pursuant to Section 3.02.

"Administrative Expenses" shall mean those expenses incurred by the Authority, the Borrower or their respective agents, counsel or other consultants, which shall include: (i) the expenses incurred in the carrying out any of the duties of the Authority, the Borrower or their respective agents, counsel or other consultants under any Bond Documents including, without limitation, accounting, administrative, financial advisory and legal expenses; (ii) the fees and expenses of the Trustee, the Paying Agent or any other fiduciaries or agents acting on behalf of the Authority under or pursuant to the terms of any Bond Document; (iii) any fees and expenses or reimbursement amounts owed to Financial Assurance Security Inc. hereunder; and (iv) Operating and Maintenance Expenses.

"Administrative Fee" shall mean (i) for the Bonds (other than Additional Bonds), if and when issued, shall be \$70,000 payable to the Authority from a portion of the proceeds of the Bonds that have been deposited in the Costs of Issuance Account of the Project Fund pursuant to Section 3.02 hereof; and (ii) for all Bonds other than the Bonds, a sum of money as determined by any Supplemental Indenture payable from any combination of an equity contribution the Borrower, a portion of the proceeds of any such Additional Bonds and by the Borrower to the Trustee as additional payments for deposit in the Administrative Expense Account of the Project Fund.

"Affiliate" shall mean, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. The term "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" or "Loan Agreement" shall mean the Loan Agreement, dated as of July 1, 2007, between the Authority and the Borrower, as originally executed or as it may from time to time be supplemented or amended.

"Assignment of Leases and Rents" shall mean the Assignment of Rents, Leases and Parking Revenues, dated as of July 1, 2007, between the Borrower and the Trustee, as originally executed or as it may from time to time be supplemented or amended.

"Average Annual Debt Service Requirements on Bonds" means the average annual Debt Service requirements required to be paid on the Bonds, calculated over the life of the Bonds, which life

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"Bonds" shall mean the City Guaranteed Revenue Bonds (Finlaw State Office Building Project) authorized and issued under and secured by this Indenture, dated their Issue Date, in the original aggregate principal amount equal to \$19,500,000 and all Series of Additional Bonds.

"Borrower" shall mean Stand Up for Salem, Inc., a New Jersey non-profit corporation, its successors and assigns, and any surviving, resulting or transferee entity as provided in Section 6.14 of the Agreement.

"Business Day" shall mean any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or the city or cities in which are located the principal corporate trust office of the Trustee are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

"Capitalized Interest Account" shall mean the account created pursuant to Section 5.06 hereof.

"Certificate of the Authority" shall mean a certificate signed by the Chairman, Vice Chairman or Executive Director of the Authority, or by such other person at the time or from time to time designated by written certificate furnished to the Borrower and the Trustee and signed by the Chairman, Vice-Chairman or Executive Director of the Authority. If and to the extent required by the provisions of Section 1.04, each Certificate of the Authority shall include the statements provided for in Section 1.04 hereof.

"Certified Resolution" shall mean a copy of a resolution of the Authority certified by the Secretary or an Assistant Secretary of the Authority to have been duly adopted by the Authority and to be in full force and effect on the date of such certification.

"City" shall mean the City of Salem, County of Salem, New Jersey, a body politic and corporate of the State of New Jersey.

"City Guaranty" shall mean the City's guaranty, pursuant to Section 80 of the Act, of the payment of principal and interest when due on the Bonds pursuant to the Guaranty Ordinance.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any amendments of, or successor provisions to the Code, to the extent applicable to the Bonds. Reference herein to any specific provision of the Code shall be deemed to include any successor provision of the Code applicable to the particular Series of Bonds.

"Completion Date" shall mean the date of completion of the Project, as that date shall be certified as provided in Section 4.04 of the Agreement.

"Construction Period" shall mean the period from the Issue Date for the Bonds to the date the Project has been placed in service (within the meaning of Treasury Regulations §1.167(a)(ii)(e)(i) and 1.46-3(d)(ii)) as set forth in a certificate provided by the Authorized Borrower Representative to the Trustee.

"Contract of Purchase" shall mean that certain purchase agreement between the Authority and the underwriter named therein relating to the sale and purchase of the Bonds.

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"Cost" or "Costs" with respect to the Project shall be deemed to include all items permitted to be financed under the provisions of the Act including but not limited to:

(a) all costs which the Authority or the Borrower shall be required to pay for the acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure or facility of the Project, and the cost of acquiring and installing machinery and equipment;

(b) the cost of labor and materials in connection with the acquisition or construction of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction and installation of the Project;

(d) all costs of engineering, architectural and other professional services, including the costs of the Authority or the Borrower for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for allocated overheads pertaining to acquisition, construction and installation of the Project and for supervising acquisition, construction and installation of the Project, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including related legal and accounting costs;

(e) the cost of acquiring any property, real, personal or mixed, tangible or intangible, by purchase, lease or otherwise (including transfer taxes, if any), or any interest therein, rights-of-way, franchises, easements and other interests in land, or the cost of demolishing any property, real, personal or mixed, necessary or desirable in connection with the acquisition, construction or operation of the Project, and all fees and expenses incident theret, including, without limitation, the cost of abstracts of title, title insurance, title opinions, other legal fees and costs of surveys and reports;

(f) any sums required to reimburse the Borrower for expenses or advances made by the Borrower for any of the above items or for any other costs incurred and for work done by the Borrower which are properly chargeable to the Project;

(g) interest on the Bonds incurred during the Construction Period prior to the Completion Date;

(h) Costs of Issuance; and

(i) Administrative Expenses.

"Costs of Issuance" shall mean any costs incurred in connection with and allocable to the issuance of the Bonds, within the meaning of Section 147(g) of the Code including, but not limited to: (i) underwriter's or placement agent's compensation (whether realized directly or derived through the purchase of the Bonds at a discount below the price at which they are expected to be sold to the public); (ii) counsel fees (including Bond Counsel, underwriter's counsel, Borrower's counsel, Trustee's counsel, City's counsel, bond counsel to the City, and any other specialized counsel fees incurred in connection with the borrowing); (iii) financial advisor fees incurred in connection with the borrowing; (iv) rating agency fees; (v) Trustee fees incurred in connection with the borrowing; (vi) Paying Agent and certifying and authenticating agent, dissemination agent fees, fees related to issuance of the Bonds; (vii) accounting fees related to the issuance of the Bonds; (viii) printing costs (of the Bonds and of offering materials); (ix) fees of the Securities Depository; (x) costs incurred in connection with the required public approval

process (e.g., publication costs for public notices in connection with the issuance of the Bonds including, without limitation, the notice of public hearing); (xi) costs of engineering, feasibility studies and consultant's reports necessary to the issuance of the Bonds (as opposed to such studies related solely to completion of the Project and not to the financing); and (xii) fees of the Authority for making the loan to the Borrower to finance the Project and issuing the Bonds in connection therewith.

"Costs of Issuance Account" shall mean the account in the Project Fund by that name established pursuant to Section 3.02 hereof.

"Counsel" shall mean an attorney or firm of attorneys (who may be, without limitation, of counsel to or an employee of the Trustee or the Paying Agent) duly admitted to the practice of law before the highest court of any state.

"County" shall mean the County of Salem, New Jersey.

"Debt Service" means the scheduled amount of interest and amortization of principal payable for any Bond Year with respect to the Bonds.

"Debt Service Payment" means, with respect to any Bond Payment Date, (i) the interest payable on such Bond Payment Date on all Bonds then Outstanding, plus (ii) the principal, if any, payable on such Bond Payment Date on all such Bonds.

"Debt Service Reserve Fund" means the Fund so designated, created and established pursuant to Section 5.03 of this Indenture.

"Debt Service Reserve Requirement" means an amount equal to the lesser of: (i) the maximum Debt Service payable on the Bonds in any year ending on June 30; (ii) 10% of the principal amount of the Bonds; or (iii) the maximum amount which may be credited to the Debt Service Reserve Fund and allow such fund to qualify as a "reasonably required reserve or replacement fund" under Section 148(d) of the Code. The Debt Service Reserve Fund Requirement for the Bonds shall be \$1,786,971.67.

"Event of Default" as used herein shall have the meaning specified in Section 7.01 hereof, and as used in the Agreement shall have the meaning specified in Section 9.01 hereof.

"Financing Statements" shall mean those Uniform Commercial Code Financing Statements prepared and filed in connection with and as evidence of the security interest granted under the Mortgage as well as any modifications of, and continuation of the same.

"Guaranty Agreement" shall mean that certain Guaranty Agreement, dated as of July 1, 2007, among the Authority, the Trustee and the City, and any and all modifications, alterations, amendments and supplements thereto made in accordance with the provisions of the Guaranty Agreement.

"Guaranty Ordinance" means Ordinance Number 0611 entitled "GUARANTY ORDINANCE OF THE CITY OF SALEM, IN THE COUNTY OF SALEM, NEW JERSEY, UNCONDITIONALLY AND IRREVOCABLY SECURING THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON NOT IN EXCESS OF \$19,500,000 BONDS OF THE SALEM COUNTY IMPROVEMENT AUTHORITY FOR THE PURPOSE OF PROVIDING ADDITIONAL SECURITY IN CONNECTION WITH THE AUTHORITY'S FINLAW BUILDING PROJECT AND DETERMINING

CERTAIN OTHER MATTERS IN CONNECTION THEREWITH" duly and finally adopted by the Common Council of the City of Salem, New Jersey, and published in accordance with applicable law, guaranteeing the payment of the principal of and interest on the Bonds in an amount not to exceed \$19,500,000.

"Holder" or "Bondholder" shall mean the registered owner of any Bond.

"Indenture" means this Indenture of Trust, as amended or supplemented in accordance with the terms hereof.

"Insurance Policy" shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

"Insurer" shall mean Financial Security Assurance Inc., a New York insurance company, or any successor thereto or assignee thereof.

"Interest Payment Date" shall mean as to any Series of Bonds bearing interest at the fixed rate, each February 15 and August 15.

"Investment Agreement" shall mean that certain agreement or agreements between the Authority, the Trustee, the Borrower and a qualified investment provider, pursuant to which the Trustee shall invest a portion of the proceeds of Bonds deposited in the Debt Service Reserve Fund and the Capitalized Interest Account, respectively, which Investment Agreement shall consist of Permitted Investments.

"Issue Date" shall mean, as to each Series of Bonds, the first date on which the Authority receives the purchase price for such Series of Bonds in exchange for delivery of such Series of Bonds.

"Maximum Annual Debt Service Requirements on the Bonds" means, as of the date in question, the highest aggregate interest payments required to be paid on the Bonds in the then current or any succeeding twelve consecutive month period, calculated over the remaining life of such Bonds which remaining life shall be determined after projecting operation of any mandatory sinking or mandatory redemption established for such Bonds.

"Moody's" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized statistical rating organization designated to the Trustee by the Borrower.

"Mortgage" or "Mortgages" shall mean, collectively, the real estate mortgages executed and delivered by the Borrower granting to the Authority a first lien on and security interest in the Mortgaged Property and Pledged Property (as defined therein) subject only to Permitted Encumbrances.

"Note" shall mean the promissory note of the Borrower, dated the same date as the Bonds, and in the principal amount of \$19,500,000.

"Notice by Mail" or "notice" of any action or condition "by Mail" shall mean a written notice meeting the requirements of this Indenture mailed by first-class mail, postage prepaid, to the

Holders of specified registered Bonds, at the addresses shown on the registration books maintained pursuant to Section 2.06.

"Operating and Maintenance Expenses" shall mean the costs and expenses of the operation and maintenance of the Office Building and the Parking Facility, including (a) rentals and other charges payable by Borrower under any ground lease or other agreement affecting the Office Building or the Parking Facility, (b) electricity, telephone, water and other utility costs, taxes, assessments, water charges and sewer rents and other utility and governmental charges levied, assessed or imposed against the Office Building or the Parking Facility, (c) insurance premiums, (d) costs and expenses with respect to any litigation affecting the Office Building or the Parking Facility, (e) wages and salaries of employees, commissions of agents of the Borrower or the Authority, (f) attorneys' fees and expenses, and (g) all other carrying costs, fees, charges, reserves and expenses whatsoever relating to the Office Building and the Parking Facility.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Opinion of Counsel" shall mean a written opinion of counsel (who may be counsel for the Borrower) acceptable to the Authority and the Borrower. If and to the extent required by the provisions of Section 1.04, each Opinion of Counsel shall include the statements provided for in Section 1.04.

"Outstanding", when used as of any particular time with reference to any Series of Bonds, shall (subject to the provisions of Section 11.08(d)) mean all Bonds of such Series theretofore authenticated and delivered by the Trustee under this Indenture except:

(a) Bonds theretofore canceled by the Trustee or the Registrar or surrendered to the Trustee or the Registrar for cancellation;

(b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.05 hereof or Section 2.08 hereof; and

(c) Bonds for the payment or redemption of which money or securities in the necessary amount (as provided in Article X) shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided herein or provision satisfactory to the Trustee shall have been made for the giving of such notice.

"Participant" shall mean one of the entities that deposit securities, directly or indirectly, in the book-entry system maintained by the Securities Depository.

"Paying Agent" shall mean Fulton Financial Advisors, N.A., or its successor as paying agent hereunder.

"Payment Installment" shall mean any amount that the Borrower is required to pay directly to the Trustee pursuant to the Agreement as a payment on any Note.

"Permitted Encumbrances" shall mean, as of any particular time: (i) liens for taxes and assessments not delinquent or which are being contested in good faith and for which cash reserves have been established in an amount satisfactory to the Authority; (ii) the lien and security interests granted under

this Indenture, the Mortgage, the Financing Statements and other Bond Documents; (iii) utility access and other easements and rights of way, restrictions and exceptions that an Authorized Borrower Representative certifies will not materially interfere with or impair the Project and to which the Authority has consented in writing; (iv) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Project and to which the Authority has consented in writing; and (v) any other lien or other encumbrance against any other property other than the Mortgaged Property (as defined in the Mortgage).

"Permitted Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

(i) cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal of and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS or defeased municipal bonds rated in the highest rating category by the Rating Agencies;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state or of any agency or instrumentality of any such local governmental unit (a) that are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) that are secured as to principal, interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character in clause (i) above that have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) bonds, debentures or other evidences of indebtedness issued or guaranteed by any agency or corporation that has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iv) new housing authority bonds issued by public agencies or municipalities that are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities that are fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct, general obligations of any state of the United States of America, the payment of the principal of and interest on which the full faith and credit of such state is pledged; provided, however, that at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by the Rating Agencies;

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(vi) obligations of any state of the United States of America or any political subdivision thereof or of any agency or instrumentality of any such state or political subdivision that shall be rated in the highest short- or long-term rating category by the Rating Agencies;

(vii) direct and general obligations of the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged; or any bonds or other obligations the payment of the principal of and interest on which are unconditionally guaranteed by the State;

(viii) certificates or other instruments that evidence ownership of the right to payments of principal or of interest on obligations of any state of the United States of America or any political subdivision thereof or of any agency or instrumentality of any such state or political subdivision; provided, however, that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under Section 8.08 hereof; and provided, further, that the payments of all principal of and interest on such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations that shall be rated in the highest short- or long-term rating category by the Rating Agencies, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by the Rating Agencies;

(ix) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) above; provided, however, that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under Section 8.08 hereof;

(x) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any of the fifty (50) largest banks by measure of total assets, which banks may include the Trustee, that are rated not lower than the second highest rating category by the Rating Agencies;

(xi) commercial paper, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by the Rating Agencies;

(xii) any repurchase agreement that, by its terms, matures not later than one (1) year from its date of execution with any bank or trust company organized under the laws of any state of the United States of America or any national banking association, including the Trustee, or any government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i), (iii), (iv), (x) or (xi) above and which securities shall at all times have a market value (exclusive of accrued interest) of not less than one hundred two percent (102%) of the full amount of the repurchase agreement, have dates of maturity not in excess of seven (7) years, and be delivered to another bank or trust company organized under the laws of any state of the United States of America or national banking association, as custodian;

(xiii) shares of an investment company organized under the Investment Company Act of 1940, as amended, including any investment company for which the Trustee is investment advisor, that invests its assets substantially in obligations of the type described in clause (ii), (vii), (xi) or (xii) above;

(xiv) interests in the State of New Jersey Cash Management Fund or other similar common trust fund for which the State Treasurer is the custodian.

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(xv) a money market or United States Treasury fund rated AAAM by Standard & Poor's Rating Services and Aaa by Moody's Investors Service.

"Person" shall mean an individual, a corporation, a partnership, a trust, a limited liability company, an unincorporated organization or a government or any agency or political subdivision thereof.

"Principal Office" of the Registrar shall mean the principal corporate trust office of the Registrar initially located in Lancaster, Pennsylvania.

"Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee initially located in Lancaster, Pennsylvania.

"Project" shall mean: (i) the acquisition of certain property located at 195 East Broadway, Salem, New Jersey 08079 and existing improvements thereon (commonly referred to as the Finlaw Building), as well as other nearby properties (currently known as Block 61, Lots 4, 5, 7, 8, 23, 24, 25, 26, 28 and a portion of Lot 15 on the Official Tax Map of the City, all to be consolidated and hereafter known as Block 61, Lot 4, and Block 61.01, Lot 23 on the Official Tax Map of the City) (collectively, the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 50,000 square feet, to house various State agencies and other entities; and (b) an adjacent parking facility to house approximately 275 spaces; (iv) all other costs and expenses necessary therefore or related to the proposed project, including capitalized interest and the funding of a debt service reserve fund; and (v) the costs of issuance with respect to the issuance and sale of the Bonds.

"Project Account" shall mean the account in the Project Fund by that name established pursuant to Section 3.02 hereof.

"Project Fund" shall mean the Project Fund established pursuant to Section 3.02 hereof.

"Qualified Newspaper" shall include The Wall Street Journal and The Bond Buyer and any other newspaper or journal containing financial news, printed in the English language and customarily published on each Business Day, of general circulation in New York, New York.

"Rating Agency" or "Rating Agencies" shall mean any one or more of Moody's or S&P or any nationally recognized statistical rating organization accepted by the Authority, which at any time is providing a rating on the applicable Series of Bonds.

"Rating Category" or "Rating Categories" shall mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

"Rebatable Arbitrage" means the amount required to be rebated to the United States pursuant to Section 148(f)(2) of the Code or successor provisions applicable to the Bonds.

"Rebate Computation Date" means the Initial Rebate Computation Date, each fifth anniversary of the Initial Rebate Computation Date and the date of the retirement of the last obligation of the Bonds.

"Rebate Expert" means any of the following chosen by the Borrower: (a) Bond Counsel, (b) any firm of certified public accountants or independent public accountants which holds itself out as

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having expertise in calculation of arbitrage rebate with respect to Tax-exempt bonds or (c) such other person approved by Bond Counsel or the Authority.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 5.09 hereof.

"Record Date" shall mean the first (1st) day of the calendar month in which an Interest Payment Date occurs.

"Registrar" shall mean Fulton Financial Advisors, N.A., and its successors or any corporation or association which may at any time be substituted in its place in accordance with the terms hereof.

"Responsible Officer" when used with respect to the Trustee shall mean any officer within the Corporate Trust Administration group (or any successor group of the Trustee) located at the Trustee's principal corporate trust office, including any vice president, assistant vice president, corporate trust officer or any other officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Trustee's Principal Office because of his or her knowledge of and familiarity with the particular subject.

"Revenues" shall mean (i) all rents, receipts, installment payments and other income derived by the Authority or paid to the Trustee with respect to the Bonds under the Loan Agreement, the Note, the Mortgage and the Assignment of Leases and Rents, and any income or revenue derived from the investment of any money in any fund or account established pursuant to this Indenture (except the Rebate Fund), including all Payment Installments and any other payments made by the Borrower with respect to the Bonds or the Note pursuant to the Loan Agreement, and (ii) payments received under the City Guaranty and the Support Agreement, but such term shall not include payments to the Authority, the Trustee or other Persons pursuant to Unassigned Rights and amounts on deposit in the Rebate Fund or payments made to the Trustee for deposit in the Rebate Fund.

"S&P" shall mean Standard & Poor's Ratings Group, A Division of the McGraw-Hill Companies, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized statistical rating organization designated to the Trustee by the Borrower.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any successor appointed under Section 2.06 hereof.

"Series" shall mean Bonds designated as being of the same Series, provided that no Bonds will be designated as part of the same Series if they are not part of the same "issue" (within the meaning of Treasury Regulations § 1.150).

"Supplemental Indenture" or "indenture supplemental hereto" shall mean any supplement or amendment to this Indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of this Indenture.

"Support Agreement" shall mean that certain Support Agreement, dated as of July 1, 2007, among the Authority, the Trustee and the City, and any and all modifications, alterations, amendments and supplements thereto made in accordance with the provisions of the Support Agreement.

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"Surplus Account" shall mean the account in the Bond Fund by that name established pursuant to Section 5.02 hereof.

"Tax-exempt" shall mean, with respect to interest on any obligations of a state or local government, or political subdivision thereof, including the Bonds, that such interest is excluded from gross income for federal income tax purposes, and is not includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax under the Code.

"Trustee" shall mean Fulton Financial Advisors, N.A., a national banking association organized under the laws of the United States of America, or its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee hereunder.

"U.S. Government Obligations" shall mean direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America.

"Unassigned Rights" shall mean the rights of the Authority and other Persons under Sections 5.06, 5.07, 5.12, 6.02, 6.10, 6.12, 6.13, 6.14, 6.21, 6.27, 6.28, 9.03 and 9.06 of the Agreement.

"Written Consent of the Authority", "Written Order of the Authority", "Written Request of the Authority" and "Written Requisition of the Authority" shall mean, respectively, a written consent, order, request or requisition signed by or on behalf of the Authority by its Chairman, Vice-Chairman, Executive Director, or such other person at the time or from time to time designated by written certificate furnished to the Trustee and the Borrower and signed by the Chairman, Vice Chairman or Executive Director, of the Authority.

Section 1.02. Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

Section 1.03. Articles, Sections, Etc. All references herein to "Articles", "Sections" and other subdivisions are, unless otherwise indicated, references to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

Section 1.04. Content of Certificates and Opinions. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture or the Agreement shall include (a) a statement that the Person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a

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statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate or opinion made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority), upon the certificate or opinion of or representations by an officer of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 1.05. Delivery of Bonds. Whenever the provisions of this Indenture require the Trustee or the Registrar to deliver Bonds to any party, the Trustee or the Registrar, as the case may be, shall be deemed to have discharged such delivery requirement if such Bonds shall have been made available for pickup against a signed receipt therefor at the Principal Office of the Trustee or Registrar, as the case may be.

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ARTICLE II

THE BONDS

Section 2.01 Authorization of Bonds. This Indenture authorizes Bonds of the Authority to be designated as "City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007". The aggregate principal amount of the Bonds that may be executed, authenticated and delivered under this Indenture is not limited except as is or as hereafter may be provided in this Indenture or as may be limited by law.

The Bonds shall be executed by the Authority for issuance under this Indenture and shall be delivered to the Trustee or the Registrar. Thereupon the Trustee or the Registrar shall authenticate and shall deliver the Bonds to the Authority or upon its written order, but only upon the receipt by the Trustee of:

(a) An opinion of Bond Counsel or Authority Counsel to the effect that, 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 adopt the Indenture; the Indenture has been duly and lawfully executed 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 of the Indenture is required; (ii) the Indenture creates the valid pledge that it purports to create of the Revenues; and (iii) the Bonds are valid obligations of the Authority as provided in the Indenture, enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Indenture and of the Act to the date of such opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such opinion and in accordance with the Indenture;

(b) An opinion of Counsel for the Borrower addressed to the Authority, Bond Counsel, the Trustee, the City and the Underwriter, and satisfactory in form and substance to the Authority, Bond Counsel, the City and Counsel for the Underwriter;

(c) An opinion of Counsel for the Underwriter, addressed to the Authority, the City and the Trustee, and satisfactory in form and substance to Bond Counsel and the City;

(d) A written order as to the authentication and delivery of such Bonds signed by an Authorized Officer, which order shall (i) direct the application of the proceeds of such Bonds and (ii) set forth the maturity schedule for the Bonds, the dated date thereof and the interest rates payable with respect thereto;

(e) A copy, duly certified by an Authorized Officer, of this Indenture;

(f) A fully executed copy of the Loan Agreement executed by each signatory; and

(g) Fully executed copy of the Mortgage;

(h) The fully executed Note;

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- (g) The Financing Statements;
- (h) Executed copies of the Support Agreement and the Guaranty Agreement;
- (i) An executed copy of the Assignment of Leases and Rents;
- (j) A certified copy of the Guaranty Ordinance;
- (k) A fully executed copy of the Contract of Purchase; and
- (l) All of the customary closing certificates and affidavits as, in the opinion of Bond Counsel, may be necessary or advisable.

Section 2.02 The Bonds.

1. The Bonds shall be issued, authenticated and delivered to finance the Project.
2. The Bonds shall be dated, and shall bear interest from the date set forth in the certificate of an Authorized Officer of the Authority. The Bonds shall mature on the dates and in the principal amounts, and shall bear interest payable on the Interest Payment Dates at the respective rates per annum, set forth in the certificate of an Authorized Officer of the Authority; provided that (i) the aggregate principal amount shall not exceed \$19,500,000; (ii) each maturity date shall be on August 15; (iii) the final maturity date of the Bonds shall not be later than August 15, 2038; and (iv) no interest rate shall exceed six and zero percent (6.0%) per annum for the Bonds.
3. The Bonds shall be issued in Authorized Denominations. Unless the Authority shall otherwise direct, the Bonds shall be lettered and numbered, each one preceded by the letter "R" and/or such other letter as determined by the Trustee prefixed to the number. Subject to the provisions of this Indenture, the form of the Bonds and the Trustee's certificate of authentication shall be substantially in the form set forth in Section 12.01 hereof.
4. The principal of or redemption price of the Bonds shall be payable at maturity or the redemption date thereof, as applicable, upon presentation and surrender at the principal corporate trust office of the Paying Agent. The principal of or redemption price of all Bonds shall also be payable 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 Bonds shall be payable by check or draft of the Trustee, mailed or transmitted, respectively, to the Holders thereof as the same appear as of the Record Date on the registry books of the Authority maintained by the Trustee. However, so long as the Bonds are held in book-entry form pursuant to Section 2.06 hereof, the provisions of Section 2.06 hereof shall govern the payment, as applicable, of principal of, redemption price for, and interest on the Bonds.
5. Interest on the Bonds, calculated on the basis of a 360-day year of twelve 30 day months, is payable on February 15 and August 15 of each year commencing on February 15, 2008, by check, draft or, for owners of \$500,000 or more aggregate principal amount of Bonds which have submitted to the Trustee a written request therefor, wire transfer by the Paying Agent to the Registered Owners (as defined hereafter) of such Bonds.

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6. 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.

7. All Bonds shall be issued in the form of fully registered Bonds.

8. After original issue all Bonds exchanged or transferred shall bear an authentication date that shall be the date they are authenticated. Interest on Bonds shall accrue from the Interest Payment Date to which interest has been paid next preceding the authentication date unless (1) 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 (2) 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.

Section 2.03. Additional Bonds. Additional Bonds may be issued pursuant to this Indenture for the purpose of (a) financing any remaining costs of acquiring, constructing and equipping the Project and (b) refunding any Bonds or Additional Bonds issued under the Indenture. All Additional Bonds shall rank pari passu with the Bonds of any Series already Outstanding (except that such Series of Bonds shall be entitled to the benefits only of the City Guaranty issued with respect thereto, if any), shall be secured as provided in this Indenture and shall bear such date or dates and such interest rate or rates, shall be subject to redemption on such terms, and shall have such maturity dates and be issued at such prices as shall be set forth in the Supplemental Indenture pursuant to which such Additional Bonds are being issued.

Any Additional Bonds shall be in substantially the form set forth in the Supplemental Indenture pursuant to which such Additional Bonds are being issued. If any Series of Additional Bonds is not rated, such Additional Bonds shall bear a legend or the Holders of such Additional Bonds shall otherwise receive notice prior to their purchase of such Additional Bonds to the effect that such Additional Bonds are not rated.

Upon the execution and delivery of appropriate supplements to this Indenture and to the Agreement, the Authority shall execute Additional Bonds and deliver them to the Trustee, and the Trustee shall authenticate such Additional Bonds and deliver them to the purchasers thereof as may be directed by the Authority, as hereinafter provided. Prior to the delivery by the Trustee, as specified herein or in any Supplemental Indenture, of any of such Additional Bonds there shall be delivered to the Trustee:

1. A certified copy of a resolution, duly adopted by the Common Council of the City, approving (a) the issuance and delivery of such Additional Bonds and (b) any other matters to be approved by the City pursuant to this Indenture, the Loan Agreement and this Section 2.03

2. A certified copy of the ordinance of the Common Council of the City guaranteeing the payment, when due, of the principal of and interest on such Additional Bonds.

3. A written statement from the Borrower signed by the Authorized Borrower Representative approving (a) the issuance and delivery of such Additional Bonds and (b) any other matters to be approved by the Borrower pursuant to the Agreement and this Section 2.03.

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the redemption date notwithstanding the fact that such notice was sent to such new Bondholder after the time period mentioned in Section 4.03 hereof.

The Registrar may require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Bondholders for any such transfer. No transfer of Bonds of any Series shall be required to be made during the period beginning on the day after a Record Date and ending on the day before the next Interest Payment Date for the Bonds of such Series.

(b) Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and of Authorized Denominations. The Registrar may require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there shall be no other charge to any Bondholders for any such exchange. No exchange of Bonds of any Series shall be required to be made during the period beginning on the day after a Record Date and ending on the day before the next Interest Payment Date for the Bonds of such Series.

(c) The Registrar will keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Authority, the Trustee, the Paying Agent and the Borrower; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

The Registrar shall deliver to the Paying Agent an accurate listing of the Holders of each Series of Bonds at the close of business on any Record Date as to such Series of Bonds and shall deliver to the Paying Agent or the Trustee an accurate listing of the Holders of the Bonds of any Series on any date immediately upon request.

(d) Notwithstanding the foregoing, so long as any Series of Bonds is held in book-entry form on the books of the Securities Depository, the provisions of Section 2.06 shall govern and control as to the registration, transfer and exchange of Bonds, and the payment of principal, interest and purchase price of such Bonds.

Section 2.06. Book-Entry System. The Bonds, if so directed by the Authority, may be issued in the name of Cede & Co., as nominee for The Depository Trust Company as the initial Securities Depository and registered owner of the Bonds. A single certificate will be issued and delivered to the Securities Depository for each maturity of the Bonds. The actual purchasers of Bonds ("Beneficial Owners") will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate. The Authority, the Borrower and the Trustee will recognize the Securities Depository or its nominee as the Bondowner for all purposes, including notices and voting.

The Authority and the Trustee covenant and agree, so long as The Depository Trust Company shall continue to serve as Securities Depository for the Bonds, to meet the requirements of The Depository Trust Company with respect to required notices and other provisions of the Letter of Representations executed by and among the Authority, the Trustee and The Depository Trust Company with respect to the Bonds.

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4. A Certified Indenture of the Authority authorizing the execution and delivery of such supplement to the Agreement and such Supplemental Indenture and the issuance of such Additional Bonds.

5. A Written Request of the Authority requesting and authorizing the Trustee to authenticate and deliver such Additional Bonds to the purchasers therein identified upon payment to or on behalf of the Authority of a sum specified in such Written Request.

6. An Opinion of Bond Counsel to the effect that the issuance of such Additional Bonds and the execution and delivery of the Supplemental Indenture are in accordance with the terms of this Indenture, and that the issuance and sale of the Additional Bonds will not result in interest on any Outstanding Series of Bonds becoming includable in the gross income of the Holders thereof for federal income tax purposes.

7. A description of the facilities to be financed with the proceeds of such Series of Additional Bonds.

Section 2.04. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairman or other Authorized Officer of the Authority and the manual or facsimile signature of its Secretary or Assistant Secretary or other Authorized Officer of the Authority, under the seal of the Authority. Such seal may be in the form of a facsimile of the Authority's seal and may be imprinted or impressed upon the Bonds. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority. Also, any Bond may be signed on behalf of the Authority by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such persons shall not have been such officers.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Section 12.01 hereto, executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer and Exchange of Bonds; Registration. (a) Any Bond may, in accordance with the terms of this Indenture, be transferred, upon the books of the Registrar required to be kept pursuant to the provisions of this Section, by the person in whose name it is registered, in person or by his attorney duly authorized in writing, upon surrender of such Bond for cancellation at the Principal Office of the Registrar, accompanied by a written instrument of transfer in a form approved by the Registrar, duly executed with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same Series for a like principal amount. If the Registrar makes any transfer of Bonds after the date of mailing of notice of redemption as to such Bonds given pursuant to Section 4.03 hereof, the Trustee shall provide to any transferee who becomes a Bondholder after such date and prior to the redemption date a copy of any notice of redemption so mailed together with a notice that such Bonds are subject to redemption on

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The Trustee is authorized to rely conclusively upon a certificate furnished by the Securities Depository as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in a book-entry system, be satisfied by the notation on the books of the Securities Depository in accordance with State law.

The Trustee and the Authority, at the direction and expense of the Borrower, may from time to time appoint a successor Securities Depository and enter into an agreement with the Securities Depository, to establish procedures with respect to the Bonds not inconsistent with the provisions of this Indenture. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

Neither the Authority, the Borrower nor the Trustee will have any responsibility or obligation to any Securities Depository, any Participants in the book-entry system or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant.

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

(a) The Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving reasonable notice to the Authority, the Borrower and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(b) The Borrower determines not to continue the book-entry system through a Securities Depository.

Section 2.07. Temporary Bonds. The Bonds of any Series may be issued initially in temporary form exchangeable for definitive Bonds of that Series when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of the same Series and of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

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Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Registrar of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be destroyed by it and a certificate of destruction shall be delivered to the Authority upon the request of the Authority. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority, the Borrower, the Trustee and the Registrar, and if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Registrar may pay the same without surrender thereof, making such requirements fit for its protection, including a lost instrument bond). The Authority may require payment of a reasonable fee for each new Bond issued under this Section 2.08 and payment of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

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(ii) such proceeds, as set forth in a written order, into the Capitalized Interest Account of the Bond Fund to be used to provide for the payment of capitalized interest due on the Bonds through October 15, 2008, which Capitalized Interest Account the Trustee shall establish and maintain within the Bond Fund as provided in Section 5.06 hereof;

(iii) such proceeds in the amount of the Debt Service Reserve Requirement, as set forth in a written order, into the Debt Service Reserve Fund to be used, if necessary, for the payment of the principal of and interest on the Bonds, when due, as more fully set forth in Section 5.01 of this Indenture, which Debt Service Reserve Fund the Trustee shall establish and maintain as provided in Section 5.03 hereof;

(iv) the balance of such proceeds, as set forth in a written order, into the Project Account ("Project Account") of the Project Fund ("Project Fund") to be used to finance a portion of the costs of the Project, which Project Fund the Trustee shall establish and maintain as further provided in Section 3.03(a) hereof.

The proceeds received by the Authority from the sale of any Additional Bonds shall be disbursed as set forth in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Section 3.03. Project Fund. (a) The moneys in the Project Fund shall be held by the Trustee in trust and applied to the payment of the Costs of the Project. The Trustee shall create separate Costs of Issuance Account, Administrative Expense Account and separate Project Account in the Project Fund for each Series of Bonds.

The Trustee shall make payments from the Project Fund for the Cost of the Project, only upon receipt: (i) from the Borrower, of a requisition filed with the Trustee, substantially in the form of Exhibit B to the Agreement, and signed on behalf of the Borrower by an Authorized Borrower Representative certifying that the work or service to which the payment relates has been accomplished or performed in a manner satisfactory to the Borrower, that the Cost of the Project has accrued and that the amount to be paid does not exceed the obligation on account of which the payment is made; and (ii) from the City, of its approval of such requisition (which approval may be evidenced by the signature of Authorized City Representative on such requisition). Such requisition shall, if appropriate, identify the portion of the Project to which it relates and shall state (A) the name and address of the Person to whom the payment is to be made (who may be the Borrower if it is to be reimbursed for advances made or work done by it, which are properly chargeable against the Project Fund); (B) the amount to be paid; (C) the obligation on account of which the payment is to be made showing the total obligation, any amount previously paid and the unpaid balance (if the total obligation shall be fixed); (D) that the obligation was properly incurred and has not formed the basis of any previous requisition; and (E) that the amount requisitioned is due and unpaid or unreimbursed.

(b) Upon the receipt by the Trustee of a certificate evidencing the Completion Date and conforming with the requirements of Section 4.04 of the Agreement, and after payment of costs payable from the applicable Project Account of the Project Fund or provision having been made for payment of such costs not yet due as provided in such certificate, the Trustee shall transfer any remaining balance in such Project Account into a separate account within the Bond Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Account" (in which the Trustee shall create a separate subaccount for each Series of Bonds). The moneys in such subaccount, including investment income thereon, shall be used and applied to pay or to redeem, at the option of the Borrower, with the prior consent of the City, the applicable Series of Bonds in an amount equal to the largest integral multiple of an Authorized Denomination, and at the earliest possible dates at which the

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ARTICLE III ISSUANCE OF BONDS

Section 3.01. Authentication and Delivery of Bonds. Upon the execution of any Series of Bonds by the Authority and delivery thereof to the Trustee, the Trustee shall authenticate and deliver such Bonds to or upon the receipt of:

- (a) a copy of this Indenture;
- (b) a Written Order of the Authority; and

(c) In the case of each Series of Additional Bonds, (1) a copy of the Supplemental Indenture authorizing such Series of Additional Bonds, which shall, among other provisions, specify: (i) the authorized principal amount, designation and Series of such Additional Bonds; (ii) the purposes for which such Series of Additional Bonds are being issued; (iii) the dated date and the maturity date or dates of such Series of Additional Bonds; (iv) the interest rate or rates of such Series of Additional Bonds and the initial Interest Payment Date therefor, provided that the interest rate shall be identical for all such Additional Bonds of like maturity; (v) the denominations and the manner of dating, numbering and lettering such Series of Additional Bonds, provided that such Additional Bonds shall be in denominations of \$5,000 or any integral multiple thereof as authorized by such Supplemental Indenture; (vi) the Paying Agent or Paying Agents and the place or places of payment of the principal and redemption price, if any, of and the interest on such Series of Additional Bonds; (vii) the redemption price or prices, if any, and, subject to Article IV hereof, the redemption terms for such Series of Additional Bonds; (viii) the amount and due date of each Sinking Fund Installment, if any, for such Series of Additional Bonds of like maturity; (ix) the form of such Series of Additional Bonds and the Trustee's certificate of authentication, which shall be substantially in the form set forth in Section 12.01 hereof for the 2004 Bonds, with such variations, insertions or omissions as are appropriate and not inconsistent therewith; and (x) the provisions for the application of the proceeds of such Series of Additional Bonds; and (2) such other items required pursuant to the provisions of Section 2.03 hereof.

(d) Notwithstanding any other provision to the contrary herein, in the case of the Bonds, a Certificate of an Authorized Officer of the Authority setting forth (i) all of the items applicable to the Bonds that are detailed in subsection (c) above with respect to a Series of Additional Bonds and (ii) subject to the parameters set forth in the definition of Bonds and the terms set forth in the Authority's application to the Local Finance Board in the Division of Local Government Services of the Department of Community Affairs dated July 19, 2006 with respect to the Bonds and upon the advice of the Authority's Counsel and professional advisors, the addition to, deletion from or modification of any provision of this Indenture, the contents of which Certificate may be incorporated in this Indenture without compliance with any other provision herein, including, without limitation, Article IX hereof. The Authorized Officer executing any such Certificate shall report the substance of such Certificate to the Authority at the Authority's next public meeting.

Section 3.02. Application of Proceeds of Bonds. The proceeds received by the Authority from the sale of the Bonds shall be deposited with the Trustee, who shall forthwith deposit such proceeds as follows:

- (i) such proceeds as set forth in a written order, into the Costs of Issuance Account ("Costs of Issuance Account") which Costs of Issuance Account the Trustee shall establish and maintain within the Project Fund as provided in Section 3.04 hereof;

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applicable Series of Bonds can be paid or redeemed without payment of a redemption premium pursuant to this Indenture. Pending use of the Surplus in each subaccount of the Surplus Account in the manner described above, the Trustee as directed by the Borrower, with the prior consent of the City, shall not invest such Surplus at a yield (within the meaning of Section 148 of the Code) that exceeds the yield on the Series of Bonds to which such proceeds are allocable, unless the Borrower shall have obtained an Opinion of Bond Counsel to the effect that such use or investment will not adversely affect the tax-exempt status of the interest on the applicable Series of Bonds from which such Surplus was derived.

Section 3.04. Costs of Issuance Account. The moneys in the Costs of Issuance Account for each Series of Bonds shall be held by the Trustee in trust and applied only to the payment of Costs of Issuance and the Authority Administrative Fee for the applicable Series of Bonds, upon a requisition (except for the initial Series of Bonds which Costs of Issuance shall be authorized by way of a written order delivered upon the closing thereof) in the form of Exhibit B to the Loan Agreement signed on behalf of the Borrower by an Authorized Borrower Representative, approved by the Authority and the City and filed with the Trustee by the Borrower. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of such completed requisition, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

Any money remaining in the Costs of Issuance Account upon the earlier of (1) six months after the Issue Date of the applicable Series of Bonds, (2) a redemption of all of the applicable Series of Bonds and (3) an Event of Default which causes acceleration of the applicable Series of Bonds, shall be transferred to the Bond Fund for the applicable Series in the Bond Fund and used for the purposes and in the priority set forth in Section 5.02 hereof.

All investment earnings, if any, on proceeds of the Bonds deposited in the Costs of Issuance Account, shall be transferred upon receipt to the Bond Fund.

Section 3.05. Administrative Expense Account. The moneys in the Administrative Expense Account for each Series of Bonds shall be held by the Trustee in trust and applied only to the payment of Administrative Expenses for the applicable Series of Bonds, upon a requisition in the form of Exhibit B to the Agreement signed on behalf of the Borrower by an Authorized Borrower Representative, approved by the Authority and the City, filed with the Trustee by the Borrower. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of such completed requisition, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

The Trustee shall invoice the Borrower for any other Administrative Expense that is approved by the Authority, promptly after the receipt by the Trustee of a Certificate of an Authorized Officer of the Authority delivered to the Trustee to such effect. The Borrower shall pay to the Trustee for deposit in the Administrative Expense Account any other amounts due as Administrative Expenses at the times set forth herein or in the Agreement, as the case may be. Upon receipt, the Trustee shall promptly forward such amounts due as Administrative Expenses to the party on whose behalf such payments were made. The Authority shall utilize moneys paid to it as its Administrative Fee from time to time to pay the operating expenses of the Authority.

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ARTICLE IV
REDEMPTION OF BONDS

Section 4.01. Redemption of Bonds.

(a) Optional Redemption.

The Bonds maturing on and after August 15, 2018 are subject to redemption prior to their stated maturity dates at the option of the Borrower (with the prior consent and approval of the Authority and the City), upon notice as set forth below, as a whole or in part (and if in part, in such maturities as the Borrower, with the prior consent and approval of the Authority, the City, shall determine and within any such maturity by lot as determined by the Trustee) on any date on or after August 15, 2017 at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

(b) Extraordinary Optional Redemption.

The Bonds are subject to extraordinary optional redemption at the option of the Authority at the direction of the Borrower, after receiving prior written consent from the City, after sending written notice to the Authority and Trustee, as set forth below, in the event of material loss or damage to the Project or condemnation of any material part of the Project, in the inverse order of maturity and within a maturity by lot (which order and lot shall be approved by the Insurer), at a redemption price equal to 100% of the principal amount of each Bond redeemed, plus accrued interest to the redemption date, from and to the extent of the property insurance proceeds or condemnation awards which are received and released by the Trustee, after negotiation of adjustment of losses and settlement of claims by the Borrower, to be applied to the redemption of Bonds pursuant to the terms of the Agreement and this Indenture. The Authority shall have no claim to any property insurance proceeds or condemnation awards released by the Trustee nor any duty in connection with property insurance claims or condemnation proceedings.

(c) Mandatory Sinking Fund Redemption.

The Bonds shall be subject to mandatory sinking fund redemption as set forth in a Certificate of an Authorized Officer of the Authority pursuant to Section 3.01(d) hereof.

(d) Additional Bonds.

The Bonds of any Additional Series shall be subject to redemption at such time or times, in such order, and on such other terms and conditions as shall be provided by the terms of a Supplemental Indenture of the Authority duly adopted prior to the authentication and delivery of such Series of Additional Bonds upon original issuance or by a Certificate of the Authority, as the case may be, and as shall be provided in said Additional Bonds. Such Additional Bonds shall be redeemed at the redemption prices set forth in said Bonds and which are applicable upon such redemption (and if no provision as to such order of redemption is made as provided above, then in such order as the Authority at the direction of the Borrower shall direct). If less than all of the Additional Bonds of such Series of like maturity which are then Outstanding are to be redeemed, the particular Additional Bonds to be redeemed shall be selected by lot in the manner set forth below.

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Section 4.02. Selection of Bonds for Redemption. If less than all of the Bonds of any Series are called for redemption, the Borrower, with the prior written consent and approval of the City, shall select the Series of Bonds to be redeemed and the Trustee shall select the Bonds of such Series or any given portion thereof to be redeemed, from the Outstanding Bonds of such Series or such given portion thereof not previously called for redemption, by lot, subject to the provisions of Section 4.01(b) hereof with respect to the approval and consent of the Insurer. Promptly upon selecting Bonds for redemption, the Trustee shall notify the Registrar of the Bonds to be redeemed.

Section 4.03. Notice of Redemption. If a redemption is to occur, the Trustee shall direct the Registrar to give notice of such redemption as provided in this Section 4.03. The Trustee, upon receipt of Borrower's notice in the event of Optional Redemption or Extraordinary Optional Redemption by Borrower at least sixty (60) days prior to the redemption date, shall cause the Registrar to cause a notice to be deposited in the United States mail first class, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Registrar. Such notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers, if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers), shall specify the date of the notice, the redemption date, the Redemption Price and the Trustee's name, address and telephone number and shall state that on the redemption date, the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that, from the date of redemption, interest will cease to accrue, provided, however, that the Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee and, if so waived, such Bonds may be redeemed and all rights and liabilities of the Registered Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give such notice with respect to any particular Bond shall not affect the validity of any such redemption of other Bonds.

So long as the Bonds are in book-entry form, the Registrar shall mail such notice solely to DTC and the Registrar will not send redemption notices to Beneficial Owners of the Bonds unless a Beneficial Owner independently requests the Registrar to provide such notice and provides evidence of its interest in the Bonds.

The Registrar shall also cause copies of the notice of redemption to be sent by registered mail, certified mail, overnight delivery service or confirmed teletype (or other similarly secure service acceptable to the Trustee) to DTC and to either (i) DisclosureUSA, the central post office of the Municipal Advisory Council of Texas, provided that the United States Securities and Exchange Commission has not withdrawn its interpretative letter to the Municipal Advisory Council of Texas, dated September 7, 2004, or (ii) two (2) or more national information services that disseminate redemption information. The notices to the registered securities depositories shall be sent at least two (2) Business Days in advance of the date notices addressed to Registered Owners and national information services are deposited in the United States mail.

The Registrar shall send a second copy of said redemption notice by registered or certified mail, postage prepaid, not more than sixty (60) days after the redemption date, to all registered bond owners that do not present their Bonds for redemption within thirty (30) days after the redemption date.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all of the Bonds called for redemption, such notice may state that it is

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conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

The Trustee shall not call the Bonds of any Series for redemption, and the Trustee shall not give notice of any such redemption, unless the Borrower or the Authority, as applicable, has so directed in accordance with the Loan Agreement or this Indenture; provided that the Trustee may give such notice in connection with any payment required to be made under Article III of the Loan Agreement in connection with a Mandatory Redemption of the Bonds of any Series.

Section 4.04. Partial Redemption of a Bond. Upon surrender of any Bond redeemed in part only, the Registrar shall provide a Bond of the same Series and maturity in a principal amount equal to the portion of such Bond not redeemed, and deliver it to the Holder thereof. The Bond so surrendered shall be canceled by the Trustee or the Registrar as provided herein. The Authority, the Trustee and the Registrar shall be fully released and discharged from all liability to the extent of payment of the redemption price for such partial redemption. If the Registrar cancels any such Bonds, it shall immediately notify the Trustee of such cancellation.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by or on behalf of the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the Holders of such Bonds shall have no rights with respect thereto except to receive payment of the redemption price thereof.

All Bonds fully redeemed pursuant to the provisions of this Article IV shall be canceled upon surrender thereof and may be destroyed by the Trustee or the Registrar. If the Registrar cancels or destroys Bonds, it shall immediately notify the Trustee of such cancellation or destruction. Thereupon, the Trustee shall deliver to the Authority a certificate evidencing such destruction.

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ARTICLE V
REVENUES

Section 5.01. Pledge of Revenues. All of the Revenues and Trust Estate are hereby irrevocably pledged to the punctual payment of the principal and interest and redemption premium, if any, on the Bonds, and such Revenues shall not be used for any other purpose while any Bonds remain Outstanding. Said pledge shall constitute a first and exclusive lien on such Revenues and the Trust Estate for the payment of the Bonds in accordance with the terms thereof.

All Revenues shall be held in trust for the benefit of the Holders from time to time of the Bonds issued hereunder, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in this Article V.

The Bonds, together with the interest and any redemption premium thereon, shall be limited obligations of the Authority payable solely from the Trust Estate and the Revenues and shall be a valid claim of the respective Holders thereof only against the Trust Estate and the Revenues, which Revenues are hereby pledged for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal and purchase price of and interest and redemption premium, if any, on the Bonds, except as may be otherwise expressly authorized in this Indenture. THE STATE OF NEW JERSEY, THE COUNTY OF SALEM, NEW JERSEY OR THE CITY OF SALEM, NEW JERSEY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY, THE COUNTY OF SALEM, NEW JERSEY OR THE CITY OF SALEM, NEW JERSEY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OR INTEREST ON, THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE TRUST ESTATE AND THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Section 5.02. Bond Fund. Upon the receipt thereof, the Trustee shall deposit or cause to be deposited all Revenues (except as otherwise provided herein) in a fund established under this Indenture ("Bond Fund"), which the Trustee shall establish and maintain and hold in trust, and which shall be disbursed and applied only as hereinafter authorized. Moneys in the Bond Fund shall be used solely for the purposes and in the priority set forth below.

As of the first Business Day of each calendar month, moneys in the Bond Fund shall be applied in the following priority by the Trustee:

1. the amount necessary to pay interest on the next succeeding Interest Payment Date to the Interest Account of the Bond Fund;
2. Provided no Event of Default has occurred and is continuing, for payment of the maturing principal amounts or sinking fund installments necessary to pay principal on the next succeeding Principal Payment Date to the Principal Account of the Bond Fund;
3. the amount necessary to pay three (3) months of Operating and Maintenance Expenses, to the Administrative Expense Account of the Project Fund (such amount to be determined by the

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Borrower after prior consent and approval by the Authority and the City and provided to the Trustee in writing):

4. Any amounts needed to the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement;
5. Any amount necessary to pay ordinary expenses and fees of the Trustee, to the Administrative Expense Account of the Project Fund;
6. Payment for any deficiency to the Rebate Fund; and
7. Any remaining cash flow to the Surplus Account.

The Trustee shall create a separate account within the Bond Fund called the "Interest Account" to be held and maintained as long as any Series of Bonds remain Outstanding. The Trustee shall deposit into the Interest Account all amounts required to be transferred pursuant to this Section 5.02, Section 5.03 hereof, Section 5.06 hereof, or as otherwise set forth in this Indenture, which amounts shall be used to pay the interest on the applicable Series of Bonds as the same becomes due and payable on an Interest Payment Date, upon redemption or otherwise.

The Trustee shall create a separate account within the Bond Fund called the "Principal Account" to be held and maintained as long as any Series of Bonds remain Outstanding. The Trustee shall deposit into the Principal Account all amounts required to be transferred pursuant to this Section 5.02, Section 5.03 and Section 5.06 hereof, which amounts shall be used to pay the principal of, redemption price of and redemption premium, if any, on the applicable Series of Bonds as the same become due and payable at maturity, upon redemption or otherwise.

If, by the end of the fifteenth (15th) day of the first month preceding a month in which the Authority is obligated to pay principal of or interest on the Bonds, there are insufficient funds in the Bond Fund (including the Surplus Account) and the Debt Service Reserve Fund to make such payments when due under this Indenture, the Trustee shall immediately notify the Authority and City of the amount of the deficiency and the City may, but shall not be obligated to, pay such deficiency to the Trustee at least one day prior to the applicable interest payment date or maturity date for deposit by the Trustee into the Support Agreement Account (as defined hereafter) of the Bond Fund in accordance with this Indenture.

Amounts on deposit in the Bond Fund which are proceeds of drawings by the Trustee pursuant to the Support Agreement for the payment of principal of or interest on any Series of Bonds (except as provided in the next paragraph) shall be deposited in a separate account within the Bond Fund called the "Support Agreement Account" and shall be held uninvested until needed to make timely payments of principal of and interest on the applicable Series of Bonds. Neither the Authority nor the Borrower shall have any rights to or interest in moneys held in the Support Agreement Account.

Notwithstanding anything herein to the contrary, any moneys to be deposited into the Support Agreement Account of the Bond Fund shall be deposited directly into such Support Agreement Account. No moneys in the Support Agreement Account of the Bond Fund shall be commingled with the moneys in a different account or in the Bond Fund generally.

If, by the end of the twentieth (20th) day of the first month preceding a month in which the Authority is obligated to pay principal of or interest on the Bonds, there are insufficient funds in the Bond Fund (including the Surplus Account) and the Debt Service Reserve Fund to make such payments when due under this Indenture, the Trustee shall immediately notify the Authority and City of the amount of the deficiency and the City shall be obligated to pay such deficiency to the Trustee at least three (3) business days prior to the applicable interest payment date or maturity date for deposit by the Trustee into the City Guaranty account of the Bond Fund in accordance with this Indenture.

Amounts on deposit in the Bond Fund which are proceeds of drawings by the Trustee pursuant to any City Guaranty for the payment of principal of or interest on any Series of Bonds (except as provided in the next paragraph) shall be deposited in a separate account within the Bond Fund called the "City Guaranty Account" and shall be held uninvested until needed to make timely payments of principal of and interest on the applicable Series of Bonds. Neither the Authority nor the Borrower shall have any rights to or interest in moneys held in the City Guaranty Account.

Notwithstanding anything herein to the contrary, any moneys to be deposited into the City Guaranty Account of the Bond Fund shall be deposited directly into such City Guaranty Account. No moneys in the City Guaranty Account of the Bond Fund shall be commingled with the moneys in a different Account or in the Bond Fund generally.

The Trustee shall create a separate account within the Bond Fund called the "Surplus Account". Moneys in the Surplus Account, including investment income thereon, shall be used and applied (unless some other application of such moneys is requested by the Borrower, with the prior consent of the City, and would not, in the Opinion of Bond Counsel, cause interest on the Bonds to no longer be tax-exempt) to pay or to redeem, at the option of the Borrower, with the prior consent of the City, the applicable Series of Bonds in an amount equal to the largest integral multiple of an Authorized Denomination, and at the earliest possible dates at which the applicable Series of Bonds can be paid or redeemed without payment of a redemption premium pursuant to this Indenture, as described in Section 4.01 hereof. Without the prior consent of the City, the Trustee shall not pay or redeem any Bonds maturing on or before August 15, 2027 with any funds held in the Surplus Account; it being understood that accumulated moneys in the Surplus Account are expected to pay the Bonds maturing on August 15, 2028 and August 15, 2029. Thereafter, any funds remaining in the Surplus Account may be utilized as set forth above.

Notwithstanding the provisions of Section 5.04 hereof, the moneys in the Surplus Account shall be invested by the Trustee at the written instruction of the Borrower, with the prior consent of the City, at a yield no higher than the yield on the applicable Series of Bonds (unless in the Opinion of Bond Counsel investment at a higher yield would not cause interest on the applicable Series of Bonds to no longer be tax-exempt), and all such investment income shall be deposited in the Surplus Account and expended or reinvested as provided above.

Funds for payments of the principal of, redemption premium, if any, and interest on the Bonds of any Series shall be derived from available amounts on deposit under the Indenture.

Section 5.03. Debt Service Reserve Fund. Moneys in the Debt Service Reserve Fund shall be invested in an Investment Agreement at the direction of the Authority and with the prior written consent of the City, in accordance with and subject to the terms of such Investment Agreement. In the event the Investment Agreement is terminated prior to redemption of the Bonds, the Trustee shall give notice thereof to the Authority, the City, the Insurer and to Moody's Investors Service, Inc. and invest such funds in alternative Permitted Investments as directed by the Authority and as approved by the City

in writing. The excess of the Debt Service Reserve Fund at any time, on a current market value basis, over the lesser of (i) ten percent (10%) of the original face amount of the Bonds, (ii) one and one-quarter times the Average Annual Debt Service Requirements for the Bonds, and (iii) the Maximum Annual Debt Service Requirements on the Bonds, shall not be invested at a Yield in excess of the Yield on the Bonds, determined in accordance with the Code.

In the event there exists a deficiency in the Bond Fund for payment of interest or principal on the Bonds as of any Bond Payment Date, the Trustee shall transfer amounts in the Debt Service Reserve Fund, to the extent of such deficiency, to the Bond Fund solely for the payment of the principal of, mandatory sinking fund redemption, if any, and interest on the Bonds. Unless the principal of and interest due on all Bonds shall have been paid in full, funds on deposit from time to time in the Debt Service Reserve Fund shall be used solely for payment of the interest and principal due on the Bonds. Provided no Event of Default has occurred and is continuing, any resulting deficit between funds on deposit in the Debt Service Reserve Fund and the amount of the Debt Service Reserve Fund Requirement shall be replenished pursuant to Section 5.02 hereof. The Trustee shall advise Moody's Investors Service, Inc. and the City, in writing, of any use of Debt Service Reserve Fund monies for payment of the principal or interest due on any Bonds within five (5) business days of such use.

Moneys in the Debt Service Reserve Fund at any time which shall not be required to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement shall be transferred to the Bond Fund and applied to the payment of the principal of, redemption price for and interest on the Bonds as set forth in Section 5.02 hereof. Interest earnings on moneys in the Debt Service Reserve Fund shall be transferred, pursuant to Section 5.04 hereof, to the Bond Fund and applied in accordance with the priority set forth therein.

Section 5.04. Investment of Moneys. Subject to the limitations in Sections 3.03, 5.02 and 5.03 hereof, any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Indenture shall be invested, upon the written instructions of the Borrower, subject to the prior written consent and approval of the City, made prior to 11:00 a.m. New York City time on the day prior to the day the investment is to be settled, by the Trustee, in Permitted Investments. Moneys in any fund or account shall be invested in Permitted Investments with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date on which it is estimated that such moneys will be required by the Trustee.

In the absence of investment instructions by the Borrower (with the consent as provided above) to the Trustee provided pursuant to the provisions of this Section 5.04, the Trustee shall invest any moneys in any of the funds and accounts established by the Trustee pursuant to this Indenture in the Permitted Investments described in clause (xv) of the definition of "Permitted Investments" in Section 1.01 hereof.

For the purpose of determining the amount in any fund, all Permitted Investments and U.S. Government Obligations credited to such fund shall be valued at the lesser of cost (which shall be (1) measured exclusive of accrued interest, but inclusive of commissions, after the first payment of interest following purchase and (2) ratably increased over time by the amortization of any difference between the initial purchase price, excluding accrued interest, and the par value) or par value (plus, prior to the first payment of interest following purchase, the amount of any accrued interest paid as part of the purchase price).

Any interest, profit or loss on such investments shall be credited or charged to the respective funds, accounts or subaccounts from which such investments are made. In accordance with

Section 3.04 hereof, the Trustee shall transfer any investment earnings on proceeds of the Bonds deposited in the Costs of Issuance Account to the Bond Fund for the Bonds. The Trustee may, on the written instructions of the Borrower, subject to the prior written consent and approval of the City, sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption of such investment.

The Authority covenants with the Holders of all Bonds at any time Outstanding that it will make no use of the proceeds of any of the Bonds or any other funds which will cause any of the Bonds to be "federally guaranteed obligations" within the meaning of Section 149(b) of the Code. In the event that at any time the Authority is of the opinion (which opinion shall be based on advice from Bond Counsel) that for purposes of this paragraph it is necessary to modify the investment of any moneys held by the Trustee under this Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take the action set forth in such instructions. The Trustee may rely conclusively on such directions and upon the directions with respect to investments provided by the Borrower (with the consent as provided above). If there is a conflict between the directions given by the Authority and the Borrower, the directions given by the Authority shall control.

Section 5.05. Assignment to Trustee; Maintenance of Security. The Authority hereby transfers, assigns and sets over to the Trustee all of the Revenues, the Trust Estate and any and all rights and privileges it has with respect to the Bonds issued hereunder under the Agreement, the Mortgage, the Guaranty and the Note, except the Unassigned Rights but including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall take all steps, actions and proceedings required to be taken as provided in any certificate of the Borrower or Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Holders of the Bonds the Trustee's rights in and priority to the following security granted to it for the payment of the Bonds: the Trust Estate, the Trustee's rights as assignee of the Revenues under the Agreement, the Mortgage, the Assignment of Leases and Rents and the Note, and as beneficiary of any other rights to security which the Trustee may receive in the future. The Trustee may rely conclusively on such certificate of the Borrower or Opinion of Counsel delivered to it.

Section 5.06. Capitalized Interest Account. There shall be established and created in the Bond Fund an account to be designated as the "Capitalized Interest Account". Upon the issuance of the Bonds, there shall be deposited in the Capitalized Interest Account the sum of \$1,073,408.12. Moneys held in the Capitalized Interest Account shall be used to pay the interest due on the Bonds due on February 15, 2008, and a portion of the interest due on August 15, 2008.

Moneys held in the Capitalized Interest Account shall be invested or deposited, at the direction of the Authority, with the consent of the City, in securities or obligations which are lawful investments and which are Permitted Investments. Moneys used to pay interest due on the Bonds shall be transferred from the Capitalized Interest Account to the Interest Account of the Bond Fund as set forth in Section 5.02 hereof. Except to the extent otherwise required by this Indenture, interest income from the investment or reinvestment of moneys credited to the Capitalized Interest Account shall remain in and shall become a part of the Capitalized Interest Account until August 15, 2009, at which time any remaining funds in the Capitalized Interest Account shall be transferred to the Surplus Account of the Bond Fund.

Section 5.07. Reserved

Section 5.08. Payment to Borrower. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Insurer, the Trustee, the Registrar and any Paying Agents have been paid or provided for, and all expenses of the Authority relating to the Project and this Indenture have been paid or provided for, and all other amounts payable hereunder and under the Agreement and the Note have been paid, and this Indenture has been discharged and satisfied, as provided in Article X, the Trustee shall pay to the Borrower the balance of any such amounts.

Section 5.09. Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Stand Up For Salem, Inc. Project Rebate Fund ("Rebate Fund"). Amounts shall be deposited in the Rebate Fund as hereafter specified in order to comply with the rebate requirements of Section 148 of the Code, including the payment of any applicable Rebateable Arbitrage to the United States. Separate accounts shall be established within the Rebate Fund for the Bonds and each subsequent Series of tax-exempt Bonds. Each separate account shall be maintained until all of the tax-exempt Bonds of the Series to which such account relates have been retired and for seventy five (75) days thereafter. Except as provided in a Supplemental Indenture with respect to any Series of tax-exempt Bonds, the procedures set forth in this Indenture shall apply with respect to each Series of tax-exempt Bonds. Notwithstanding any other provision of this Indenture, the Rebate Fund shall not be subject to any security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder or any other person.

Section 5.10. Records and Notices of Rebateable Arbitrage.

(a) Within thirty (30) days subsequent to each month the Trustee shall provide a report to the Borrower and the City of each investment made as part any fund and account held by the Trustee under this Indenture during the preceding month.

(b) Within ten (10) days prior to each Rebate Computation Date for each Series of tax-exempt Bonds the Trustee shall report to the Borrower and the City for each such Series of tax-exempt Bonds (i) the amount theretofore paid to the United States with respect to that Series of tax-exempt Bonds by the Trustee pursuant to Section 5.14 hereof, (ii) the amount in the applicable account in the Rebate Fund at such time and (iii) the amount available in the applicable Project Account of the Project Fund for transfer to the applicable account established in the Rebate Fund.

Within two years after the Issue Date of each Series of tax-exempt Bonds, the Borrower will provide a written certification to the Authority, the City and the Trustee indicating whether the Borrower complied with the six-month exception to the arbitrage rebate requirement set forth in Section 148(f)(4)(B) of the Code, 18 month exception set forth in Treasury Regulations §1.148-7(d) or the 2-year Construction exception set forth in Section 148(f)(4)(C) of the Code. Unless the Borrower has complied with the six-month exception, the 18 month exception or the 2 year Construction exception to the arbitrage rebate requirement, the Borrower will retain a Rebate Expert acceptable to the City to complete the rebatable arbitrage and deliver an opinion and report to the Trustee, the City and the Authority. The Trustee shall notify the Authority, within five (5) days after any Rebate Computation Date, if the Trustee has not received the opinion and report of the Rebate Expert, which are required to be provided by the Borrower pursuant to Section 6.07(c) of the Agreement.

(c) In the event the Trustee does not receive the opinion and report of the Rebate Expert, which are required to be provided by the Borrower pursuant to Section 6.07(c) of the Agreement, on or prior to each Rebate Computation Date, the Trustee shall notify the Authority and the City, within

five (5) days after such Rebate Computation Date, of such failure and the Authority and the City shall each have the right, but shall not be required, to calculate or cause to be calculated Rebateable Arbitrage with respect to such Series of tax-exempt Bonds.

(d) The Trustee shall maintain records of the investment of all funds and accounts under this Indenture. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (i) the purchase price of the investment, including accrued interest, (ii) identifying information including the par amount, coupon rate, and payment dates, (iii) the amount received at maturity or sale price, including accrued interest, (iv) the amounts and dates of any payments made with respect to the investment, and (v) the dates of acquisition and disposition or maturity. Records of the determinations required to be made with respect to each Series of tax-exempt Bonds pursuant to this Section 5.10 shall be retained by the Trustee until a date which is six (6) years after the retirement of the last obligation of the Series of tax-exempt Bonds to which the records are related. The Trustee shall, upon request, make such records available for review by the Authority, the City and the Borrower.

Section 5.11. Deposit and Notices of Deposit into Rebate Fund.

(a) Upon written notification to the Trustee from the Borrower of the Rebateable Arbitrage with respect to a particular Series of tax-exempt Bonds the Trustee shall promptly transfer from the applicable Project Account of the Project Fund for such Series of tax-exempt Bonds to the Rebate Fund for such Series of tax-exempt Bonds, the amount necessary so that immediately after such transfer, the amount in the Rebate Fund for such Series of tax-exempt Bonds shall be equal to the excess of the Rebateable Arbitrage with respect to such Series of tax-exempt Bonds over the amounts previously paid with respect to such Series of tax-exempt Bonds to the United States by the Trustee pursuant to Section 5.14 hereof.

(b) In the event that the amount in the applicable Project Account of the Project Fund is insufficient to fund the account established in the Rebate Fund for a Series of tax-exempt Bonds in the manner specified in Subsection 5.11(a) hereof, and the Borrower has not, on or prior to the Rebate Computation Date, paid to the Trustee for deposit in the account established in the Rebate Fund for such Series of tax-exempt Bonds the difference between the amount required to be added to such account and the amount then available for such purpose in the Project Account for such Series of tax-exempt Bonds the Trustee shall, within five (5) days after the Rebate Computation Date, notify the Borrower, the Authority and the City of the Borrower's failure to make such payment. Thereafter, the Borrower shall have ten (10) days to make such payment to the Trustee prior to any Event of Default under this Indenture. In addition, the Authority and the City shall each have the right, but not the obligation, to make such payment to the Trustee on behalf of the Borrower. Any amount advanced by the Authority and the City pursuant to this Subsection 5.11(b) shall be added to the moneys owing by the Borrower under the Agreement and shall be payable on demand with interest as provided in Section 2.03 of the Agreement.

Section 5.12. Excess Moneys in the Rebate Fund. In the event that on any Rebate Computation Date with respect to a Series of tax-exempt Bonds, the amount on deposit in the account of the Rebate Fund established for the payment of the Rebateable Arbitrage with respect to such Series exceeds the Rebateable Arbitrage with respect to that Series (as provided in the opinion and report furnished by the Rebate Expert pursuant to Subsection 5.10(b) hereof with respect to such date) reduced by amounts previously paid to the United States by the Trustee on behalf of the Authority pursuant to Section 5.14 hereof with respect to such Series, the Trustee, upon the receipt of written instructions from the Borrower specifying the amount of the excess, shall withdraw such excess amount and deposit it if

such excess constitutes proceeds of a Series of the tax-exempt Bonds (including investment earnings thereon) to the subaccount of the Surplus Account to be used in accordance with the treatment of Surplus with respect to such Series of the tax-exempt Bonds (including investment earnings thereon), and if such excess constitutes revenues of the Borrower, shall be returned to the Borrower. If any amount shall remain in an account of the Rebate Fund established for a Series of tax-exempt Bonds after the Trustee has made a final payment to the United States with respect to such Series of tax-exempt Bonds as a result of the retirement of the last obligation of that Series of tax-exempt Bonds, such excess shall be transferred to the Borrower.

Section 5.13. Investment of Rebate Fund.

(a) Any moneys held as part of the Rebate Fund shall be invested or reinvested by the Trustee upon the direction of the Borrower, as provided in Article VI hereof, with the prior consent and approval of the City.

(b) Any investment of funds in the Rebate Fund shall mature or be redeemable by the Trustee at such times as may be necessary to provide funds when, at the time of the investment, it is anticipated the same will be needed to make payments from the Rebate Fund. The Trustee may at any time, to the extent required for payments from the Rebate Fund, sell any of such investments, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rebate Fund. Interest and other income received or losses on moneys or securities in the Rebate Fund shall be credited or charged to the Rebate Fund and shall become a part thereof, to be disbursed as provided for herein.

(c) Any and all moneys held as part of the Rebate Fund shall be considered proceeds of the tax-exempt Bonds for all purposes (except as otherwise specifically provided herein).

Section 5.14. Payment of Rebateable Arbitrage to the United States. At the written direction of the Borrower or the Authority, pursuant to the Agreement, the Trustee shall withdraw from the Rebate Fund and pay over to the United States the Rebateable Arbitrage with respect to each Series of tax-exempt Bonds in the amount stated in such written direction in installments as follows: The first payment shall be made with respect to each Series of tax-exempt Bonds not later than sixty (60) days after the Initial Computation Date for such Series selected by the Borrower. Each subsequent payment shall be made not later than sixty (60) days after five (5) years subsequent to the preceding Rebate Computation Date for such Series of tax-exempt Bonds. Each installment payment shall be in an amount that when added to the future value of previous rebate payments made for such Series of tax-exempt Bonds, as of the Rebate Computation Date to which such installment payment relates, 100 percent of the Rebateable Arbitrage as of that date with respect to such Series of tax-exempt Bonds (determined in accordance with the opinion of the Rebate Expert concerning the Rebateable Arbitrage with respect to such Series of tax-exempt Bonds for the period ending on the Computation Date to which such installment payment relates).

The Trustee may rely conclusively on any such certificate or written order of the Borrower or Opinion of Counsel delivered to it for the payment of such Rebateable Arbitrage. Moreover, the Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund or actually provided to it by the Borrower, the City or the Authority. The Trustee shall also have no duty to calculate the Rebateable Arbitrage or confirm any amount provided to it by the Borrower.

Section 5.15. Place of Payment and Accompanying Documents; Duty of Trustee.

(a) Payments of the Rebateable Arbitrage with respect to any Series of tax-exempt Bonds made to the United States by the Trustee shall be filed at the place or places designated by the Commissioner of the Internal Revenue Service to receive payments of the Rebateable Arbitrage, as directed by the Authority, upon the advice of the Borrower. All payments of the Rebateable Arbitrage shall be accompanied by Form 8038-T, as such form is prepared by the Rebate Expert, the Borrower or the Authority, together with any other information which the Borrower or the Authority instructs the Trustee to accompany such payments.

(b) The duty of the Trustee to make payments to the United States pursuant to Section 5.14 hereof shall be expressly limited to funds available in the Rebate Fund at the times such payments are required to be made (including all investment earnings on funds theretofore deposited by the Trustee in the Rebate Fund) and any other funds actually provided to the Trustee by the Borrower or the Authority or the City for such payments. The Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund or actually provided to it by the Borrower, the City or the Authority. The Trustee shall also have no duty to calculate the Rebateable Arbitrage or confirm any amount provided to it by the Borrower.

ARTICLE VI

COVENANTS OF THE AUTHORITY

Section 6.01. Debt Service Payments; Cancellation. The Authority shall punctually pay, but only out of Revenues as herein provided, the principal of, the redemption premium, if any, and the interest on every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds according to the true intent and meaning thereof. When and as paid in full, all Bonds shall be delivered to the Trustee, shall forthwith be canceled and shall thereafter be redelivered to, or upon the order of, the Authority.

If at any time the Authority shall purchase any Bonds, such Bonds shall be deemed to be paid in full and the Authority shall immediately deliver such Bonds to the Trustee for cancellation. If at any time the Borrower or its Affiliates shall have purchased any Bonds for their own account the Borrower shall deliver such Borrower Bonds to the Trustee for cancellation. In either event, such Bonds delivered to the Trustee shall no longer be considered to be Outstanding hereunder.

Section 6.02. Extension of Funding of Claims for Interest. The Authority shall not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for interest on any of the Bonds, and shall not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 6.03. Paving Agents. The Authority, with the written approval of the Trustee, the City and the Borrower may appoint and at all times have one or more paying agents (which shall meet the qualifications of the Registrar set forth in Section 9.07 hereof) in such place or places as the Authority may designate, for the payment of the principal of, the redemption premium, if any, and the interest on, each Series of Bonds. All provisions of Article IX hereof which apply to the Registrar shall apply to any paying agent appointed hereunder. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary to assure, to the extent of the moneys held by the Trustee for such payment, the prompt payment of the principal of, the redemption premium, if any, and the interest on the Bonds presented at either place of payment. The Paying Agent initially appointed hereunder is Fulton Financial Advisors, N.A.

Section 6.04. Preservation of Revenues; Amendment of Documents. The Authority shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues or the Trustee's enforcement of any rights thereunder, without the prior written consent of the Trustee. The Trustee may give such written consent, and may itself take any such action or consent to an amendment or modification to the Agreement, or to any other document, instrument or agreement relating to the security for the Bonds to which it is a party or a beneficiary, provided that: (i) either (a) such action or such amendments or modifications will not materially adversely affect the interests of the Holders of the Bonds or result in any impairment of the security hereby given for the payment of the Bonds, or (b) the Trustee first obtains the written consent of the Holders of at least two-thirds (2/3) in principal amount of the Outstanding Series of Bonds to be materially affected by such amendments or modifications; and (ii) such amendments or modifications will not have the effect of extending the time for payment or reducing the amount due and payable by the Borrower pursuant to the Agreement or the Note.

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Section 6.05. Compliance with Indenture. The Authority shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of this Indenture, and shall not suffer or permit any Event of Default to occur under this Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements hereof

Section 6.06. Tax Covenants. The Authority, the Borrower and the City covenant that they will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Series of tax-exempt Bonds under Section 103 of the Code. The Authority and the Borrower will not directly or indirectly use or permit the use of any proceeds of any Series of tax-exempt Bonds or any other funds of the Authority or the Borrower, or take or omit to take any action that would cause any Series of tax-exempt Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Authority and the Borrower will comply with all requirements of Section 148 of the Code to the extent applicable to each Series of tax-exempt Bonds. In the event that at any time the Authority or the Borrower is of the opinion that for purposes of this Section 6.06 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Agreement or otherwise, the Authority or the Borrower shall so instruct the Trustee in writing, and the Trustee shall take such action as required by such instructions.

Without limiting the generality of the foregoing the Borrower agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to any Series of tax-exempt Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The Borrower specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined under Section 5.09 hereof the Rebutable Arbitrage Requirement, as described in the Agreement.

The Authority and the Borrower will not allow the amount of Gross Proceeds of any Series of tax-exempt Bonds invested during any Bond Year in Nonpurpose Investments with a Yield in excess of the Yield on such tax-exempt Bonds to exceed one hundred fifty percent (150%) of Scheduled Debt Service on such tax-exempt Bonds for that Bond Year plus \$100,000, provided, however, that until three (3) years following the Issue Date for such tax-exempt Bonds, amounts invested in the applicable Project Account in the Project Fund and in the applicable Costs of Issuance Account in the Project Fund shall not be considered subject to such restriction and provided further that amounts invested in the Bond Fund shall at no time be considered subject to such restriction. All capitalized terms used in this paragraph and not otherwise defined shall have the meanings prescribed by Section 148 of the Code and regulations promulgated thereunder.

Notwithstanding any provision of this Section 6.06 and Section 5.09 hereof, if the Borrower shall provide to the Authority, the City and the Trustee an Opinion of Bond Counsel to the effect that any action required under this Section 6.06 and Section 5.09 hereof is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on any Series of tax-exempt Bonds pursuant to Section 103 of the Code, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Section 6.07. Other Liens. So long as any Bonds are Outstanding, the Authority shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or part of the Trust Estate or the Revenues, other than the lien created by this Indenture.

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Section 6.08. Further Assurances. Whenever and so often as requested so to do by the Trustee, the Authority shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Section 6.09. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the Authority contained in this Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent authorized by the Act. No covenant, stipulation, obligation or agreement of the Authority contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future director, officer, agent or employee of the Authority in other than that person's official capacity. Neither the directors of the Authority nor any official executing the Bonds, this Indenture, the Agreement or any amendment or supplement hereto or thereto shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution hereof or thereof.

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ARTICLE VII

DEFAULT

Section 7.01. Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an "Event of Default" hereunder:

- (a) Failure to make payment of any installment of interest upon any Bonds on the date when the same shall have become due and payable;
- (b) Failure to make due and punctual payment of the principal of and redemption premium, if any, on any Bonds on the date when the same shall have become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration; or
- (c) Default by the City under the City Guaranty.

Subject to the provisions of Article VIII and Article XII hereof, upon the occurrence and continuation of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Borrower, the Bondholders, the City and the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, interest ceases to accrue and the Trustee shall declare all indebtedness payable under the Agreement to be immediately due and payable in accordance with Section 9.02 of the Agreement and may exercise and enforce such rights as exist under the Agreement.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before moneys shall have been applied to the payment of the Bonds in accordance with Section 7.03 hereof and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (1) there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, plus the reasonable expenses (including reasonable attorneys fees) of the Trustee, and (2) any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee then, and in every such case, the Trustee or the Authority may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 7.02. Institution of Legal Proceedings by Trustee. Subject to the provisions of Article VIII hereof, if one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding upon being indemnified to its satisfaction therefor shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Act or under this Indenture, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

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Section 7.03. Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to Section 7.02 hereof shall be applied in the following order, at the date or dates fixed by the Trustee (which, in the case of the second and third priorities listed below, shall be the earliest practicable date) and, in the case of distribution of such moneys on account of principal, redemption premiums if any, or interest, upon presentation of the Bonds to the Trustee, and stamping thereon the payment, if only partially paid, and upon surrender thereof to the Trustee, if fully paid:

First: To the payment of all costs and expenses of collection, just and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances made pursuant to the provisions of this Indenture and, to the extent the Insurer consents, with interest on all such advances at the rate of five percent (5.0%) per annum.

Second: In case the principal of none of the Bonds shall have become due and remains unpaid, to the payment of interest in default in the order of the maturity thereof, such payments to be made ratably and proportionately to the persons entitled thereto without discrimination or preference, except as specified in Section 6.02 hereof.

Third: In case the principal of any of the Bonds shall have become due by acceleration or otherwise and remains unpaid, first to the payment of interest in default and then to the payment of principal of all Bonds then due and unpaid in the order of maturity thereof, and then to the payment of the premium thereon, if any; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference, except as specified in Section 6.02 hereof.

Fourth: To the Persons entitled to such remaining moneys, as described in Section 5.08 hereof.

If such moneys are invested, they shall be invested only in Permitted Investments having a maturity of thirty (30) days or less.

Section 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Trustee or to the Holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder with respect to the trust estate; and all remedies, rights and powers of the Authority, the Trustee and the Holders of the Bonds shall continue as though no such proceedings had been taken.

Section 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee or to any Holder of the Bonds 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 hereunder or now or hereafter existing at law or in equity.

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Section 7.06. Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay to the Trustee upon demand, but only out of Revenues, for the benefit of the Holders of the Bonds, respectively, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal and premium, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee hereunder. In case the Authority shall fail to pay the same immediately upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues as herein provided and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 7.07. Trustee Appointed Agent for Bondholders. The Trustee is hereby appointed the agent and attorney of the Holders of all Bonds outstanding hereunder for the purpose of filing any claims relating to the Bonds.

Section 7.08. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Holders of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time the Holders of at least a majority in principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 7.09. Limitation on Bondholders' Right to Sue. No Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder; 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 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 herein provided and for the equal benefit of all Holders of the Outstanding Bonds (subject to the provisions of Section 6.02 hereof).

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The right of any Holder of any Bond to receive payment of the principal of, redemption premium, if any, and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of this Section 7.09 or Section 7.08 hereof or any other provision of this Indenture.

Section 7.10. Limitation of Liability to Revenues. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues, for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. NEITHER THE STATE OF NEW JERSEY, THE COUNTY OF SALEM, NEW JERSEY OR THE CITY OF SALEM, NEW JERSEY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY, THE COUNTY OF SALEM, NEW JERSEY OR THE CITY OF SALEM, NEW JERSEY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, OR INTEREST ON, THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

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ARTICLE VIII

CITY GUARANTY AND SUPPORT AGREEMENT

Section 8.01. City Guaranty and Support Agreement. So long as the City Guaranty and the Support Agreement shall remain in full force and effect, and so long as there shall have been no default by the City thereunder, the following provisions shall apply, notwithstanding anything in this Indenture to the contrary:

(a) Any amendment or supplement of this Indenture or any of the Bond Documents shall not be effective without the prior written consent of the City.

(b) Upon the occurrence and continuance of an Event of Default, subject to the Insurer's rights, the City shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under this Indenture.

(c) Notwithstanding anything in this Indenture to the contrary, in the event that the principal of and/or interest due on the Bonds shall be paid by the City pursuant to the City Guaranty or the Support Agreement, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and the assignment and pledge of the Trust Estate 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 City, and the City shall be subrogated to the rights of such registered owners. Provided, however, that should any Bonds be purchased by the City while the City Guaranty shall be in effect, such Bonds shall no longer be considered Outstanding and shall be cancelled pursuant to the provisions of Section 11.01 hereof and shall no longer be entitled to the benefits of the Bond Insurance Policy.

(d) To the extent that this Indenture confers upon or gives or grants to the City any right, remedy or claim under or by reason of this Indenture, the City is hereby recognized as being a third-party beneficiary under this Indenture and may enforce any such right, remedy or claim conferred, given or granted under this Indenture.

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ARTICLE IX

THE TRUSTEE, REGISTRAR, ETC.

Section 9.01. Duties, Immunities and Liabilities of Trustee and Registrar. The Trustee and the Registrar shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee (but not the Registrar) shall, during the existence of any Event of Default (which has not been cured), 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 prudent persons would exercise or use under the circumstances in the conduct of their own affairs. Notwithstanding any other provision of this Indenture, the Trustee shall perform all duties required of it hereunder.

No provision of this Indenture shall be construed to relieve the Trustee or the Registrar from liability for its own negligent action or its own negligent failure to act or its willful misconduct, except that:

(a) Prior to such an Event of Default hereunder and after the curing of all Events of Default which may have occurred:

(1) the duties and obligations of the Trustee and the Registrar, as the case may be, shall be determined solely by the express provisions of this Indenture, the Trustee and Registrar, as the case may be, shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee and the Registrar, as the case may be; and

(2) in the absence of bad faith on the part of the Trustee or the Registrar, as the case may be, the Trustee or Registrar, as the case may be, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee or the Registrar, as the case may be, conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee or the Registrar, as the case may be, the Trustee or the Registrar shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture; and

(b) At all times, regardless of whether or not any Event of Default shall exist:

(1) the Trustee and the Registrar shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee or the Registrar unless it shall be proved that the Trustee or the Registrar, as the case may be, was negligent in ascertaining the pertinent facts;

(2) 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 Holders of not less than a majority, or such larger percentage as may be required hereunder, in aggregate principal amount of the Bonds at the time Outstanding 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.

None of the provisions contained in this Indenture shall require the Trustee or Registrar to expend or risk their own funds or otherwise incur individual financial liability in the performance of any of their duties or in the exercise of any of their rights or powers other than to notify the Authority that they intend to take no particular action or to notify the Bondholders that they will take no action.

Section 9.02. Right of Trustee and Registrar to Rely Upon Documents, Etc. Except as otherwise provided in Section 9.01 hereof:

(a) The Trustee and the Registrar each may rely and shall be protected in acting or refraining from acting upon any Indenture, certificate, statement, instrument, opinion, report, notice, request, consent, order, Bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any notice, request, direction, election, order or demand of the Authority mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Authority by its Executive Director or Deputy Director, and any Indenture of the Authority may be evidenced to the Trustee or the Registrar by a Certified Indenture;

(c) The Trustee and the Registrar may consult with counsel (who may be counsel for the Authority or Bond Counsel) and the resulting Opinion of Counsel shall be full and complete authorization and protection with respect to any action taken or suffered by it hereunder in good faith and in accordance with such opinion of Counsel;

(d) Whenever in the administration of the trusts of this Indenture, the Trustee or the Registrar shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence with respect thereto be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee or the Registrar, as the case may be, be deemed to be conclusively proved and established by a Certificate of the Authority. Such Certificate of the Authority shall, in the absence of negligence or bad faith on the part of the Trustee or the Registrar, as the case may be, be full warrant to the Trustee or the Registrar, as the case may be, for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof; and

(e) Subject to the standard of care set forth in Section 9.01, the Trustee or the Registrar shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

Section 9.03. Trustee and Registrar Not Responsible for Recitals. The recitals contained herein and in the Bonds shall be taken as the statements of the Authority, and the Trustee and the Registrar assume no responsibility for the correctness of the same except (with respect to the Registrar) for the Certificate of Authentication on the Bonds. The Trustee and the Registrar shall not be accountable for the use or application by the Authority of any of the Bonds authenticated or delivered hereunder or of the proceeds of such Bonds.

Section 9.04. Right of Trustee and Registrar to Acquire Bonds. The Trustee, the Registrar and their officers and directors may acquire and hold, or become the pledgee of, Bonds and otherwise deal with the Authority in the manner and to the same extent and with like effect as though it were not Trustee or Registrar, as the case may be, hereunder.

Section 9.05. Moneys Received by Trustee, Registrar, and Paying Agent to Be Held in Trust. Subject to the provisions of Section 11.03 hereof, all moneys received by the Trustee, the Registrar and the Paying Agent shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee, the Registrar, and the Paying Agent shall be under no liability for interest on any moneys received by them hereunder except such as it may agree with the Authority to pay thereon. Any interest allowed on any such moneys shall be deposited in the fund or account to which such moneys are credited. Any moneys held by the Trustee or the Registrar may be deposited by it in its bond or other investment department and invested as provided herein.

Section 9.06. Compensation and Indemnification of Trustee and Registrar. (a) Subject to the terms of any commitment or fee letter approved by the Borrower, the Trustee and the Registrar shall be entitled to reasonable compensation for all services rendered by them in the execution of the trusts created and in the exercise and performance of any of the powers and duties hereunder of the Trustee or the Registrar, as the case may be, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will require the Borrower to pay or reimburse the Trustee or the Registrar, as the case may be, upon its request for all expenses, disbursements and advances reasonably incurred or made by the Trustee or the Registrar, as the case may be, in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. If any property, other than cash, shall at any time be held by the Trustee or the Registrar, as the case may be, subject to this Indenture, or any Supplemental Indenture, as security for the Bonds or otherwise, the Trustee or the Registrar, as the case may be, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The Authority will also require the Borrower to indemnify the Trustee or the Registrar, as the case may be, for, and to hold it harmless against, any loss, liability, expense or advance incurred or made without negligence or bad faith on the part of the Trustee or the Registrar, as the case may be, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in the premises. Notwithstanding the foregoing provisions of this Section 9.06, the Trustee shall make or cause to be made timely payments of principal of and interest on the Bonds with moneys on deposit in the Bond Fund as provided herein, shall make timely draws on or requests for moneys from the City Guaranty as provided herein and shall accelerate the payment of principal on the Bonds when required by this Indenture without seeking any indemnification from the Borrower or any Bondholder.

(b) The Trustee shall be under no obligation to institute any suit or take any remedial proceeding under this Indenture, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the exercise of any rights or powers hereunder at the request, order or direction of any Holders of Bonds or otherwise (except declaring the principal of and interest on the Bonds to be due immediately under Section 7.01 hereof, or making payment when due on the Bonds) until it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays, and counsel fees and other disbursements and against all liability not due to its negligence or bad faith, provided, however, that if the Trustee intends to rely on this Section 9.06 as a basis for non-action it shall so inform the Holders (as appropriate), the Authority, and the Borrower as soon as practicable. This Section 9.06 shall survive the discharge of this Indenture.

Section 9.07. Qualifications of Trustee and Registrar. There shall at all times be a trustee and a registrar hereunder which shall be a commercial bank, trust company or national banking association organized and doing business under the laws of the United States or of a state thereof, which is authorized under such laws to exercise corporate trust powers, has, together with any parent, holding or other related entity, if any, a combined capital and surplus of at least fifty million dollars (\$50,000,000), and is subject to supervision or examination by federal or state authority. If such corporations or banking associations publish reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 9.07 the combined capital and surplus of such corporations or banking associations shall be deemed to be their combined capital and surplus as set forth in their most recent reports of conditions so published. The Trustee may serve as Registrar.

In case at any time the Trustee or the Registrar shall cease to be eligible in accordance with the provisions of this Section 9.07, the Trustee or the Registrar, as the case may be, shall resign immediately in the manner and with the effect specified in Section 9.08 hereof.

Section 9.08. Resignation and Removal of Trustee or Registrar and Appointment of Successor Trustee or Registrar. (a) The Trustee or Registrar may at any time resign by giving written notice to the other and to the Authority, the Borrower, the City and any Rating Agency and by giving to the Bondholders Notice by Mail. Upon receiving such notice of resignation, the Borrower, with the prior consent and approval of the City, or, if an Event of Default under the Loan Agreement by the Borrower or a default by the City under the City Guaranty has occurred and is continuing, the Authority, in either case, shall appoint a successor trustee or registrar, as the case may be, by an instrument in writing, one copy of which instrument shall be delivered to the resigning trustee or registrar, as the case may be, and one copy to the successor trustee or registrar, as the case may be. If no successor trustee or registrar, as the case may be, shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning trustee or registrar, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor trustee or registrar, as the case may be, or any Bondholder who has been a bona fide Holder of a Bond for at least six (6) months may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor trustee or registrar, as the case may be. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee or registrar, as the case may be.

(b) In case at any time either of the following shall occur:

(1) the Trustee or Registrar shall cease to be eligible in accordance with the provisions of Section 9.07 hereof and shall fail to resign after written request therefor by the Borrower, or, if any Event of Default under the Agreement has occurred and is continuing, the Authority, or by any Bondholder who has been a bona fide Holder of a Bond for at least six (6) months, or

(2) the Trustee or Registrar shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or Registrar or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or Registrar or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Borrower, with the prior consent and approval of the City, or, if an Event of Default under the Loan Agreement or a default by the City under the City Guaranty has occurred and is continuing, the Authority may remove the Trustee or Registrar, as the case may be, and appoint a successor trustee or registrar, as the case may be, by an instrument in writing, one copy of which

instrument shall be delivered to the Trustee or Registrar so removed, and one copy to the successor trustee or registrar, as the case may be, or any such Bondholder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee or Registrar, as the case may be, and the appointment of a successor trustee or registrar, as the case may be. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, remove the Trustee or Registrar, as the case may be, and appoint a successor trustee or registrar, as the case may be.

(c) The Borrower, with the prior consent and approval of the City, may and, at the direction of the City, shall remove the Trustee or Registrar at any time prior to an event of default under the Loan Agreement or a default by the City under the City Guaranty.

(d) After a default by the City under the City Guaranty, the Holders of a majority in aggregate principal amount of the Bonds at the time Outstanding may at any time remove the Trustee. A new Trustee may be appointed by written instrument by the Borrower, or, if an Event of Default under the Loan Agreement has occurred and is continuing, the Authority.

(e) Any resignation or removal or transfer of rights of the Trustee or Registrar, as the case may be, and appointment of a successor trustee or registrar, as the case may be, pursuant to any of the provisions of this Section 9.08 shall become effective upon acceptance of appointment by the successor trustee or registrar, as the case may be, as provided in Section 9.09 hereof. The successor trustee or registrar, as the case may be, appointed pursuant to the provisions of this Section 9.08 shall give written notification to any Rating Agency then rating the Bonds of such successor trustee or registrar appointed pursuant to this Section 9.08.

Section 9.09. Acceptance of Trust by Successor Trustee; Successor Registrar. Any successor trustee or registrar, as the case may be, appointed as provided in Section 8.08 hereof shall execute, acknowledge and deliver to the Borrower, the Authority and to its predecessor trustee or registrar, as the case may be, an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee or registrar, as the case may be, shall become effective and such successor trustee or registrar, as the case may be, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee or Registrar herein; but, nevertheless, on the Written Request of the Authority or the request of the successor trustee or registrar, as the case may be, the Trustee or Registrar ceasing to act shall, upon payment of all moneys due it pursuant to Section 9.06 hereof, execute and deliver an instrument transferring to such successor trustee or registrar, as the case may be, upon the trusts herein expressed, all the rights, powers and trusts of the trustee so ceasing to act. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such Trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity afforded to it by Section 9.06 hereof.

No successor trustee or registrar, as the case may be, shall accept appointment as Trustee or Registrar hereunder, as the case may be, unless at the time of such acceptance such successor trustee or registrar, as the case may be, shall be eligible under and meet the requirements of the provisions of Section 9.07 hereof.

Upon acceptance of appointment by a successor trustee or registrar, as the case may be, as provided in this Section 9.09, the Registrar shall give Bondholders notice of the succession of such trustee or registrar, as the case may be, to the trusts hereunder in the manner prescribed in Section 9.08 hereof for the giving of notice of resignation of the Trustee.

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ARTICLE X

MODIFICATION OF INDENTURE

Section 10.01. Modification without Consent of Bondholders. The Authority and the Trustee, without the consent of any Bondholders, from time to time and at any time (but with the consent of the Borrower and the City and also with the consent of the Paying Agent or the Registrar, but only if the rights or responsibilities of the Paying Agent or the Registrar shall be effected thereby) and subject to the conditions and restrictions in this Indenture contained, may enter into an Indenture or Indentures supplemental hereto, which Indenture or Indentures thereafter shall form a part hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Authority, provided, that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable and not inconsistent with this Indenture and which shall not materially adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement this Indenture or any Indenture Supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to this Indenture or any Indenture Supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(d) to provide for the procedures required to permit any Bondholder, at its option, to utilize an uncertificated system of registration of its Bond;

(e) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-exempt status of the Bonds;

(f) to modify any requirement to obtain a rating, provided the interests of the Bondholders are not materially adversely affected;

(g) to permit principal of and interest on the Bonds to be separated and traded separately; or

(h) To modify any of the provisions of the Indenture in any other respect whatever, provided that such modification shall become effective prior to the authentication and delivery of the first Bond authorized to be issued pursuant to this Indenture; provided that such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof.

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Section 9.10. Merger, Conversion or Consolidation of Trustee or Registrar. Any corporation or banking association into which the Trustee or Registrar may be merged or converted or with which it may be consolidated, or any corporation or banking association resulting from any merger, conversion or consolidation to which the Trustee or Registrar shall be a party, or any corporation or banking association succeeding to all or substantially all of the corporate trust business of the Trustee or Registrar, shall be the successor of the Trustee or Registrar hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor trustee or registrar shall be eligible under the provisions of Section 9.07 hereof.

Section 9.11. Accounting Records and Reports; Notices to the Authority. (a) The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each Investment Security (i) its purchase price, (ii) identifying information, including par amount, coupon rate and maturity dates and (iii) the amount received at maturity or its sale price, as the case may be. Such records shall be open to inspection by any Holder, the Borrower, the City and the Authority at any reasonable time during regular business hours on reasonable notice.

(b) The Trustee shall provide the Authority (and the City, in the case of subsection (b)(1) below) with the following:

(1) If there is a failure to pay any amount of principal of, redemption premium, if any, or interest on any Bond when due; or if there is a failure of the Borrower to provide any notice, certification or report specified in the Agreement; or if there is an occurrence of an Event of Default hereunder, of which the Trustee has actual knowledge, the Trustee shall provide written notice to the Authority within five (5) Business Days of such occurrence and such notice shall include a statement setting forth the steps the Trustee is taking to remedy such failure or Event of Default, as applicable;

(2) Upon a Written Request of the Authority, a notice specifying the principal amount of the Bonds of each Series then Outstanding; and

(3) Notice of maturity or prepayment of any Series of Bond.

Section 9.12. Registrars. The Authority may appoint a registrar for the Bonds and hereby appoints, as the initial Registrar, Fulton Financial Advisors, N.A.. Each Registrar shall be a bank, trust company or national banking association which meets the qualifications of Section 9.07 hereof, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it hereby. Each Registrar shall signify its acceptance of the duties and obligations imposed upon it hereby by executing and delivering to the Authority and the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Registrar.

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(i) to provide for the issuance of Additional Bonds.

Any Supplemental Indenture authorized by the provisions of this Section 10.01 may be executed by the Authority and the Trustee without the consent of (or notice to) the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 10.02, but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 10.02. Modification with Consent of Bondholders. With the consent of the Registrar and the Paying Agent (but only if the rights or responsibilities of the Registrar and the Paying Agent shall be affected thereby), the Borrower, the City and the Holders of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the then Outstanding Bonds, evidenced as provided in Section 12.08 hereof, the Authority and the Trustee may from time to time and at any time enter into an Indenture or Indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such Supplemental Indentures, or extend the time of payment, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of this Indenture, except as permitted herein, or permit the creation of any preference of any Bondholder over any other Bondholder, except as permitted herein, or deprive the Holders of the Bonds of the lien created by this Indenture upon the Revenues, without the consent of the Holders of all of the Bonds then Outstanding. Upon receipt by the Trustee of a Certified Indenture authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such Supplemental Indenture, unless such Supplemental Indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such Supplemental Indenture.

It shall not be necessary for the consent of the Bondholders under this Section 10.02 to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to the provisions of this Section 10.02, the Registrar, upon the direction of the Trustee, shall mail a notice in a form prepared by the Trustee, setting forth in general terms the substance of such Supplemental Indenture, to each Bondholder at the address contained in the bond register maintained by the Registrar. Any failure of the Registrar to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Section 10.03. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of this Article X, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Holders of Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

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Section 10.04. Opinions as to Supplemental Indenture. Prior to any modification of this Indenture pursuant to subsection (d) of Section 10.01 hereof or Section 10.02 hereof, the Trustee shall obtain an Opinion of Bond Counsel to the effect that such modification will not adversely affect the Tax-exempt status of interest on the applicable Series of Bonds. Prior to any modification of this Indenture pursuant to Section 10.01 hereof and Section 10.02 hereof, the Trustee shall obtain an Opinion of Bond Counsel as conclusive evidence that any Supplemental Indenture executed pursuant to the provisions of this Article X complies with the requirements of this Article X.

Section 10.05. Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to the provisions of this Article X may bear a notation, in form approved by the Trustee, as to any matter provided for in such Supplemental Indenture, and if such Supplemental Indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee and the Authority, to any modification of this Indenture contained in any such Supplemental Indenture, may be prepared by the Authority, authenticated by the Registrar and delivered without cost to the Holders of the Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts and of the same Series.

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The Authority or the Borrower may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Authority or the Borrower lawfully may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Notwithstanding any other provision contained in this Article XI, all covenants and requirements set forth in this Indenture and the Agreement relating to the exclusion from gross income of interest on any Series of the Bonds from federal income taxation shall continue subsequent to any defeasance of such Series of the Bonds until such Series of defeased Bonds has been retired.

Section 11.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of moneys or securities in the necessary amount (as provided in Section 11.04 hereof) to pay or redeem the Outstanding Bonds of any Series (whether upon or prior to their maturity, in accordance with Section 11.01 hereof, or on the redemption date, in accordance with Article IV hereof) provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for giving such notice, all liability of the Authority and the Borrower with respect to such Bonds shall cease, terminate and be completely discharged, except only that thereafter the Holders thereof shall thereafter be entitled only to payment by the Authority, and the Authority shall remain liable for such payment, but, only out of the money deposited with the Trustee as aforesaid for their payment, provided further, however, that the provisions of Section 11.03 hereof shall apply in all events. Upon discharge of liability on each Series of Bonds, the Trustee shall give any Rating Agency then rating the applicable Bonds written notification of such discharge.

Section 11.03. Payment of Bonds after Discharge of Indenture; Escheat. Notwithstanding any provisions of this Indenture, if any Bond or evidence of beneficial ownership of such Bond shall not be presented for payment when the principal thereof becomes due (whether at maturity, by acceleration, upon call for redemption, upon purchase or otherwise), all liability of the Authority to the registered Owner thereof for the payment of such Bond, shall forthwith cease, terminate and be completely discharged if funds sufficient to pay such Bond and interest due thereon, if any, are held by the Trustee uninvested for the benefit of the registered Owner thereof. 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.* The registered Owner shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

Section 11.04. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay the purchase price of or to redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture (exclusive of the Project Fund and the Rebate Fund) and shall be

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and with respect to which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption shall have been given as in Article IV hereof provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the

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ARTICLE XI

DEFEASANCE

Section 11.01. Discharge of Indenture. If the entire indebtedness on all Bonds Outstanding shall be paid and discharged in any one or more of the following ways:

(a) by the payment of the principal of (including redemption premium, if any) and interest on Bonds Outstanding, as and when the same become due and payable;

(b) by depositing or crediting to the account of the Trustee, in trust, at or before maturity money or securities in the necessary amount (as provided in Section 11.04 hereof) to pay or redeem Bonds Outstanding, whether by redemption or otherwise; or

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

and if all other sums payable hereunder by the Authority shall be paid and discharged, then thereupon this Indenture shall cease, terminate and be void except only as provided in Section 11.02 hereof, and thereupon the Trustee shall, upon Written Request of the Authority, and upon receipt by the Trustee of a Certificate of the Authority and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Borrower for any expenditures which it may thereafter incur in connection herewith.

Any Bond or any Authorized Denomination thereof shall be deemed to be paid within the meaning of this Section 11.01 when: (a) payment of the principal of and redemption premium, if any, on such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) shall have been made or caused to be made in accordance with the terms hereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) U.S. Government Obligations maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment without regard to reinvestment, or (3) securities permitted by Section 12.10 hereof if the Bonds shall be insured by the Insurance Policy; and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

The Bonds, a Bond or any portion thereof shall not be deemed to be paid under the provisions of this Article unless at the time such money and/or U.S. Government Obligations are deposited with the Trustee, the Trustee shall have also received a certificate from an independent certified public accountant stating that such moneys and/or U.S. Government Obligations and the anticipated investment income thereon will be sufficient to make the payment of principal and interest when due. At such times as the Bonds, a Bond or a portion thereof shall be deemed to be paid hereunder, as aforesaid, such Bonds or portions thereof shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of any such payment from such moneys or U.S. Government Obligations and the Registrar (upon the direction of the Trustee) shall promptly mail a notice to the Holder of such Bonds notifying it of such defeasance.

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principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) U.S. Government Obligations (not callable by the issuer thereof prior to maturity) the principal of and the interest on which when due will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV hereof provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, purchase price or redemption price and interest with respect to such Bonds. Bonds purchased pursuant to this Section 11.04 shall be canceled by the Trustee.

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ARTICLE XII

CONDITIONS CONCERNING THE INSURANCE POLICY AND THE INSURER

The following provisions shall govern, notwithstanding anything to the contrary set forth in this Indenture, provided the Insurer shall not be in default of any of its obligations under the Bond Insurance Policy.

Section 12.01. Insurer Deemed Holder of the Bonds. For so long as the Insurance Policy shall provide insurance for the Bonds, the Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to Article VII and Article IX hereof. So long as no default has occurred or is continuing under the City Guaranty, the exercise of such rights and privileges of the Insurer shall be subject to the consent of the City. Remedies granted to the Bondholders shall expressly include mandamus.

Section 12.02. Acceleration With Consent of Insurer. The maturity of Bonds insured by the Insurer shall not be accelerated pursuant to Article VII hereof without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

Section 12.03. Breach of Covenants and Payment Defaults. No grace period for a default contained in this Indenture shall exceed thirty (30) days or be extended for more than sixty (60) days, without the prior written consent of the Insurer. No grace period shall be permitted for any payment defaults.

Section 12.04. Insurer as Third Party Beneficiary. The Insurer shall be included as a third party beneficiary to this Indenture.

Section 12.05. Approvals for Extraordinary Optional Redemption. Upon the occurrence of an extraordinary optional redemption as set forth in Section 4.01(b) hereof, the selection of Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of this Indenture which permits the purchase of Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

Section 12.06. Amendments, Supplements, Modifications or Waiver of Indenture. Any amendment, supplement, modification to, or waiver of, this Indenture or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondholders or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

Section 12.07. Use of Monies in Project Fund Upon Default. Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default hereunder, amounts on deposit in the Project Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

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noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of "Notice of Claim and Certificate" delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Insurer: (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Bonds.

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Section 12.08. Rights of Insurer and Exercise Thereof. The rights granted to the Insurer under this Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Insurer.

Section 12.09. Defeasance Requirements. Only: (i) cash; (ii) non-callable direct obligations of the United States of America ("Treasures"); (iii) evidences of ownership of proportionate interests in future interest and principal payments on Treasures held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasures are not available to any person claiming through the custodian or to whom the custodian may be obligated; (iv) subject to the prior written consent of the Insurer, pre-funded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively; or (v) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Authority shall cause to be delivered: (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"); (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; and (iv) a certificate of discharge of the Trustee with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, the Trustee, the City and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 12.10. Amounts Paid and Discharge of Indenture. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 12.11. Covenants of Authority and Trustee. Each of the Authority, the Borrower and the Trustee covenant and agree to take such action (including, as applicable, filing of Uniform Commercial Code financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

Section 12.12. Claims Upon the Insurance Policy and Payments by and to the Insurer. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (each a "Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or teletype of the amount of such deficiency by 12:00

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Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

Section 12.13. Subrogation of Rights Upon Payment. The Insurer shall, to the extent it makes any payment of principal or of interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

Section 12.14. Reimbursement of Charges, Fees, Costs and Expenses. The Authority and the Borrower shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with: (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under this Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with this Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Indenture or any other Related Document.

Section 12.15. Application of Funds Upon Default. After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

Section 12.16. Payment of Principal or Interest on Bonds Due for Payment. The Insurer shall be entitled to pay principal or interest on the Bonds that shall become "Due for Payment" but shall be unpaid by reason of "Nonpayment" by the Authority (as each such term is defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a "Notice of Nonpayment" (as such terms is defined in the Insurance Policy) or a claim upon the Insurance Policy.

Section 12.17. Notice to Insurer. The notice address of the Insurer is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director - Surveillance, Re: Policy No.208879-N, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL CLOSED."

Section 12.18. Provision of Certain Information to Insurer. The Insurer shall be provided with the following information by the Issuer or Trustee, as the case may be:

(i) Annual audited financial statements of the City and the Borrower within 210 days after the end of the City and the Borrower's fiscal year (together with a certification of the Authority that it is not aware of any default or Event of Default under the Indenture), and the City's and the Borrower's annual budgets within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

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(ii) Notice of any draw upon the Debt Service Reserve Fund within two (2) Business Days after knowledge thereof other than (a) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (b) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Trustee or the Authority within five (5) Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Authority, Borrower or the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents.

Section 12.19. Additional Bonds. Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in this Indenture, no such issuance may occur: (i) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance; and (ii) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the Bonds) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

Section 12.20. Insurance Policy Not to Effect Amendment, Consent, Waiver or Other Action. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under this Indenture would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

Section 12.21. No Other Contract Effecting Security Without Consent of Insurer. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

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ARTICLE XIII

MISCELLANEOUS

Section 13.01. Successors of Authority. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Authority, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Authority shall hereafter be transferred by any law of the State, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Authority, then the body or official of the State who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Authority as in this Indenture provided.

Section 13.02. Limitation of Rights to Parties and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Borrower, the City, the Insurer and the Holders of the Bonds issued hereunder any legal or equitable right, remedy or claim under or with respect to this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City, the Insurer and the Bondholders.

Section 13.03. Waiver of Notice. Whenever in this Indenture the giving of Notice by Mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee or the Registrar of any Bonds, the Trustee or the Registrar may, in lieu of such cancellation, destroy such Bonds. If Bonds are canceled or destroyed by the Registrar, the Registrar shall immediately notify the Trustee of such cancellation or destruction. The Trustee shall deliver a certificate of any such destruction to the Authority.

Section 13.05. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture or the Bonds, but this Indenture and the Bonds shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

Section 13.06. Governing Law. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 13.07. Notices. All notices and directions under this Indenture shall be given in writing. It shall be sufficient service of any notice, direction, request, complaint, demand or other paper on the Authority, the Trustee, the Borrower, the City, the Insurer, the Registrar or the Paying Agent if the same shall be duly mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Authority: The Salem County Improvement Authority
181 East Broadway
Salem, New Jersey 08079
Attention: Executive Director

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To the Borrower: Stand Up for Salem, Inc.
150 West Broadway
P.O. Box 453
Salem, New Jersey 08079
Attention: President

To the City: City of Salem
17 New Market Street
Salem, New Jersey 08079
Attention: Chief Financial Officer

To the Insurer: Financial Security Assurance Inc.
31 West 52nd Street
New York, New York 10019
Attention: Managing Director – Surveillance

To the Trustee,
Registrar, & Paying Agent: Fulton Financial Advisors, N.A.
One Penn Square
P.O. Box 7989
Lancaster, Pennsylvania 17604
Attention: Corporate Trust Department

The Authority, the Trustee, the Borrower, the City, the Insurer, the Registrar, and the Paying Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Indenture, any notices required to be given hereunder to the Trustee, the Authority, the Registrar, the Paying Agent, the City or the Borrower may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission. A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the Trustee to the other shall also be given to the Borrower, the City and the Registrar.

Section 13.08. Evidence of Rights of Bondholders.

(a) Any request, consent or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee, the Registrar and the Authority if made in the manner provided in this Section 13.08.

(b) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

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(c) The ownership of registered Bonds shall be proved by the Bond register maintained by the Registrar pursuant to Section 2.06 hereof. The Trustee, the Registrar and the Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee and the Registrar. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of Bonds held by the Person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

Any request, consent or vote of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of any Bond issued in exchange therefor or in lieu thereof, with respect to anything done or suffered to be done by the Trustee or the Authority pursuant to such request, consent or vote.

(d) In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Authority, by the Borrower or by any Affiliate of the Borrower, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this subsection (d) if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower or any Affiliate of the Borrower. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

(e) In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondholders upon such notice and in accordance with such rules and regulations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 13.09. Publication of Notices. Any publication of notice to be made under the provisions of this Indenture may be made in each instance on any Business Day, and, except as provided in Section 11.03 hereof, no such publication shall be required if such notice is given by Mail to the holders of all Bonds then Outstanding.

Section 13.10. Reimbursement. The Authority reasonably expects to reimburse its expenditure of all or any portion of the Costs of the Project paid prior to the issuance of the Bonds with proceeds of its Bonds. This Indenture is intended to be and is a declaration of the Authority's official intent to reimburse the Authority for expenditure of Costs of the Project by the Authority paid prior to the issuance of the Bonds with the proceeds of the Bonds, in accordance with Treasury Regulation Section 1.150-2. The maximum principal amount of the Bonds expected to be issued for payment of the costs of the Project is \$19,500,000.

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ARTICLE XIV

BOND FORM

Section 14.01. Form of Bonds, Trustee's Certificate of Authentication and Bond Guaranty Certificate. Subject to the provisions of this Indenture, the form of the Bonds and any other Series of Bonds designated by Supplemental Indenture, with any appropriate changes as set forth in any such Supplemental Indenture, and the Trustee's certificate of authentication shall be in substantially the following form:

[FORM OF BOND]

UNITED STATES OF AMERICA

STATE OF NEW JERSEY

THE SALEM COUNTY IMPROVEMENT AUTHORITY

City-Guaranteed Revenue Bonds
(Finlaw State Office Building Project)
Series 2007

Table with 5 columns: CUSIP NUMBER, INTEREST RATE, AUTHENTICATION DATE, DATED DATE, MATURITY DATE. Row 1: %, 2007, 2007, 20

REGISTERED OWNER:

PRINCIPAL SUM: THOUSAND DOLLARS (\$)

THE SALEM COUNTY IMPROVEMENT AUTHORITY ("Authority"), a body corporate and politic organized and existing under the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, as amended and supplemented ("Act"), for value received, hereby promises to pay to the REGISTERED OWNER stated hereon, or registered assigns, but only out of the sources hereinafter mentioned, on the MATURITY DATE shown above upon presentation and surrender hereof, at the corporate trust office of Fulton Financial Advisors, N.A., Lancaster, Pennsylvania ("Paying Agent"), the PRINCIPAL SUM stated hereon and to pay, but only out of the sources hereinafter mentioned, interest on such principal sums on each February 15 and August 15 commencing February 15, 2008, from the date hereof until payment of said principal sums has been made or provided for, at the INTEREST RATE stated hereon to the Registered Owner hereof as of the Record Date (as such term is defined in the Indenture) and shall be paid by check or draft mailed on the interest payment date to such Registered Owner at his or her address as it appears on the registration books of the Authority kept at the principal office of Fulton Financial Advisors, N.A., Lancaster, Pennsylvania ("Bond Registrar").

Copies of the Indenture are on file at the office of the Authority and at the principal corporate trust office of Fulton Financial Advisors, N.A., Lancaster, Pennsylvania, as under the Indenture, or its successor ("Trustee"), and reference to the Act and to the Indenture (hereinafter defined) and any and all modifications and amendments thereof is made for a description of the pledge securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of bondholders with

respect thereto and the terms and conditions upon which the Bonds are issued and may be issued thereunder.

This Bond is one of duly authorized issue of bonds of the Authority designated as its "City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007" in the aggregate principal amount of \$19,500,000 (the "Bonds"), pursuant to the Act and under and pursuant to an Indenture of Trust between the Authority and Fulton Financial Advisors, N.A., as Trustee, dated as of July 1, 2007 ("Indenture").

Terms used herein and not otherwise defined shall have the meaning given to such terms in the Indenture.

The Bonds are payable solely from and secured by a pledge of the Trust Estate and the Revenues as defined in the Indenture, proceeds of Bonds held or set aside under the Indenture, and the funds and accounts established under the Indenture.

Redemption of Bonds. The Bonds shall be subject to redemption prior to their stated maturity dates as follows:

Optional Redemption.

The Bonds maturing on and after August 15, 2018 are subject to redemption prior to their stated maturity dates at the option of the Borrower (with the prior consent and approval of the Authority and the City), upon notice as set forth below, as a whole or in part (and if in part, in such maturities as the Borrower, with the prior consent and approval of the Authority, the City, shall determine and within any such maturity by lot as determined by the Trustee) on any date on or after August 15, 2017 at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption.

The Bonds are subject to extraordinary optional redemption at the option of the Authority at the direction of the Borrower, after receiving prior written consent from the City and the Insurer, after sending written notice to the Authority and Trustee, as set forth below, in the event of material loss or damage to the Project or condemnation of any material part of the Project, in the inverse order of maturity and within a maturity by lot (which order and lot shall be approved by the Insurer), at a redemption price equal to 100% of the principal amount of each Bond redeemed, plus accrued interest to the redemption date, from and to the extent of the property insurance proceeds or condemnation awards which are received and released by the Trustee, after negotiation of adjustment of losses and settlement of claims by the Borrower, to be applied to the redemption of Bonds pursuant to the terms of the Loan Agreement and the Indenture. The Authority shall have no claim to any property insurance proceeds or condemnation awards released by the Trustee nor any duty in connection with property insurance claims or condemnation proceedings.

Mandatory Sinking Fund Redemption

[To be determined]

Notice of Redemption.

The Trustee, upon receipt of Borrower's notice in the event of Optional Redemption or Extraordinary Optional Redemption by Borrower, and in the event of any Mandatory Redemption provided in Section 4.01(c) of the Indenture, shall cause the Registrar to cause a notice to be deposited in the United States mail first class, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Registrar. Such notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers, if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers), shall specify the date of the notice, the redemption date, the Redemption Price and the Trustee's name, address and telephone number and shall state that on the redemption date, the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that, from the date of redemption, interest will cease to accrue, provided, however, that the Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee and, if so waived, such Bonds may be redeemed and all rights and liabilities of the Registered Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give such notice with respect to any particular Bond shall not affect the validity of any such redemption of other Bonds.

So long as the Bonds are in book-entry form, the Registrar shall mail such notice solely to DTC and the Registrar will not send redemption notices to Beneficial Owners of the Bonds unless a Beneficial Owner independently requests the Registrar to provide such notice and provides evidence of its interest in the Bonds.

The Registrar shall also cause copies of the notice of redemption to be sent by registered mail, certified mail, overnight delivery service or confirmed teletcopy (or other similarly secure service acceptable to the Trustee) to DTC and to two (2) or more national information services that disseminate redemption information. The notices to the registered securities depositories shall be sent at least two (2) Business Days in advance of the date notices addressed to Registered Owners and national information services are deposited in the United States mail.

The Registrar shall send a second copy of said redemption notice by registered or certified mail, postage prepaid, not more than sixty (60) days after the redemption date, to all registered bond owners that do not present their Bonds for redemption within thirty (30) days after the redemption date.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the office of the Bond Registrar by the registered owner hereof in person, or by his or her duly authorized attorney, upon the surrender and cancellation and thereupon a new registered bond or bonds, in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee, the Bond Registrar, and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes.

NEITHER THE STATE OF NEW JERSEY, THE COUNTY OF SALEM, NEW JERSEY OR THE CITY OF SALEM, NEW JERSEY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE

STATE OF NEW JERSEY, THE COUNTY OF SALEM, NEW JERSEY OR THE CITY OF SALEM, NEW JERSEY (EXCEPT TO THE EXTENT OF THE CITY GUARANTY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, OR INTEREST ON, THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The Act provides that neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

This Bond is not to be entitled to any benefits under the Indenture or be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the manual signature of the Trustee or the Bond Registrar.

Statement of Insurance.

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal and interest on this Bond to Fulton Financial Advisors, N.A., Lancaster, Pennsylvania, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

[Balance of this page intentionally left blank]

IN WITNESS WHEREOF, THE SALEM COUNTY IMPROVEMENT AUTHORITY has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairperson, and its seal to be impressed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of its Assistant Secretary, all as of the Authentication Date hereof.

THE SALEM COUNTY IMPROVEMENT AUTHORITY

By: _____
DOUGLAS FISHER, Chairperson

[SEAL]

Attest:

JOHN OBER, Secretary

GUARANTY BY THE CITY OF SALEM, NEW JERSEY

The payment of the principal of (including sinking fund installments, if any) and the interest on the within Bond shall be fully, irrevocably and unconditionally guaranteed by the City of Salem, New Jersey ("City"), and the City is unconditionally and irrevocably liable for the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bond.

IN WITNESS WHEREOF, the City has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

CITY OF SALEM, NEW JERSEY

EARL GAGE, Mayor

(ASSIGNMENT PROVISIONS ON BACK OF BONDS)

FOR VALUE RECEIVED _____

_____ hereby sells, assigns and transfers unto _____

I.D. Number _____ (Please Print or Type Name and Address of Assignee)

the within bond and irrevocably appoints _____, as attorney, to transfer said bond on the registration books of the Authority, with power of substitution and revocation.

Dated:

Signature Guarantee

NOTICE: The signature of this assignment must correspond with the name as it appears on the face of the within Bond in every particular.

CERTIFICATE OF AUTHENTICATION

This Bond is one of the issue of City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007, delivered pursuant to the within mentioned Indenture.

FULTON FINANCIAL ADVISORS, N.A.
as Trustee

By: _____
Authorized Signature

IN WITNESS WHEREOF, the Authority has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written

ATTEST:
By: _____
JOHN OBER, Secretary

[SEAL]

THE SALEM COUNTY IMPROVEMENT AUTHORITY

By: _____
DOUGLAS FISHER, Chairperson

FULTON FINANCIAL ADVISORS, N.A.

ATTEST:

By: _____
DAVID M. PAXSON,
Corporate Services Officer

[SEAL]

By: _____
STUART JUPPENLATZ, Vice President

IN WITNESS WHEREOF, the Authority has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its name and with its corporate seal hereunto affixed and attested by its respective duly authorized signers, as of the date first above written

THE SALEM COUNTY IMPROVEMENT
AUTHORITY

ATTEST:

By: _____
JOHN OBER, Secretary

By: _____
DOUGLAS FISHER, Chairperson

[SEAL]

FULTON FINANCIAL ADVISORS, N.A.

ATTEST:
By:  _____
DAVID M. PAXSON,
Corporate Services Officer

By:  _____
STUART JUPPENLATZ, Vice President

[SEAL]

LOAN AGREEMENT

between

THE SALEM COUNTY IMPROVEMENT AUTHORITY

and

STAND UP FOR SALEM, INC.

Dated as of July 1, 2007

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LOAN AGREEMENT

THIS LOAN AGREEMENT is made as of July 1, 2007 ("Loan Agreement" or "Agreement") between THE SALEM COUNTY IMPROVEMENT AUTHORITY, a public body corporate and politic duly organized and existing under the laws of the State of New Jersey ("Authority") and STAND UP FOR SALEM, INC., a New Jersey non-profit corporation ("Borrower").

WITNESSETH:

WHEREAS, the Authority has been duly created by a resolution of the Board of Chosen Freeholders of the County of Bergen ("County") as a public body corporate and politic of the State of New Jersey ("State") pursuant to and in accordance with the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto ("Act"); and

WHEREAS, the Authority is authorized pursuant to the Act (N.J.S.A. 40:37A-54(1)), to finance the planning, design, acquisition, construction, improvement, renovation, installation, maintenance and operation of facilities or any other type of real or personal property within the County for a corporation organized as a non-profit corporation under the laws of the State, except those facilities or any other type of real or personal property which can be financed pursuant to the provisions of N.J.S.A. 26:21-1 et. seq.; and

WHEREAS, the Authority has received an application for financial assistance, dated January 9, 2006 ("Application"), from Stand Up for Salem, a New Jersey non-profit corporation ("Borrower") relating to: (i) the acquisition of certain property located at (a) 195 East Broadway in the City of Salem, County of Salem, New Jersey, presently designated as Block 61, Lots 4, 5 and part of Lots 7 and 8, all to be consolidated and to be hereafter known as Block 61, Lot 4 on the Official Tax Map of the City of Salem and existing improvements thereon (commonly referred to as the Finlaw Building) and (b) presently designated as Block 61, Lots 23, 24, 25, 26, 28, a portion of Lot 15 and a portion of Belden Street (now vacated), in the City of Salem, County of Salem, New Jersey, all to be consolidated and to be hereafter known as Block 61.01, Lot 23 on the Official Tax Map of the City of Salem (items (a) and (b) are collectively referred to herein as the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 45,000 square feet, to house various State agencies and other entities; and (b) an adjacent parking facility to house approximately 282 spaces; (iv) all other costs and expenses necessary therefore or related to the proposed project, including capitalized interest and the funding of a debt service reserve fund; and (v) the costs of issuance with respect to the proposed financing, all as further described in said Application and the other information submitted in connection therewith (collectively, the "Project")

WHEREAS, the Authority has reviewed the Application and has, pursuant to two (2) resolutions adopted on January 9, 2006, made certain findings and determinations with respect to said Application and preliminarily authorized, *inter alia*, the issuance of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 ("Bonds") to finance the cost thereof; 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:37A-54(1), for approval of the Project and the issuance of the Bonds and City Guaranty (hereinafter defined) and has received the requisite approval from the Local Finance Board; and

WHEREAS, the Authority subsequently adopted a bond resolution on August 14, 2006 ("Bond Resolution") authorizing, among other things, the issuance of the Bonds and the execution of certain documents used in the consummation of the transactions contemplated by said Bonds; and

WHEREAS, the Authority will issue the Bonds pursuant to the Act, the Bond Resolution, an Indenture of Trust, and other related documents; and

WHEREAS, as evidence of and security for all of its payments obligations hereunder, including the payment of all debt service requirements on the Bonds, (i) the Borrower has executed and delivered to the Authority: (a) its promissory note ("Note") payable to the Authority to evidence the loan; (b) a real estate mortgage and security agreement ("Mortgage") granting to the Authority a first lien on and security interest in the Mortgaged Property and Pledged Property (as defined therein), subject only to permitted Encumbrances (as defined in the Indenture); and (c) Uniform Commercial Code financing statements evidencing the security interest created hereunder and by the Borrower by the Mortgage ("Financing Statement"); and

WHEREAS, in connection with the issuance of the Bonds and the Authority's financing of the Project, the Borrower will agree to certain tax regulations to maintain the tax exempt status of the interest on the Bonds ("Tax Regulatory Agreement") and;

WHEREAS, upon receipt of such proceeds, the Borrower intends to undertake the acquisition, design, construction and operation of the Project; and;

WHEREAS, the Bonds shall be special, limited obligations of the Authority, payable solely from and secured by its interest in the pledged revenues, including amounts payable by the Borrower pursuant to this Loan Agreement (subject to the rights of the Authority reserved herein), the Mortgage and the Note, all funds held by the Trustee under the Indenture (except the Rebate Fund) and all income derived from the investment of such funds; and

WHEREAS, pursuant to the Indenture, the Authority will assign (with certain reservations) its rights and benefits under the Loan Agreement, the Note and the Mortgage to the Trustee as security for the Bonds; and

WHEREAS, to induce prospective purchasers of the Bonds to purchase the same and provide additional security to the owners thereof, the City of Salem, County of Salem, New Jersey ("City") has, in accordance with Section 37 of the Act, N.J.S.A. 40:37A-80, unconditionally and irrevocably guaranty the punctual payment of the principal of and interest on the Bonds ("City Guaranty"); and

WHEREAS, the City and the Authority have also each determined that it will be economical, efficient and otherwise advantageous to each of them and to the residents of the City for the City and the Authority to enter into an agreement, dated July 1, 2007 ("Support Agreement"), providing for certain financial assistance, which Support Agreement shall, among other things, additionally obligate the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds from amounts which are available therefor; and

WHEREAS, the execution and delivery of this Agreement have been duly authorized by the Authority and the Borrower, and all conditions, acts and things necessary and required by the Constitution and statutes of the State or otherwise, to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Agreement and in the issuance of the Bonds

authorized in the Indenture, do exist, have happened and have been performed in regular form, time and manner;

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Authority and the Borrower, each binding itself, its successors and assigns, do mutually promise, covenant and agree as follows, provided that in the performance of the agreements of the Authority herein contained, any obligation it may incur for the payment of money shall not be an obligation, debt or liability of the State or any political subdivision thereof and neither the State nor any such political subdivision shall be liable on any obligation so incurred, but any such obligation shall be payable solely out of the Revenues:

ARTICLE I

DEFINITIONS

Section 1.01. Defined Terms and Incorporation of Definitions by Reference. (a) Certain terms used in this Agreement are hereinafter defined in this Section 1.01. When used herein, such terms shall have the meanings given to them by the language employed in this Article I defining such terms, unless the context clearly indicates otherwise. As used in this Agreement, unless the context clearly requires otherwise, all capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the Indenture.

(b) The following terms shall have the meanings set forth in the Recitals hereto:

Act	Borrower
Agreement	Authority
City	Financing Statement
Indenture	Loan Agreement
Mortgage	Project

"Assignment of Leases and Rents" shall mean the Assignment of Leases, Rents and Parking Revenues, dated as of July 1, 2007, between the Borrower and the Trustee, as originally executed or as it may from time to time be supplemented or amended.

"Authority Loan" or "Loan" means the loan by the Authority to the Borrower pursuant to this Agreement in the initial principal amount of \$19,500,000 to be used by the Borrower to pay Costs of the Project.

"Authorized Borrower Representative" means any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee, as the person authorized to act on behalf of a Borrower. Such certificate shall contain the specimen signature of such person, and shall be signed on behalf of the Borrower by its president, treasurer, secretary or one of its senior vice presidents, vice presidents or assistant secretaries. Such certificate may designate an alternate or alternates which may act as an Authorized Borrower Representative.

"Bonds" shall mean the City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007, dated their issue date, in the original aggregate principal amount equal to \$19,500,000, and all Additional Bonds delivered under and pursuant to the Indenture and any Supplemental Indenture, including any bonds issued in substitution thereof.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any amendments of, or successor provisions to Code, to the extent applicable to the Bonds. Reference herein to any specific provision of the Code shall be deemed to include any successor provision of the Code applicable to the particular Series of Bonds.

"Completion Date or Dates" means the date of completion of the Project as that date shall be certified as provided in Section 4.04.

"Event of Default" shall have the meaning set forth in Section 9.01 hereof.

"Fiscal Year of the Borrower" means the twelve-month period of twelve (12) consecutive months adopted by the Borrower as its fiscal year for financial reporting purposes and initially means a calendar year until the Borrower determines otherwise.

"Indemnified Party" shall have the meaning set forth in Section 6.09 hereof.

"Initial Rebate Computation Date" means five (5) years after the Date of Issuance of the Bonds.

"Joint Tax Certificate" means the certificate as to arbitrage with respect to the Bonds executed by the Authority and the Borrower certifying the Authority and the Borrower's expectations as of the date of issuance of the Bonds, including the facts and estimates forming the basis for the expectations.

"Loan Documents" means this Agreement, the Note, the Mortgage, the Assignment of Leases and Rents, the Financing Statement and all other documents executed in connection therewith.

"Net Proceeds" means the proceeds received by the Underwriter from the sale of the Bonds, reduced by proceeds of the Bonds deposited in a reasonably required reserve or replacement fund for the Bonds (e.g., a debt service reserve fund).

"Note" means the note delivered to the Authority and assigned to the Trustee pursuant to Section 2.03 hereof in order to evidence the obligation of the Borrower to pay amounts sufficient to pay the principal of, redemption premium, if any, interest on the Bonds as provided in Section 2.03(a) hereof. For all purposes of this Agreement and the Indenture, the obligations of the Borrower under the Note shall be deemed to be amounts payable hereunder.

"Payment Installment" means an amount that the Borrower is required to pay directly to the Trustee pursuant to Section 2.03 hereof (including amounts required to be paid pursuant to the Note) as a repayment of the Authority Loan made under this Agreement, which amount is determined in accordance with Section 2.03(a) hereof.

"Rebatable Arbitrage" means the amount required to be rebated to the United States pursuant to Section 148(f)(2) of the Code or successor provisions applicable to the Bonds.

"Rebate Computation Date" means the Initial Rebate Computation Date, each fifth anniversary of the Initial Rebate Computation Date and the date of the retirement of the last obligation of the Bonds.

"Rebate Expert" means any of the following chosen by the Borrower: (a) Bond Counsel, (b) any firm of certified public accountants or independent public accountants which holds itself out as having expertise in calculation of arbitrage rebate with respect to tax-exempt bonds or (c) such other person approved by Bond Counsel or the Authority and the City.

"State" means the State of New Jersey.

"Tax-Exempt" shall mean, with respect to interest on any obligations of a state or local government, or political subdivision thereof, including the Bonds, that such interest is excluded from gross income for federal income tax purposes, and is not includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax under the Code.

"Trustee" means the Trustee and/or co-trustee at the time serving as such under the Indenture and any assigns or successors thereto.

The words "hereof", "herein", "hereunder", and other words of similar import refer to this Agreement as a whole.

Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Agreement are to the designated Articles, Sections, and other subdivisions of this Agreement as originally executed.

Section 1.02. Construction of Terms. Unless the context clearly requires otherwise, the singular shall include the plural and the masculine the feminine, and vice versa.

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ARTICLE II

PAYMENT PROVISIONS

Section 2.01. Proceeds of the Bonds. The Authority covenants and agrees, upon the terms and conditions in this Agreement, to issue one or more Series of Bonds and to loan the proceeds of the Bonds to the Borrower to finance Costs of the Project. Pursuant to said covenant and agreement, the Authority will issue the Bonds upon the terms and conditions contained in the Indenture and will cause the proceeds of the Bonds to be applied to the payment of Costs of the Project as provided in Article IV hereof and in the Indenture.

Section 2.02. Assignment to Trustee. The Authority hereby notifies the Borrower and the Borrower hereby acknowledges that the Authority's rights and benefits in this Agreement, including the rights of the Authority to receive payments hereunder (except the rights of the Authority under Sections 5.06, 5.07, 5.12, 6.02, 6.10, 6.11, 6.12, 6.13, 6.14, 6.21, 6.27, 6.28, 9.03 and 9.06 hereof and the rights of the Authority under Sections 6.11, 6.12, 6.28, 9.03 and 9.06 which are held concurrently with the Trustee) are being collaterally assigned and transferred to the Trustee as collateral for the Bonds and to provide a source of payment of all interest and principal owing by the Authority to the Holders of the Bonds pursuant to the terms of the Indenture. The Borrower hereby consents to such assignment and agrees that the Trustee, as assignee of the Authority, shall have the right to enforce all of the covenants, agreements, obligations and duties of the Borrower contained herein (except the rights of the Authority under Sections 5.06, 5.07, 5.12, 6.02, 6.10, 6.11, 6.12, 6.13, 6.14, 6.21, 6.27, 6.28, 9.03 and 9.06 hereof, which rights shall be retained by the Authority, and the rights of the Authority under Sections 6.11, 6.12, 6.28, 9.03 and 9.06 which are held concurrently with the Trustee). The Authority hereby directs the Borrower to make all payments due hereunder to the Trustee instead of to the Authority (except payments, if any, reserved to the Authority as provided above, which payments shall be made to the Authority), and the Borrower hereby agrees to do so. All such payments shall be made in lawful money of the United States directly to the Trustee, as assignee of the Authority, at the location specified by the Trustee and shall be applied first to the payment of amounts required to be paid by the Authority under the Indenture, and the balance shall be applied to the payment of other amounts due hereunder.

Section 2.03. Payment of Loan and Payment of Other Amounts Payable.

(a) Thirty (30) days prior to each date provided in or pursuant to the Indenture for the payment of principal of (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on the Bonds until the principal of (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower hereby covenants and agrees to be liable for the payment to the Trustee of, and to make payment to the Trustee in federal or other funds which are immediately available at the Principal Office of the Trustee, as a Payment Installment, a sum equal, except as provided for in the next succeeding paragraph, in the aggregate to the amount payable on such date as principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds as provided in the Indenture. The Borrower agrees to execute one or more Notes, in substantially the form attached hereto as Exhibit A, to evidence its obligation to pay the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, and interest upon, each Series of Bonds, and with respect to the Bonds, the Borrower's obligation to pay principal and interest is set forth on Schedule A to the Note. Each payment made to the Trustee under the Note shall be deemed to be a credit against the corresponding obligation of the Borrower under this Section 2.03(a) and any such payment made to the Trustee shall, subject to the provisions of the next succeeding paragraph, fulfill the Borrower's obligation to pay said amount hereunder and under the Note.

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Payments pursuant to this Section 2.03 shall at all times be sufficient to pay in the aggregate the total amount of interest on and principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, payable on the Bonds on the date that such payment is due; provided that any amount held by the Trustee or the Paying Agent in the Bond Fund on any due date for a Payment Installment hereunder shall be credited against the Payment Installment due on such date to the extent available for such purposes. Any excess amount held by the Trustee in the Bond Fund on a payment date shall be credited against the payment due on such date; and provided further that, subject to the provisions of the next succeeding sentence, if at any time the amount held by the Trustee in the Bond Fund or should be sufficient (and remain sufficient) to pay at the times required the principal of (including mandatory sinking fund installments, if any), redemption premium, if any, interest on, the Bonds then remaining unpaid, the Borrower shall not be obligated to make any further payments under the provisions of this Section 2.03 or the Note. Notwithstanding the provisions of the preceding sentence, if on any date the amount held by the Trustee is insufficient to make the then required payments of principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds on such date, the Borrower shall be liable for the payment of such deficiency as a Payment Installment hereunder.

(b) The Borrower hereby covenants and agrees to be liable for and each hereby agrees to pay to the Trustee until the principal of, redemption premium, if any, interest on, the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, an amount equal to Administrative Expenses with prior written notice to the Borrower, as and when the same become due. The Borrower further agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trusts under the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers and duties under the Indenture.

(c) The Borrower hereby covenants and agrees to be liable for and hereby agrees to pay to the Authority such costs and expenses as may be incurred by the Authority related to the Project, the issuance of the Bonds and the transactions contemplated by this Agreement, including any payments of Rebatable Arbitrage advanced by the Authority. The Borrower further acknowledges and agrees that the Authority has no responsibility for the payment of any Administrative Expenses.

In the event the Borrower should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest on all outstanding amounts due hereunder at the rate of interest per annum then borne by the Bonds until paid; provided, however, that if the Borrower successfully contests such payment, no such additional interest shall be due hereunder.

Section 2.04. Additional Amounts Payable by the Borrower. The Borrower shall be liable for the making of payments or causing payments to be made at such times and in such amounts as will enable the Authority to meet all of its obligations under the Bonds and the Indenture, including any payment required to be made to the Rebate Fund under the Indenture, all amounts due and owing to Financial Security Assurance, Inc., as insurer of the Bonds, or to any other funds under the Indenture and any payment due on an acceleration of the Bonds' maturity pursuant to the terms thereof. Accordingly, the Borrower agrees (but such agreement shall not limit the generality of the preceding sentence) that if any additional amounts become payable by the Authority to the Holders of the Bonds pursuant to the terms thereof then additional amounts shall be due and payable by the Borrower to the Authority hereunder equal to any additional amounts that may be so payable by the Authority, whether before or

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after payment of principal on the Bonds, all of which amounts shall be paid by the Borrower on the date that the comparable amounts are due by the Authority to the Holders of the Bonds.

Section 2.05. Payments Unconditional; No Defense or Set-Off. The obligation of the Borrower to pay the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds and all other amounts payable hereunder shall be absolute and unconditional without defense or set-off by reason of any default by the Authority under this Agreement or under any other agreement between the Borrower and the Authority or for any other reason, including, without limitation, any acts or circumstances that may constitute failure of consideration or failure to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that all payments due hereunder will be paid in full when due without any delay and will be received by the Authority and the Trustee as a net sum without deductions, abatements, diminution or set-off of any kind whatsoever. Until such time as the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds shall have been fully paid, or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower: (i) will not suspend or discontinue any payments provided for in Section 2.03 hereof; (ii) will perform and observe all of its other agreements and covenants contained in this Agreement; and (iii) except as provided in Article III hereof, will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any act or circumstance that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax laws of the United States or of the State or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture, except to the extent permitted by this Agreement.

Section 2.06. Limitation of Liability.

(a) Notwithstanding anything herein to the contrary, the Authority agrees that (i) in an action to collect any amounts due under, or otherwise in respect of, this Agreement or the Notes, no director, officer, employee or agent of the Borrower will be personally liable for any amount due under this Agreement or the Note, and no deficiency or personal judgment will be sought against such director, officer, employee or agent of the Borrower for payment of the indebtedness evidenced by this Agreement or the Note and (ii) no property or assets of any such director, officer, employee or agent of the Borrower shall be sold, levied upon or otherwise used to satisfy any judgment rendered in connection with any action brought with respect to this Agreement or the Note, provided, however, that nothing contained in this Section 2.06(a) shall impair the validity of the indebtedness evidenced by this Agreement or the Note, prevent the taking of any action permitted by law against the Borrower, or the assets of the Borrower, or the proceeds of such assets. Notwithstanding the foregoing, nothing in this Section 2.06(a) shall be deemed to release the Borrower, or any agent of the Borrower, from liability for their fraudulent actions, misrepresentations, negligence or willful misconduct or from any of their obligations or liabilities under any agreement, document, instrument or certificate executed by such person in its individual capacity in connection with the transactions contemplated by this Agreement.

(b) The Authority shall have no obligation, responsibility or liability in the performance of this Agreement or otherwise to the Borrower or any other person except to the extent that the same may be satisfied from the Project or the Revenues, and no claim shall be made against the properties of the Authority generally, or against its properties in respect of any other of its projects. This Agreement does not pledge the general credit of the Authority, nor the general credit or taxing powers of the State or any political subdivision thereof. No recourse shall be had for any claim based on this

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Agreement against any member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

ARTICLE III
PREPAYMENT

Section 3.01. Prepayment. The Borrower has the option and is required, unless otherwise waived by the Authority, to prepay the Note at the times and under the circumstances as the Authority has the option or is required to redeem the corresponding Series of Bonds under the terms of Article IV of the Indenture.

Section 3.02. Notice of Prepayment. To exercise an option granted in or to fulfill an obligation required by this Article III, written notice signed by the Borrower and the City shall be given to the Authority and the Trustee which shall specify therein the date upon which prepayment of installments will be made, which date shall be not less than sixty (60) days after the date the notice is mailed. The Authority has directed the Trustee, upon receipt of such notice from the Borrower, to forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds, as may be the case, on the date set for redemption in accordance with Article IV of the Indenture.

Section 3.03. Redemption of Bonds with Prepayment Moneys. By virtue of the assignment of the rights of the Authority under this Agreement to the Trustee as is provided in Section 2.02 hereof, the Borrower agrees to and shall pay any amount required to be paid by it under this Article III directly to the Trustee. The Trustee shall use the moneys, if any, so paid to it by the Borrower to redeem the Bonds in accordance with Article IV of the Indenture.

ARTICLE IV
COSTS OF THE PROJECT

Section 4.01. Acquisition and Construction of Project; Payment of Costs of the Project. (a) The Borrower shall, construct and equip the Project or cause the same to be, constructed and equipped, and to that end will enter into contracts providing for completion of all work, improvements and personal property included in the Project. Payments shall be made by the Trustee under the Indenture for Costs of the Project, and all such payments shall be made at the times, to the persons, subject to the conditions and in accordance with the procedures set forth in the Indenture. The proceeds of the Bonds which are deposited in the Project Fund shall be expended only for Costs of the Project or for payment of the Bonds as provided in the Indenture and in this Section 4.01.

(b) The Trustee shall make payments from the Project Fund for Costs of the Project, but only upon receipt from the Borrower of:

(i) a requisition substantially in the form of Exhibit B attached hereto and shall be signed by an Authorized Borrower Representative of the Borrower certifying that the work or services to which the payment relates has been accomplished or performed in a manner satisfactory to the Borrower, that the Cost has accrued and that the amount to be paid does not exceed the obligation on account of which the payment is made. Such requisition shall, if appropriate, identify the portion of the Project to which it relates and shall state (A) the name and address of the person to whom the payment is to be made (who may be the Borrower if they are to be reimbursed for advances made or work done by them, which are properly chargeable against the Project Fund); (B) the amount to be paid; (C) the obligation on account of which the payment is to be made showing the total obligation, any amount previously paid and the unpaid balance (if the total obligation shall be fixed); (D) that the obligation was properly incurred and has not formed the basis of any previous requisition; and (E) that the amount requisitioned is due and unpaid or unreimbursed; and

(ii) in case the payment is to discharge indebtedness of the Borrower, the proceeds of which were used for payments in connection with the construction or equipping of the Project or were properly chargeable against the Project Fund, any notes or other evidences of the indebtedness to be discharged, which shall thereupon be returned to the issuer thereof for cancellation.

(c) In no event shall amounts requisitioned include any expenses for work done or materials or equipment supplied in respect of the Project by the Borrower or its employees, officers or employees of any lessee of the Borrower or officers or employees of any related person to the Borrower in excess of the actual cost thereof to such persons.

(d) The Borrower shall supply the Authority with copies of all requisitions upon request of the Authority.

Section 4.02. Borrower Required to Pay if Bond Proceeds Insufficient. In the event the proceeds of the Bonds available for payment of the Costs of the Project are not sufficient to pay all Costs in full, the Borrower agrees to be liable for the payment of, and to pay, that portion of the Costs in excess of the aforesaid moneys available therefor. No warranty, either express or implied, is made by the Authority or the Trustee that the Bond proceeds available for payment of the Costs of the Project will be sufficient to pay all of the Costs of the Project. The Borrower agrees that if the Borrower should pay any portion of the Costs of the Project in excess of the proceeds of the Bonds available therefor pursuant to the provisions of this Section 4.02, neither shall be entitled to any reimbursement or credit therefor from the Authority or the Trustee or from the owners of any of the Bonds, nor shall they be entitled to any diminution of the amounts payable under Section 2.03 hereof.

Section 4.03. Governmental Approvals. The Borrower covenants that it will obtain or cause to be obtained all necessary approvals and permits from any and all governmental agencies requisite to the acquisition, construction and operation of the Project, and that the Project will be acquired, constructed and operated in all material respects in compliance with all federal, state and local laws, ordinances and regulations applicable thereto.

Section 4.04. Completion of Project. The Completion Date shall be evidenced by a certificate in the form set forth in Exhibit C attached hereto signed by an Authorized Borrower Representative of the Borrower and filed with the Authority, the City and the Trustee ("Borrower's Completion Certificate") stating that, as of the date thereof, (i) the Project has been completed, (ii) all labor, services, materials and supplies used in the Project have been paid for, (iii) the equipment necessary for the Project has been installed to their satisfaction, such equipment so installed is suitable and sufficient for the efficient operation of the Project for the intended purposes and all costs and expenses incurred in the acquisition and installation of such equipment have been paid and (iv) any permissions required of governmental authorities for the use of the Project for the purposes contemplated by this Agreement have been obtained including, without limitation, a certificate of occupancy. The Borrower's Completion Certificate shall also set forth the sums to be deposited in the Rebate Fund and the Surplus Account of the Bond Fund, and the sum to be reserved in the Project Fund for the payment of any unpaid Cost of the Project and shall have as an attachment a certificate reflecting the actual application of the proceeds of the Bonds. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

The balance remaining after such reserve and the transfer to the Rebate Fund in the amount, if any, required by Section 3.03 of the Indenture ("Surplus") shall be transferred by the Trustee into a separate account within the Bond Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Account" (in which the Trustee shall create a separate subaccount for each Series of Bonds). The moneys in such subaccount, including investment income thereon, shall be used and applied to pay or to redeem, at the option of the Borrower, with the prior consent and approval of the City, the applicable Series of Bonds in an amount equal to the largest possible integral multiple of an Authorized Denomination, and at the earliest possible dates at which the applicable Series of Bonds can be redeemed without payment of a redemption premium pursuant to the Indenture.

Pending use of the Surplus in each subaccount of the Surplus Account in the manner described above, the Borrower shall not direct the Trustee to invest such Surplus at a yield (within the meaning of Section 148 of the Code) that exceeds the yield on the Series of Bonds to which such proceeds are allocable.

Notwithstanding anything herein contained to the contrary, the Surplus may be used and invested in any manner requested by the Borrower, with the prior consent and approval of the City, and permitted by an Opinion of Bond Counsel to the effect that such use or investment will not adversely affect the Tax-exempt status of the interest on the applicable Series of Bonds from which such Surplus was derived.

Section 4.05. Transfers from Project Fund to Rebate Fund. The Trustee shall be authorized to transfer interest, income and profits earned in the Project Fund to the Rebate Fund upon the requisition by the Borrower or the Authority from the Project Fund to fund all or a portion of Rebateable Arbitrage.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

Section 5.01. Organization, Powers, Etc. The Borrower (a) is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State and is qualified to conduct its business in the State, (b) has the power and authority to own its properties and assets and to carry on its business as now being conducted and (c) has the power to execute and perform all of its obligations under this Agreement, to borrow hereunder and to execute and deliver all other documents required hereunder.

Section 5.02. Execution of Documents. The execution and delivery of this Agreement, the Loan Documents and all other instruments required pursuant to this Agreement and the performance of all obligations contemplated hereunder and thereunder by the Borrower (a) have been duly authorized by the Borrower, (b) will not violate or conflict with any material provision of any law, rule or regulations, any order of any court or other agency or governmental body, (c) are not prevented, limited by or in conflict with, and will not result in a material breach of or default under, any Indenture, agreement or other instrument to which the Borrower is a party or by which it or any of its property is bound, and (d) will not result in the creation or imposition of any charge or encumbrance of any nature on all or any portion of the Project or the assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which is bound. This Agreement and the Loan Documents have been duly executed and delivered by the appropriate parties authorized on behalf of the Borrower to so act.

Section 5.03. Litigation. There is no action, suit, or proceeding at law or in equity by or before any court, governmental instrumentality or other agency now pending, or, to the knowledge of the Borrower, threatened against or affecting it or any of its properties or rights, wherein an unfavorable decision, ruling or finding could reasonably be expected to materially impair its right to carry on its business substantially as now conducted or would materially adversely affect its financial condition or ability to carry out its obligations hereunder, or the validity or enforceability of this Agreement and the other documents executed by the Borrower in connection herewith.

Section 5.04. Operation of Project. The operation of the Project in the manner presently contemplated and as described herein will not conflict in any material respect with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto. The Project has been designed in accordance with all federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety, and environmental quality, and the Borrower will proceed with due diligence to complete the Project pursuant to this Agreement. All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery of this Agreement or the performance of the Borrower's obligations hereunder have been obtained or will be obtained in due course.

Section 5.05. Reserved.

Section 5.06. No Untrue Statements. Neither this Agreement, the Joint Tax Certificate, nor any other document, certificate or written statement furnished to the Trustee or the Authority by or on behalf of the Borrower contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary in order to make the statements contained herein and therein not materially misleading or materially incomplete. The Borrower also represents that all estimates and assumptions contained in such documents are reasonable and based upon the best information available to the Borrower. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Authority as

an inducement to enter into this Agreement, and that, if any such statement, representation or warranty were materially false at the time such was made, the Authority may, in its sole discretion, consider any such misrepresentation an Event of Default hereunder upon thirty (30) days notice to the Borrower with a reasonable opportunity for the Borrower to cure such misrepresentation to the satisfaction of the Authority, if possible.

Section 5.07. Tax Status of Bonds. The Borrower covenants to comply with the provisions of the Code applicable to the Bonds and covenants not to take any action, or fail to take any action, which action or failure would cause the interest on the Bonds to become includable in gross income for federal income tax purposes under Section 103 of the Code or cause the interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

Section 5.08. No Federal Guarantee. The payment of principal or interest with respect to the Bonds will not be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); no portion of the proceeds of the Bonds is to be (a) used in making loans the payment of principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof), or (b) invested (directly or indirectly) in federally insured deposits or accounts, except to the extent permitted under Section 149(b)(3) of the Code which provides exceptions, which include (i) investments during any initial temporary period permitted under Section 148 of the Code, such as for certain construction periods, until such proceeds are needed for the purpose for which the Bonds were issued; (ii) investments in a bona fide debt service fund, within the meaning of Section 149(b)(3) of the Code, (iii) investments in a reasonably required reserve or replacement fund, within the meaning of Section 148(d) of the Code or (iv) investments in bonds issued by the United States Treasury; and the payment of principal of or interest on the Bonds is not otherwise indirectly guaranteed (in whole or in part) by the United States or any agency or instrumentality thereof (all within the meaning of Section 149(b) of the Code).

Section 5.09. Necessary Approvals. The Borrower represents that it has obtained or has caused to be obtained all necessary approvals from any and all governmental agencies requisite to the construction of the Project. The Borrower has obtained or will cause to be obtained in due course all required permits and licenses from appropriate authorities authorizing the use of the Project for the purposes contemplated by the Borrower.

Section 5.10. Reserved.

Section 5.11. Reserved.

Section 5.12. Title to Project. The Borrower represents that at all times during the term of the Authority Loan the Borrower will have clear and marketable title to the Project, free and clear of any liens and encumbrances of record, except for such other easements, restrictions, liens and other interests of record as will not materially interfere with the Borrower's contemplated use of the Project or as are contemplated in connection with this Agreement (collectively, the "Permitted Encumbrances").

Section 5.13. Use of Proceeds. The Borrower represents that the proceeds of the Loan shall be used to pay the Costs of the Project.

ARTICLE VI

COVENANTS OF BORROWER

Section 6.01. Condition of Project. The Borrower shall at all times preserve and protect and cause to be preserved and protected the Project in good repair, working order and safe condition, and from time to time shall make, or shall cause to be made, all needed and proper repairs, renewals, replacements, betterments and improvements thereto including those required after a casualty loss.

The Borrower hereby agrees that the Borrower shall be liable for the payment of, or for causing to be paid, all operating costs, utility charges and other costs and expenses arising out of the ownership, possession, use or operation of the Project.

The Authority shall have no obligation and makes no warranties respecting the condition or operation of the Project.

Section 6.02. Operation of Project: Compliance with Laws. The Borrower shall operate or cause the Project to be operated as a qualified 15(c) corporation until the expiration or earlier termination of this Agreement.

The Borrower shall comply, or shall cause compliance, in good faith in all material respects with all laws, ordinances and regulations including, without limitation, all zoning and environmental laws, ordinances and regulations, of any duly constituted authority which if not complied with, could reasonably be expected to materially affect the Project or the use thereof.

The Borrower shall have the right in good faith to contest or appeal from such laws, ordinances and regulations and any decision adverse to the Borrower based thereon, but all costs, fees and expenses incurred in connection with such proceedings shall be borne by the Borrower.

Section 6.03. Payment of Taxes and Other Charges. The Borrower shall pay and discharge, or cause to be paid and discharged, promptly all taxes, assessments and governmental charges or levies imposed upon it or in respect of the Project when due, as well as all lawful claims which, if unpaid, might become a lien or charge upon the Project or any part thereof; provided that neither the Borrower nor the Affiliate shall be required to pay any tax, assessment, charge, levy or claim the payment of which is being contested in good faith and by proper proceedings or if adequate reserves in accordance with generally accepted accounting principles with respect thereto have been established by the Borrower.

Section 6.04. Reserved.

Section 6.05. Reserved.

Section 6.06. Arbitrage Covenants. The Authority and the Borrower jointly and severally covenant with all purchasers and owners of the Tax-exempt Bonds including, but not limited to, the Bonds, from time to time outstanding that so long as any of the Tax-exempt Bonds including, but not limited to, the Bonds, remain outstanding, moneys on deposit in any fund or account in connection with such Tax-exempt Bonds including, but not limited to the Bonds, whether or not such moneys were derived from the proceeds of the sale of such Tax-exempt Bonds including, but not limited to the Bonds, or from any other sources, will not be used in a manner which will cause the Tax-exempt Bonds including, but not limited to the Bonds, to be "arbitrage bonds" within the meaning of Section 148 of the Code, and any regulations promulgated or proposed thereunder or under Sections 103 or 148 of the Code.

All of the representations and warranties of the Authority contained in the Joint Tax Certificate are incorporated herein by reference with the same force and effect as if set out in full herein. The Authority and the Borrower agree that the provisions of Section 6.06 hereof relating to the rebate, in certain instances, of sums earned on the investment of gross proceeds of the Tax-exempt Bonds including, but not limited to the Bonds, shall control in such matters, any contrary provision hereof or of any other related instrument notwithstanding.

Section 6.07. Rebate Covenants.

(a) The Borrower hereby covenants that except as set forth in Section 6.07(h), within forty-five (45) days subsequent to the end of each Rebate Computation Date and within forty-five (45) days after retirement of the last obligation of each Series of Tax-exempt Bonds including, but not limited to, the Bonds, the Borrower shall retain an Arbitrage Rebate Expert to compute the Arbitrage Rebate Amount with respect to such Series of Tax-exempt Bonds including, but not limited to, the Bonds, for the period ending on the Rebate Computation Date or the retirement of the last obligation of such Series of Tax-exempt Bonds including, but not limited to, the Bonds, occurring, within forty-five (45) days thereof. Within such forty-five (45)-day period, the Borrower shall cause to be delivered to the Trustee, the City and the Authority an opinion of the Arbitrage Rebate Expert concerning its conclusions with respect to the amount of such Arbitrage Rebate Amount together with a written report providing a summary of the calculations relating thereto. In connection with each such determination of the Arbitrage Rebate Amount, the Trustee, pursuant to the Indenture, shall report to the Authority, the City and the Borrower (i) the amount, if any, theretofore paid to the United States with respect to the Series of Tax-exempt Bonds including, but not limited to, the Bonds, by the Trustee on behalf of the Authority pursuant to Section 5.14 of the Indenture and (ii) the amount in the account of the Rebate Fund established for the payment of Arbitrage Rebate Amount with respect to the Bonds at the Rebate Computation Date or the retirement of the last Bond of the Series of Tax-exempt Bonds including, but not limited to, the Bonds, (iii) the balance to be added to the account of the Rebate Fund established for the payment of Arbitrage Rebate Amount with respect to the Series of Tax-exempt Bonds including, but not limited to, the Bonds, pursuant to Section 5.14 of the Indenture, and (iv) if additional amounts are required to be added to the amount in the account of the Rebate Fund established for the payment of Arbitrage Rebate Amount with respect to the Series of Tax-exempt Bonds including, but not limited to, the Bonds, the amount available for such purpose in the Project Fund and the and the balance, if any, to be paid by the Borrower.

(b) The Borrower hereby covenants that in the event the amount in the Project Fund shall be insufficient to fund the account in the Rebate Fund established for the payment of Arbitrage Rebate Amount with respect to the Series of Tax-exempt Bonds including, but not limited to, the Bonds, in the manner specified in subsection (a) hereof, the Borrower shall, within five (5) days of receipt of the report furnished by the Trustee pursuant to subsection (a) hereof, pay or cause to be paid for deposit into the account in the Rebate Fund established for the payment of Arbitrage Rebate Amount with respect to the Series of Tax-exempt Bonds including, but not limited to the Bonds, the difference between the amount required to be added to such account in the Rebate Fund and the amount then available for such purpose in the Project Fund. If the Borrower fails to make or cause to be made any payment required pursuant to this subsection (b) when due, the Authority and the City shall each have the right, but shall not be required, to make such payment on behalf of the Borrower. Any amount advanced by the Authority or the City pursuant to this subsection (b) shall be added to the moneys owing by the Borrower under this Agreement and shall be payable on demand with interest.

(c) The Borrower hereby covenants that it shall direct the Trustee in writing to withdraw from the Rebate Fund and pay over to the United States the Arbitrage Rebate Amount with respect to a Series of Tax-exempt Bonds including, but not limited to, the Bonds, in installments as

follows: The first payment shall be made not later than 60 days after the first Computation Date for the Series of Tax-exempt Bonds including, but not limited to, the Bonds, selected by the Borrower, which shall be a Computation Date not later than the last day of any Bond Year of the Series of Tax-exempt Bonds including, but not limited to, the Bonds, ending on or before five (5) years after the Date of Issuance. Each subsequent payment shall be made not later than sixty (60) days after each succeeding Rebate Computation Date, which shall be a Rebate Computation Date consistently treated as either (i) the end of each Bond Year of the Series of Tax-exempt Bonds including, but not limited to, the Bonds, or (ii) the end of each fifth Bond Year of the Series of Tax-exempt Bonds including, but not limited to, the Bonds, in accordance with the Indenture. Each installment shall be in an amount that when added to the future value of previous rebate payments made for the Series of Tax-exempt Bonds including, but not limited to the Bonds, as of the Computation Date to which such installment payment relates, is at least ninety (90) percent of the Arbitrage Rebate Amount as of that date with respect to the Series of Tax-exempt Bonds including, but not limited to, the Bonds (determined in accordance with the opinion of the Arbitrage Rebate Expert and accompanying written summary given to the Trustee by the Borrower concerning the Arbitrage Rebate Amount with respect to the Series of Tax-exempt Bonds including, but not limited to the Bonds, for the period ending on the Rebate Computation Date to which such installment payment relates). Not later than sixty (60) days after the retirement and discharge of the Series of Tax-exempt Bonds including, but not limited to the Bonds, the United States shall be paid a final rebate payment in an amount that, when added to the future value of previous rebate payments made for the Series of Tax-exempt Bonds including, but not limited to, the Bonds, equals one hundred percent (100%) of the Arbitrage Rebate Amount with respect to the Series of Tax-exempt Bonds on such retirement and discharge date.

(d) The Borrower hereby covenants that it shall request the Authority to direct the Trustee in writing to file the payments at the place or places designated by the Commissioner of the Internal Revenue Service to receive payments of the Arbitrage Rebate Amount, as directed by the Authority, upon the advice of the Borrower. All payments of the Arbitrage Rebate Amount shall be accompanied by Form 8038-T or such other form prescribed by the Internal Revenue Service to accompany payments of the Arbitrage Rebate Amount, together with any other information which the Borrower requests the Trustee to accompany such payments.

(e) The Borrower acknowledges that the Authority shall have the right at any time and in the sole and absolute discretion of the Authority to obtain from the Borrower, the Registrar and Paying Agent and the Trustee the information necessary to determine the amount required to be paid to the United States pursuant to Section 148(f) of the Code. Additionally, the Authority may, with reasonable cause, (1) 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 Borrower and (2) make or retain a Arbitrage Rebate Expert to make the determination of the amount to be paid to the United States. The Borrower hereby agrees to be bound by any such review or determination absent manifest error, to pay the costs of such review, including without limitation the reasonable fees and expenses of Counsel or a Arbitrage Rebate Expert 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.

(f) Notwithstanding any provision of this Section 6.07 to the contrary, the Borrower shall be liable, and shall indemnify and hold the Authority and the Trustee harmless against any liability for payments due to the United States pursuant to Section 148(f) of the Code and in accordance with Section 5.14 of the Indenture. Further, the Borrower specifically agrees that neither the Authority nor the Trustee shall be held liable, or in any way responsible, and the Borrower shall indemnify and hold harmless the Trustee and the Authority against any liability, for any mistake or error in the filing of the payment or the determination of the amount due to the United States or for any consequences resulting from any such mistake or error.

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Section 6.12. Indemnification. The Borrower shall be liable for the indemnification of and for holding harmless the Trustee, the Paying Agent, the Registrar, the Authority, the City, any person who "controls" the Trustee, the City or the Authority within the meaning of Section 15 of the Securities Act of 1933, as amended, any member, officer, director, official, employee, agent and attorney of the Authority (including Bond Counsel to the Authority) or the Trustee, Paying Agent, and Registrar (collectively, the "Indemnified Parties") against any and all losses, claims, damages or liabilities (including all costs, expenses and reasonable counsel fees incurred in investigating or defending such claim) suffered by any of the Indemnified Parties and caused by, relating to, arising out of, resulting from, or in any way connected with (a) the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation, financing or sale of the Project or any part thereof; or (b) any untrue statement of a material fact contained in information submitted or to be submitted to the Indemnified Parties by either Borrower with respect to the transactions contemplated hereby; or (c) any omission of a material fact necessary to be stated therein in order to make such statement to the Indemnified Parties not misleading or incomplete; or (d) the entering into and performing of their respective duties under the Indenture, absent such Indemnified Parties' negligence or willful misconduct, provided that this limitation of indemnification shall not apply to the Authority. In case any action shall be brought against one or more of the Indemnified Parties based upon any of the above and in respect to which indemnity may be sought against either Borrower, such Indemnified Parties shall promptly notify the Borrower in writing, and the Borrower shall assume the defense thereof, including the employment of counsel satisfactory to the Indemnified Parties, the payment of all costs and expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel at the Borrower's expense in any such action and to participate in the defense thereof. The Borrower shall not be liable for any settlement of any such action effected without the Borrower's consent, but if settled with the consent of the Borrower, or if there is a final judgment for the claimant on any such action, the Borrower agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Notwithstanding anything in this Agreement to the contrary which may limit recourse to the Borrower or may otherwise purport to limit the Borrower's liability, the provisions of this Section shall control the Borrower's obligations and shall survive repayment of the Bonds.

Section 6.13. Covenant Against Relocation and Removal. The Borrower shall not relocate the Project or any part thereof.

Section 6.14. Covenant Regarding Consolidation, Merger, Transfer or Acquisition.

(a) The Borrower agrees that it will maintain its existence, will continue to be a non-profit corporation organized and in good standing under the laws of the State, will not dissolve, sell, assign, transfer or otherwise dispose of the Project or all or substantially all of its assets and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, however, that the Borrower may consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity the Project or all or substantially all of its assets as an entirety and, at the discretion of the Borrower, thereafter liquidate or dissolve, if:

(i) the Borrower is the surviving, resulting or transferee entity, as the case may be ("Survivor"); or in the event the Borrower is not the Survivor, such Survivor (a) furnishes the Authority and the City with all change of ownership information as shall be requested by the Authority and the City; (b) has a net worth and an unrestricted fund balance following the merger, consolidation or transfer equal to or greater than the net worth and unrestricted fund balance of the Borrower immediately preceding the merger, consolidation or transfer; (c) certifies that it and its officers and directors are not subject to litigation, investigations, court, administrative or other orders which relate other than to

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(g) The Authority and the Borrower acknowledge that the provisions of this Section 6.07 are intended to comply with Section 148 of the Code and the regulations thereunder and if as a result of a change in such Section of the Code or the Regulations thereunder or in the interpretation thereof, a change in this Section 6.07 shall be permitted or necessary to assure continued compliance with Section 148 of the Code and the regulations thereunder, then with written notice to the Trustee, the Authority and the Borrower shall be empowered to amend this Section 6.07 and the Authority may require, by written notice to the Borrower and the Trustee, the Borrower to amend, and the Borrower hereby agrees to consent to, comply with and be bound by any such amendment to this Section 6.07 to the extent necessary or desirable to assure compliance with the provisions of Section 148 of the Code and the regulations thereunder; 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 Borrower, an 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 Series of Tax-exempt Bonds including, but not limited to 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 Series of Tax-exempt Bonds including, but not limited to the Bonds.

(h) If within two years after the Issue Date of a Series of Tax-exempt Bonds including, but not limited to the Bonds, the Borrower provides a written certification to the Authority and the Trustee indicating that the Borrower complied with the six-month exception to the arbitrage rebate requirement set forth in Section 148(f)(4)(B) of the Code, the 18 month exception set forth in Treasury Regulations §1.148-7(d) or the 2-year Construction exception set forth in Section 148(f)(4)(C) of the Code with respect to such Series of Tax-exempt Bonds including, but not limited to the Bonds, the Borrower shall not be required to retain a Rebate Expert to compute the Rebate Amount with respect to such Series of Tax-exempt Bonds including, but not limited to, the Bonds. In the event that gross proceeds of the Series of Tax-exempt Bonds including, but not limited to, the Bonds, arise after the Borrower has provided such certification, the Borrower shall thereafter comply with the requirements of Section 6.07(a) through (d) hereof.

Section 6.08. Inspection. The Trustee, the City and the Authority and their duly authorized representatives shall have the right at all reasonable times upon reasonable notice to enter upon and to examine and inspect the Project and shall also be permitted, at all reasonable times, to examine the books and records of the Borrower insofar as they relate to the Project.

Section 6.09. Financial Statements. The Borrower agrees to supply the Authority, the City and the Trustee upon request, copies of its current financial statements.

Section 6.10. Certificates of No Default: Annual Reports. On each anniversary of the date of this Agreement, the Borrower shall deliver to the Authority, the City and the Trustee: a certificate of the Borrower indicating whether or not it is aware of any condition, event or act which constitutes an Event of Default (as hereinafter defined) or which, with notice or lapse of time, or both, would constitute such an Event of Default.

Section 6.11. Costs and Expenses. The Borrower shall be liable for all expenses in connection with the preparation, execution, delivery, recording and filing of the Indenture, this Agreement, the Bonds and any other documents in connection herewith and therewith, including, without limitation, the underwriter's fee, the costs of printing the Bonds and the preliminary official statement and the official statement used in connection with the underwriting of the Bonds, the Authority's financing fees and the fees and expenses of Bond Counsel and all Administrative Expenses as and when due under the Indenture.

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matters arising in the ordinary course of business; and (d) assumes in writing in form and substance satisfactory to the Authority and the City all of the obligations of the Borrower; and

(ii) the Authority, the City and the Trustee receive an Opinion of Bond Counsel to the effect that such merger, consolidation or transfer does not adversely affect the exclusion of the interest on the Tax-exempt Bonds from gross income of the holders of the Tax-exempt Bonds for federal income tax purposes; and

(iii) the Authority, the City and the Trustee shall have received a certification from the Borrower stating that no Event of Default (or event of default under any other Bond Documents) has occurred and is continuing or will have occurred by reason of such merger, consolidation or transfer, and no event has occurred, and is continuing or will have occurred by reason of such merger, consolidation or transfer which, with the passage of time or giving of notice or both, would constitute an Event of Default (or event of default under any other Bond Documents) or that such merger, consolidation or transfer will cure any such Event of Default; and

(iv) after the merger, consolidation or transfer, the Project shall be operated as a qualified 501(c)(3) corporation; and (v) at least thirty (30) days prior to effecting such merger, consolidation or transfer, there shall be filed with the Trustee and the Authority (A) an Opinion of Bond Counsel acceptable to the Authority, the City and the Trustee to the effect that the consummation of such merger, consolidation or transfer will not adversely affect the exclusion of the interest on the Tax-exempt Bonds from gross income of the holders of the Tax-exempt Bonds for federal income tax purposes, (B) one or more Opinions of Counsel, in form and substance satisfactory to the Authority, the City and to the Trustee, to the effect that each participant in such merger, consolidation or transfer has obtained all material governmental, board and other consents and approvals required in connection with such consolidation, merger or transfer; and (C) any other opinion, consent, report, document, evidence, undertaking or other action that the Authority, the City or the Trustee may reasonably require.

(b) Any Person which succeeds to and assumes the obligations of the Borrower pursuant to subsection (a) above shall be required to execute and deliver to the Authority, the City and the Trustee, such documents and instruments as are, in the Opinion of Counsel, necessary or appropriate for the purpose of effectuating such succession and assumption.

(c) If the Borrower enters into a merger or consolidation or transfer or acquires assets pursuant to subsection (a) above, (i) any indebtedness previously incurred by the other party to the transaction shall be permitted to remain outstanding and (ii) any liens, security interests or other similar rights and interests securing such indebtedness may remain in effect, provided that such security may not be extended or renewed (which terms shall not apply to the filing of any continuation statements under the New Jersey Uniform Commercial Code) or modified to spread to any additional property or revenues except to the extent that such security, as so extended, renewed or modified, could have been granted pursuant to Article II hereof.

Section 6.15. Reserved.

Section 6.16. Prohibited Facilities. No proceeds of the Bonds shall be used to provide any airplane, sky box or other private luxury box, any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

Section 6.17. Books and Records: Further Assurances. The Borrower shall keep proper books, records and accounts with respect to the Project in which complete and correct entries shall be made of its transactions relating to the Project under this Agreement and the Indenture. The Borrower

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agrees to furnish the Authority such information and materials relating to the Project as the Authority may reasonably request from time to time.

Section 6.18. Financing Statements. The Borrower shall prepare and file or cause the Affiliate to prepare and file financing statements and other documents reasonably necessary or required by the Authority to perfect and maintain as perfected any security interests created pursuant to the terms of the Indenture, the Mortgage, or this Agreement.

Section 6.19. Compliance with Indenture Requirements. The Borrower acknowledges that the Indenture requires the Authority to cause the Borrower to take certain actions in various situations and the Borrower hereby agrees to comply with the provisions of the Indenture relating to the Borrower and to take the actions required.

Section 6.20. Compliance with Department of Environmental Protection Requirements. The Borrower shall operate the Project or cause it to be operated in compliance with all applicable rules and regulations promulgated by the Department of Environmental Protection of the State or any successor agency thereto. The Borrower shall have the right in good faith to contest or appeal from such laws, ordinances and regulations and any decision adverse to the Borrower based thereon, but all costs, fees and expenses incurred in connection with such proceedings shall be the liability of the Borrower; provided that the Borrower must first give the Authority written notice of such contest.

Section 6.21. Approval of Tenants by the Authority. Upon the request of the Authority from time to time, the Borrower shall provide to the Authority and the City all information that shall be requested by the Authority or the City with respect to every prospective lessee, sublessee or lease assignee of the Project. The Borrower shall not permit any such leasing, subleasing or assigning of leases that would impair the excludability of interest paid on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, or that would impair the ability of the Borrower to operate the Project or cause the Project to be operated as a recreational or community center or would otherwise result in non-compliance with or default under any of the provisions of this Agreement.

Section 6.22. Compliance with County Improvement Authorities Law. The Borrower shall construct and operate the Project or cause it to be constructed and operated in compliance with the New Jersey County Improvement Authorities Law, *N.J.S.A. 40:37A-1 et. seq.*, and all applicable rules and regulations promulgated in connection therewith. The Borrower shall have the right in good faith to contest or appeal from such laws, rules and regulations and any decision adverse to the Borrower based thereon, but all costs, fees and expenses incurred in connection with such proceedings shall be the liability of the Borrower; provided that the Borrower must first give the Authority written notice of such contest.

Section 6.23. Reserved.

Section 6.24. Reserved.

Section 6.25. Construction. In the event of a default of any contractor or subcontractor under any contract made by it in connection with any repair or improvement or in the event of a breach of warranty with respect to any materials, workmanship or performance guaranty, the Borrower will promptly proceed, either separately or in conjunction with others, to exhaust the remedies against the contractor or subcontractor so in default and against each surety for the performance of such contract. The Borrower agrees to advise the Authority and the City of the steps it intends to take in connection with any such default. If the Borrower shall so notify the Authority and the City, the Borrower may in its own name prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor or surety which the Borrower deems reasonably necessary

Section 6.26. No Warranty of Condition or Suitability by the Authority. The Borrower specifically acknowledges that the Authority makes no warranty, either expressed or implied, as to the Project or the condition thereof or that it will be suitable for the Borrower's purposes or needs or that the proceeds of the Bonds will be sufficient to pay the Cost of Project thereof.

Section 6.27. Public Purpose Covenants. The Borrower covenants that it will throughout the term of this Agreement operate and maintain the Project in the manner provided in this Agreement, and will cause it to be operated as a qualified 501(c)(3) corporation. The Borrower further covenants that all representations and warranties made by the Borrower pursuant to or in connection with this Agreement or any report, certificate, financial statement, application or other instrument or document furnished by or on behalf of the Borrower was true when made and are true as of the date of delivery of this Agreement.

Section 6.28. Agreement Not to Change the Project. The Project may be modified from time to time to satisfy applicable legal and business requirements; however the Borrower agrees that it will not change the Project if any such change would make inaccurate, in any material respect, the description of the Project unless (a) the Trustee receives an Opinion of Bond Counsel to the effect that such change will not adversely affect the Tax-exempt status of the interest on the Bonds and (b) the Project as changed will continue to be a qualified 501(c)(3) corporation.

ARTICLE VII

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE AUTHORITY

The Authority represents, warrants and covenants as follows:

Section 7.01. Organization, Powers, etc. The Authority is a public body corporate and politic and is authorized under the Act to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations herein and therein. The Authority has duly authorized the execution and delivery of this Agreement, the Indenture and all other documents and instruments to be delivered in connection with the transactions contemplated hereby and will do or cause to be done all things necessary to preserve and keep such authorizations in full force and effect. The Project constitutes a "public facility" within the meaning of the Act. To the best knowledge of the Authority, the Authority has duly complied with the provisions of the Act in connection with the authorization and issuance of the Bonds.

Section 7.02. Approval of Bond Issuance, Etc. To finance the Cost of Project, the Authority proposes to issue \$19,500,000 aggregate principal amount of its Bonds which will mature and bear interest as set forth in Article II of the Indenture and which will be subject to redemption as set forth in Article IV of the Indenture. The Bonds will be issued under and secured by the Indenture, pursuant to which the Authority's interest in this Agreement and the Note (except the rights of the Authority under Sections 5.06, 5.07, 5.12, 6.02, 6.10, 6.12, 6.13, 6.14, 6.21, 6.27, 6.28, 9.03 and 9.06 hereof and the rights of the Authority under Sections 6.11, 6.12, 6.28, and 9.06 which are held concurrently with the Trustee) will be pledged and assigned to the Trustee in order to pay and to secure the payment of the principal of (including mandatory sinking fund installments, if any) (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds. The issuance of the Bonds and the execution of this Agreement and the Indenture have been approved by the Authority at a duly constituted meeting.

Section 7.03. No Assignment by the Authority. Except as provided herein and in the Indenture, the Authority has not and shall not assign, encumber, convey or otherwise dispose of its rights hereunder.

Section 7.04. Findings and Determinations. Based upon the information provided to the Authority, the Authority hereby finds and determines that the financing of the Project through the issuance of the Bonds will further the public purposes of the Act.

Section 7.05. Tax-Exemption Covenant. The Authority hereby covenants to comply with the provisions of the Code applicable to the Bonds and not to take any action or fail to take any action which would cause the interest on the Bonds to lose the exclusion from gross income of the owners of the Bonds for purposes of federal income taxation. The Authority agrees that it shall at all times do or cause to be done and perform or cause to be performed all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for purposes of federal income taxation, be and remain excludable from the gross income of the recipients thereof and that it will refrain from doing or performing any act or thing that will cause such interest not to be so excludable.

ARTICLE VIII

INSURANCE REQUIREMENTS, DAMAGE, DESTRUCTION AND CONDEMNATION

Section 8.01. Property Insurance Required. The Borrower agrees that it shall, at the Borrower's cost and expense, keep and cause to be kept the Project, including all buildings, structures, improvements and personal property, insured or self insured at all times throughout the term of this Agreement (including any period or periods of time during which any buildings, structures and improvements are in the course of construction) in such amounts as are customary and reasonable for entities in the same or similar businesses and in the same or similar location. The insurance shall be in an amount equal to the lesser of 100% of the "Full Replacement Cost" of the Project without deduction for depreciation, or the unpaid principal amount of the Bonds. Each policy of insurance, if any, shall contain a "Replacement Cost Endorsement".

Section 8.02. Liability Coverages Required. The Borrower agrees that it shall, at the Borrower's cost and expense, provide and keep or cause to be provided and kept in force during the term of this Agreement worker's compensation insurance, all other insurance required to be maintained under the laws of the State and comprehensive general liability insurance in such amounts as are customary and reasonable for companies in the same or similar businesses and in the same or similar location, or to self-insure any or all of such coverages to the extent permitted by law.

In addition, the Borrower agrees that it shall provide and keep or cause to be provided and kept in force whenever construction is or major alterations to the Project are being performed, policies of contingent public liability insurance. Such contingent liability insurance, if any, shall be a public liability policy covering at least the hazards of all phases of the construction being performed by the Borrower or its contractors, the hazards arising from the ownership and possession of the Project, and the hazards of any operations, other than construction, being carried on by the Borrower on any part of the property during the construction period.

The proceeds of all public liability insurance shall be applied to the payment of any judgment, settlement or liability incurred for risks covered by such insurance.

Section 8.03. General Insurance Provisions. Any policies of insurance provided for in this Agreement shall contain provisions complying with the requirements hereof and shall be issued by a nationally recognized, responsible insurance company, qualified to write such policies under the laws of the State. The Borrower shall have the right to carry the insurance provided for in this Agreement or any portion thereof under blanket policies, but certificates evidencing that the above-described insurance policies are in full force and effect shall be supplied to the Trustee throughout the term of this Agreement. All policies shall require that no less than fifteen (15) days' written notice of cancellation or material change will be given to the Trustee and the City. All cost of insurance shall be borne by the Borrower. All insurance is required commencing from the date hereof and is to be continued throughout the term of this Agreement. All property insurance shall be so written or endorsed as to make the Trustee additional insureds under such policies. The Borrower shall not violate or permit to be violated any of the conditions of the policies of insurance required to be maintained hereunder.

With respect to all policies of insurance which the Borrower is hereinabove required to carry:

(a) If any insurance shall expire, be withdrawn, lapse, become void or unsecured by reason of the Borrower's breach of any condition thereof or by reason of the failure or impairment of the capital of any carrier thereof, the Borrower shall place new insurance on the Project which conforms to the insurance requirements herein set forth; and

(b) In the event of loss, or an event which would constitute loss, under any policy, the Borrower shall give immediate notice thereof to the Trustee and the City, and the Trustee may make proof of loss if not made promptly by the Borrower.

Section 8.04. Damage, Destruction or Condemnation - No Abatement of Payments. Damage to or destruction of all or any portion of the Project by fire or any other cause, or taking of all or a portion of the Project by condemnation so as to prevent the continued use thereof shall not terminate this Agreement or cause any abatement of or reduction in the payments to be made by the Borrower hereunder, or otherwise alter the obligations of the Borrower as set forth herein unless otherwise waived by the Authority.

Section 8.05. Damage, Destruction or Condemnation. Except as otherwise provided for in the Indenture, in the event of any material loss or damage to the Project or the condemnation of any material part of the Project, the Borrower shall give immediate written notice to the Authority, the City and the Trustee, and shall apply any proceeds received for such material loss, damage or condemnation, at the direction of the Authority, with the prior approval and consent of the City, either to (i) repair or replace the Project, or (ii) the redemption of the Bonds. The proceeds of any insurance policies covering such damage or condemnation shall be paid to the Trustee. Subject to the rights of the Trustee under the Indenture, the Borrower shall have the right to adjust losses with insurance companies and to settle or adjudicate claims resulting from condemnations. The Authority shall have no claim to any property insurance proceeds or condemnation awards released by the Trustee nor any duty in connection with property insurance claims or condemnation proceedings.

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ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Any one or more of the following events shall constitute an event of default hereunder (an "Event of Default"):

(a) Any representation or warranty by the Borrower made herein or in any Loan Document, report, certificate, financial statement or other instrument furnished in connection with this Agreement shall prove to have been false or misleading in any material respect when made; or

(b) Default in the payment of any amount hereunder when due; or

(c) Except as provided in Section 9.01(b), default in the due observance or performance of any other covenants, conditions or agreements on the part of the Borrower required to be observed or performed pursuant to the terms hereof or pursuant to any of the Loan Documents or any certificate or other instrument furnished in connection with this Agreement, and such default shall continue unremedied for thirty (30) days after notice thereof to the Borrower, provided that if said default is such that it cannot be corrected within such period it shall not constitute an Event of Default if corrective action is instituted by the Borrower within such period and diligently pursued until the default is corrected; or

(d) Reserved;

(e) The occurrence of any default under the Indenture, subject to applicable notice and grace periods; or

(f) if the Borrower proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the Borrower or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Borrower and if such is not vacated, dismissed or stayed on appeal within sixty (60) days.

Section 9.02. Remedies. Upon the occurrence of an Event of Default, and at any time thereafter during the continuance of such Event of Default, the Trustee shall promptly notify the City and, as assignee of the Authority, may take one or more of the following remedial steps, provided that if the City has not failed to make payment under its City Guaranty, no remedy available to the Trustee pursuant to this Article IX, including without limitation, any exercise of the power of attorney granted hereunder) shall be exercised without the prior written consent of the City:

(a) Declare the entire unpaid amount payable hereunder to be immediately due and payable forthwith, whereupon such amount shall become forthwith due and payable, without presentment, demand, protest, or other notice of any kind, all of which are hereby expressly waived, anything contained herein or elsewhere to the contrary notwithstanding; or

(b) Take any action at law or in equity to collect the payments then due and thereafter to become due hereunder or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement; or

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(c) After ten (10) days notice to the Borrower, perform for the account of the Borrower any covenant in the performance of which the Borrower is in default or make any payment for which the Borrower is in default. The Borrower shall pay to the Trustee upon demand any amount paid by it in the performance of such covenant and any amounts which shall have been paid by reason of failure of the Borrower to comply with any covenant or provision of this Agreement, including reasonable counsel fees incurred in connection with the prosecution or defense of any proceedings instituted by reason of default of the Borrower, plus interest, all in accordance with Section 9.06 hereof; or

(d) Discontinue disbursement of any portion of the Bond proceeds.

If any party shall have proceeded to enforce this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to such party, then the Borrower, the Authority and the Trustee shall be restored, respectively, to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Authority and the Trustee shall continue as though no such proceedings had taken place.

Section 9.03. Authority's Remedies on Default. The following shall constitute the Authority's remedies:

(a) If the Borrower commits a breach, or threatens to commit a breach, of any of the provisions of this Agreement, at any time prior to the maturity or redemption of the Bonds, the Authority shall have the right and remedy, without posting bond or other security, to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Authority or the Trustee and that money damages will not provide an adequate remedy therefor.

(b) The remedies set forth in this Section are the sole and exclusive remedies of the Authority.

Section 9.04. Service of Process. If any service upon the Borrower is or may hereafter be required in connection with any suit or exercise of other remedies against them hereunder, the Borrower does hereby appoint the Secretary of the State as its agent to receive such service with written notice sent to the Borrower at the address specified in this Agreement. The Borrower does hereby consent to jurisdiction to any such suit brought in the State and do waive any objection to the venue of any such suit, action or proceeding on this Agreement in any of the courts of the State.

Section 9.05. No Remedy Exclusive. Except as set forth in Section 9.03 hereof, no remedy herein conferred or reserved 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 Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. No notice, other than such notice as may be required in this Agreement, shall be required precedent to the exercise of any remedy hereunder or at law, in equity or pursuant to statute. Such rights and remedies as are given the Authority hereunder shall also extend to the Trustee and, where indicated, to the City, and the Trustee, the City and the owners of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

Section 9.06. Agreement to Pay Attorneys' Fees and Expenses. In the event the Borrower should default under any of the provisions of this Agreement and either the Authority, the City or the Trustee shall require and employ attorneys or incur other expenses for the collection of payments

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due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees that it will be liable for and on demand therefor shall pay to the Authority, the City or the Trustee the reasonable fees of such attorneys and such other expenses so incurred.

Section 9.07. No Waiver Implied. No waiver of any breach by the Borrower of any of its obligations, agreements or covenants hereunder shall be a waiver of any subsequent breach or of any other obligation, agreement or covenant, nor shall any forbearance to seek a remedy for any breach by the Borrower be a waiver of any rights and remedies with respect to such breach or any subsequent breach.

Section 9.08. Default by Authority - Limited Liability. Notwithstanding any provision to the contrary set forth in this Agreement, no provision of this Agreement shall be construed so as to give rise to a pecuniary liability of the Authority or its members or to give rise to a charge upon the general credit of the Authority or such members; the liability of the Authority hereunder shall be limited to its interest in this Agreement and the lien of any judgment shall be restricted thereto. There shall be no other recourse against the Authority or any other property now or hereafter owned by it. No recourse shall be had or any claim based on this Agreement or the Bonds or any document delivered pursuant to this Agreement or the Bonds against any member, officer or employee, past, present or future, of the Authority or of any successor body, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. This Section shall not relieve the Borrower of any liability or obligation under any instrument relating to this Agreement or the Indenture. In the performance of the agreements of the Authority herein contained, any obligation it may incur for the payment of money shall not be a debt or obligation of the State, the County of Salem, New Jersey, the City, the Authority or any political subdivision thereof. The State is not obligated to pay, and neither the faith and credit nor taxing power of the State is pledged to the payment of, any moneys due under this Agreement. The Authority does not assume general liability for the repayment of the Bonds or for the costs, fees, penalties, taxes, interest, charges, insurance or any other payments recited herein, but shall be obligated to pay the same only out of the amounts payable by the Borrower hereunder. The Authority shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Borrower if an Event of Default shall occur hereunder. Providing the Borrower is in full compliance with the terms of the Agreement, nothing herein shall preclude the Borrower from proceeding against the Authority for specific performance (or other equitable remedy in the nature of specific performance) of the Authority's obligations hereunder.

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**ARTICLE X
MISCELLANEOUS**

Section 10.01. Notices. Any notice, request, complaint, demand, communication, or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

Authority: The Salem County Improvement Authority
181 East Broadway
Salem, New Jersey 08079
Attention: Chairman

Borrower: Stand Up for Salem, Inc.
150 West Broadway
P.O. Box 453
Salem, New Jersey 08079
Attention: President

Trustee: Fulton Financial Advisors, N.A.
One Penn Square
P.O. Box 7989
Lancaster, Pennsylvania 17604
Attention: Corporate Trust Department

City: City of Salem
17 New Market Street
Salem, New Jersey 08079
Attention: Chief Financial Officer

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.02. Survival of Covenants - Concerning Successors and Assigns. All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the execution hereof and shall continue in full force and effect so long as the obligations hereunder are outstanding and unpaid, except that the covenants contained in Section 6.12 hereof shall survive the termination of this Agreement and shall continue in full force and effect after the obligations hereunder are paid and no longer outstanding. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower which are contained in the Agreement shall bind their respective successors and assigns and inure to the benefit of the successors and assigns of the Authority.

Section 10.03. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.04. Modifications in Writing. Amendments, modifications or waivers of any provisions of this Agreement or the documents delivered hereunder or consent to any departure by the Borrower therefrom shall in no event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given and only in accordance with the Indenture.

Section 10.05. Captions. The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provisions of this Agreement.

Section 10.06. Severability. If any provision of this Agreement shall be held or deemed to be illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not affect any other provision or provisions hereof.

Section 10.07. Prior Agreements Superseded. This Agreement shall completely and fully supersede all other prior understandings or agreements, both written and oral, among the Authority and the Borrower relating to the Project.

Section 10.08. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

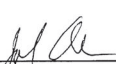
Section 10.09. Effective Date and Term. This Agreement shall become effective upon its execution and delivery by the parties hereto, shall remain in full force and effect from the date hereof and, subject to the provisions hereof, shall expire on such date as the Bonds and the interest thereon and all other expenses or sums to be paid under the Indenture and this Agreement have been fully paid.

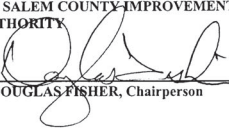
Section 10.10. Authorized Borrower Representative. Whenever under the provisions of this Agreement the approval of the Borrower is required or the Authority or the Trustee is required to take some action at the request of the Borrower, such approval or such request shall be given by the Authorized Borrower Representative of the Borrower, and the Authority or Trustee may rely upon the approval of such Authorized Borrower Representatives or act upon such request and no party hereto shall have any complaint against the others or against the Trustee as a result of any such action taken.

Section 10.11. Intent of Parties. It is the express intention of the parties hereto that the purchase, sale or transfer of any Bonds, as provided in the Indenture, shall not constitute or be construed to be the extinguishment of any Bonds or the indebtedness represented thereby (except to the extent any such Bonds may be canceled pursuant to the Indenture) or the reissuance of any Bonds or the refunding of any indebtedness represented thereby.

[Balance of this page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

ATTEST: 
By: _____
JOHN OBER, Secretary


THE SALEM COUNTY IMPROVEMENT AUTHORITY
ATTEST: 
By: _____
DOUGLAS FISHER, Chairperson

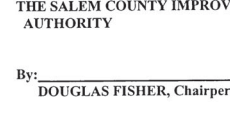
ATTEST:
By: _____
JAMES WADDINGTON, Vice President

STAND UP FOR SALEM, INC.
By: _____
KEITH CAMPBELL, President

[SEAL]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

ATTEST: 
By: _____
JOHN OBER, Secretary

THE SALEM COUNTY IMPROVEMENT AUTHORITY
ATTEST: 
By: _____
DOUGLAS FISHER, Chairperson

ATTEST:
By: _____
JAMES WADDINGTON, Vice President

STAND UP FOR SALEM, INC.
By: _____
KEITH CAMPBELL, President

[SEAL]

EXHIBIT A
[FORM OF NOTE]
PROMISSORY NOTE

\$19,500,000

July 1, 2007

FOR VALUE RECEIVED, STAND UP FOR SALEM, INC., a non-profit corporation duly created and validly existing under the laws of the State of New Jersey ("Borrower"), agrees to be liable for and promise to pay to the order of THE SALEM COUNTY IMPROVEMENT AUTHORITY, a public body corporate and politic and governmental instrumentality of the State of New Jersey ("Authority"), the principal sum of NINETEEN MILLION FIVE HUNDRED THOUSAND DOLLARS and to be liable for and to pay interest from the date of issuance of this Note on the unpaid principal amount of this Note, such principal and interest to be paid at the times, in the amounts and at the interest rates hereinafter provided.

This Note evidences the Borrower's indebtedness to the Authority under a Loan Agreement, dated as of July 1, 2007 ("Agreement"), which provides for the Authority to issue its \$19,500,000 City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 ("Bonds") and for the proceeds of the Bonds to be loaned to the Borrower to pay costs of the project described in the Agreement ("Project"). In order to provide a source of payment for and to secure the Bonds, the Authority has transferred and assigned to the Trustee (as defined below) this Note and the Agreement (subject to certain rights reserved therein) and, accordingly, the payment of the principal (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest, due hereunder shall be paid in lawful money of the United States of America to Fulton Financial Advisors, N.A., as Trustee ("Trustee") under an Indenture of Trust, dated as of July 1, 2007 ("Indenture"), as the assignee and holder of this Note, at One Penn Square, Lancaster, Pennsylvania 17604, Attention: Corporate Trust Department, or at such other place as the Trustee or other holder of this Note may designate in writing to the Authority and the Borrower.

The Borrower shall pay or cause to be paid the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, this Note at such times and in such amounts in the aggregate as will permit the Authority to make timely payments of the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on the Bonds. With respect to the Bonds, the Borrower's obligation to pay principal and interest on this Note is set forth on Schedule A attached hereto.

Interest on this Note shall be computed and shall be payable on the same terms and conditions as the interest on the Bonds, and all of the terms and provisions of the Bonds pertaining thereto are incorporated by reference herein.

In any case where the date of maturity of principal of this Note or the date fixed for purchase, prepayment or redemption of this Note shall be on a Saturday, Sunday, a day on which commercial banks in New York City or in the city in which the corporate trust office of the Trustee is located are authorized by law to close, or a day on which the New York Stock Exchange is closed, then payment of the principal of (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, and purchase price of, need not be made on such date but may be made on the next succeeding Business Day (as defined in the Agreement) with the same force and

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effect as if made on the date of maturity or the date fixed for purchase, prepayment or redemption, and no interest shall accrue for the period after such date.

Any amount held by the Trustee or the Paying Agent in the Bond Fund on any due date for a payment installment hereunder shall be credited against the payment installment due on such date to the extent available for such purposes. Any excess amount held by the Trustee in the Bond Fund on a payment date shall be credited against the payment due on such date; and provided further that, subject to the provisions of the next succeeding sentence, if at any time the amount held by the Trustee in the Bond Fund should be sufficient (and remain sufficient) to pay at the times required the principal of, redemption premium, if any, interest on, the Bonds then remaining unpaid, the Borrower shall not be obligated to make any further payments under the provisions of this Note or the Agreement. Notwithstanding the provisions of the preceding sentence, if on any date the amount held by the Trustee is insufficient to make the then required payments of principal (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds on such date, the Borrower shall be liable for the payment of such deficiency as a payment installment hereunder.

The Borrower shall also be liable for the payment to the Trustee of any and all other sums which the Authority is obligated to pay to the Trustee under the terms and provisions of the Indenture.

This Note is subject to prepayment and redemption in the same manner as the Bonds, and all of the terms and provisions of the Bonds pertaining thereto are incorporated by reference herein.

Upon the occurrence of any Event of Default, as defined in the Agreement, the entire unpaid balance of the principal and accrued interest on this Note may become immediately due and payable in the manner, with the effect and subject to the conditions provided in the Agreement.

This Note is subject to all of the terms and conditions of the Agreement, which is hereby incorporated herein, with the same effect as if the Agreement were fully set forth herein. Reference is hereby made to the Agreement, executed counterparts of which are on file with the Authority, the Borrower and the Trustee, for a description of the security for this Note, the rights and obligations of the Borrower and the Authority in connection with the Project and the loan made to finance the Project, and other matters affecting the indebtedness evidenced by this Note.

The Borrower and any endorsers hereof severally waive presentment, demand, protest and notice (other than notices provided for in the Agreement or as required by law).

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IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed on its behalf as of the date above.

STAND UP FOR SALEM, INC.

By: _____
Name: **KEITH CAMPBELL**
Title: **President**

[SEAL]

Attest:

By: _____
Name: **ZACH ZEHNER**
Title: **Secretary**

Pay To The Order of Fulton Financial Advisors, as Trustee, Without Recourse.

**THE SALEM COUNTY IMPROVEMENT
AUTHORITY**

By: _____
DOUGLAS FISHER, Chairperson

[SEAL]

Attest:

JOHN OBER, Secretary

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EXHIBIT B

FORM OF REQUISITION

**THE SALEM COUNTY IMPROVEMENT AUTHORITY
\$19,500,000
CITY-GUARANTEED REVENUE BONDS
(FINLAW STATE OFFICE BUILDING PROJECT) SERIES 2007**

REQUISITION

Number

Fulton Financial Advisors, N.A.
One Penn Square
P.O. Box 7989
Lancaster, Pennsylvania 17604
Attention: Corporate Trust Department

Ladies and Gentlemen:

I am an Authorized Borrower Representative of Stand Up for Salem, Inc., a New Jersey non-profit corporation ("Borrower"). This Requisition is being submitted for payment or reimbursement of expenses already paid by the Borrower from the Project Fund held by you as Trustee in connection with the captioned Bonds. All capitalized terms used herein shall have the meanings given to them under the Loan Agreement, by and between the Borrower and the Salem County Improvement Authority ("Authority"), dated as of July 1, 2007 ("Agreement").

A. Description of Request

1. The Trustee is hereby directed to make payment under this Requisition to the payee named in Schedule A attached hereto.
2. The amount to be disbursed under this Requisition is \$ _____ from the [Project Account][Costs of Issuance Account][Administrative Expense Account] of the Project Fund.
3. If the payment under this Requisition is to be made to a Borrower for a reimbursable advance, attached hereto is with proof of payment of such advance by the Borrower.

B. Borrower Representations

As required under the Agreement, I HEREBY CERTIFY as follows:

1. None of the moneys to be disbursed pursuant to this Requisition are to be used to pay or reimburse a payment for work done in performance of any construction contract.
2. The obligation on account of which the payment is to be made showing the total obligation, any amount previously paid and the unpaid balance (if the total obligation shall be fixed) is set forth in Schedule B attached hereto.

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3. Each obligation mentioned herein has been properly incurred, is a proper charge against the Project Fund, is unpaid or unreimbursed and has not been the basis of any previous requisition.

4. The covenants contained in the Agreement and the Indenture will not be violated as a result of payment pursuant to this Requisition.

5. As a condition of receiving any payments under this Requisition, the Borrower represents that no mechanic's liens have been placed on the Project by any persons entitled to such payments.

6. If any portion of the moneys to be disbursed pursuant to this Requisition are to be used to discharge any existing indebtedness of the Borrower, such indebtedness was incurred in connection with work or supplies rendered in performance of a construction contract.

Very truly yours,

STAND UP FOR SALEM, INC.

By: _____
Authorized Borrower Representative

APPROVED by the CITY OF SALEM, NEW JERSEY,
this ____ day of _____, 200__.

By: _____
Name:
Title:

[For Sections 3.04 and 3.05 of Indenture]

[APPROVED by THE SALEM COUNTY IMPROVEMENT AUTHORITY,
this ____ day of _____, 200__.

By: _____
Name:
Title:

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SCHEDULE A

Name	Address	Amount	Description

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SCHEDULE B

Obligation	Total Obligation	Amount Previously Paid	Unpaid Balance

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EXHIBIT C

FORM OF BORROWER COMPLETION CERTIFICATE
THE SALEM COUNTY IMPROVEMENT AUTHORITY
\$19,500,000
CITY-GUARANTEED REVENUE BONDS
(FINLAW STATE OFFICE BUILDING PROJECT) SERIES 2007

The Salem Improvement Authority
181 East Broadway
Salem, New Jersey 08079

Fulton Financial Advisors, N.A.
One Penn Square
P.O. Box 7989
Lancaster, Pennsylvania 17604
Attention: Corporate Trust Department

City of Salem, New Jersey
17 New Market Street
Salem, New Jersey 08079
Attention: Chief Financial Officer

Ladies and Gentlemen:

I am an Authorized Borrower Representative of Stand Up for Salem, Inc., a New Jersey non-profit corporation ("Borrower"). This certificate is being submitted pursuant to Section 4.04 of the Loan Agreement, dated as of July 1, 2007 ("Agreement"), by and between the Borrower and The Bergen County Improvement Authority ("Authority"). All capitalized terms used herein shall have the meanings given to them under the Agreement.

- (i) the Project has been completed;
- (ii) all labor, services, materials and supplies used in the Project have been paid for;
- (iii) the equipment necessary for the Project has been installed to its satisfaction, such equipment so installed is suitable and sufficient for the efficient operation of the Project for the intended purposes and all costs and expenses incurred in the acquisition and installation of such equipment have been paid; and
- (iv) any permissions required of governmental authorities for the use of the Project for the purposes contemplated by the Loan Agreement have been obtained;

The amount to be deposited in the Rebate Fund is \$ _____, the amount to be deposited in the Surplus Account is \$ _____ and the amount to be reserved in the Project Fund for the payment of any unpaid Cost of the Project is \$ _____.

The statements made in this certificate are given without prejudice to any rights against third parties which exist at the date of this certificate or which may subsequently come into being.

Very truly yours,

STAND UP FOR SALEM, INC.

By: _____
Authorized Borrower Representative

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 Moneys in the Debt Service Reserve Fund at any time which shall not be required to maintain the Debt Service Reserve Fund at the Debt Service Reserve Requirement shall be transferred to the Interest Account and Principal Account within the Bond Fund and applied to the payment of the principal of, redemption price for and interest on the Bonds as set forth in Section 5.02 hereof. Accordingly, on [_____]20 [_____] when the Debt Service Reserve Requirement is reduced to \$[_____] the Trustee shall transfer amounts held in the Debt Service Reserve Fund in excess of said amount to the Bond Fund and applied to the payment of the principal of, and interest on the Bonds. Interest earnings on moneys in the Debt Service Reserve Fund shall be transferred, pursuant to Section 5.04 hereof, to the Bond Fund and applied in accordance with the priority set forth therein..... 4
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THE SALEM COUNTY IMPROVEMENT AUTHORITY

and

FULTON BANK, NATIONAL ASSOCIATION,

as Trustee

FIRST SUPPLEMENTAL INDENTURE OF TRUST

DATED: AS OF _____, 2021

Securing \$_____ Aggregate Principal Amount of
 City-Guaranteed Revenue Refunding Bonds
 (Finlaw State Office Building Project), Series 2021

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 (continued)

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FIRST SUPPLEMENTAL INDENTURE OF TRUST

THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST (this "Supplemental Indenture") made and entered into as of _____, 2021 by and between THE SALEM COUNTY IMPROVEMENT AUTHORITY (the "Authority"), a body corporate and politic, organized and existing under the laws of the State of New Jersey (the "State"), and FULTON BANK, NATIONAL ASSOCIATION, a banking corporation duly organized and validly existing under the laws of the State of _____ and has a corporate trust office in Lancaster, Pennsylvania, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Authority was created pursuant to the provisions of the county improvement authorities law, under Chapter 183 of the Laws of New Jersey of 1960, as amended and supplemented (N.J.S.A. 40:37A-44 *et seq.*) (the "Act"); and

WHEREAS, the Authority is authorized to issue its bonds for the purpose of carrying out its powers under the Act; and

WHEREAS, the Authority issued its \$19,500,000 aggregate principal amount City-Guaranteed Revenue Bonds (Finlaw State Office Project) (the "Series 2007 Bonds") on July 19, 2007; and

WHEREAS, the Authority loaned the proceeds of the Series 2007 Bonds (the "Series 2007 Loan") to Stand Up For Salem, Inc., a New Jersey not-for-profit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower"), for: (i) the acquisition of certain property located at 195 East Broadway, Salem, New Jersey and existing improvements thereon (commonly referred to as the Finlaw Building), as well as other nearby properties (presently designated as Block 61, Lots 4, 5 and part of Lots 7 and 8, to be consolidated and hereafter known as Block 61, Lot 4 on the Official Tax Map of the City of Salem, and presently designated Block 61, Lots 23, 24, 25, 26, 28, a portion of Lot 15 and a portion of Belden Street (now vacated) in the City, all to be consolidated and hereafter known as Block 61.01, Lot 23, on the Official Tax Map of the City (collectively, the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 50,000 square feet, to house various State agencies and other entities ("Office Building"); and (b) an adjacent parking facility to house 275 spaces ("Parking Facility"); (iv) all other costs and expenses necessary therefore or related to the proposed project, including the funding of a debt service reserve fund and capitalized interest; and (v) the costs of issuance with respect to the issuance and sale of the Bonds (collectively, the "Original Project") in the City of Salem, in the County of Salem, in the State (the "City").

WHEREAS, in connection with the Series 2007 Bonds, the Authority and the Borrower entered into a Loan Agreement dated as of July 1, 2007 (the "2007 Loan Agreement"); and

WHEREAS, in connection with the issuance of the Series 2007 Bonds, the Authority and the Trustee entered into an Indenture of Trust dated as of July 1, 2007 (the "Original Indenture",

as amended and supplemented by this Supplemental Indenture shall be collectively defined as the "Indenture").

WHEREAS, payment of the principal of (including mandatory sinking fund installments, if applicable) and interest on the Series 2007 Bonds and the Series 2021 Bonds authorized and defined herein is fully, unconditionally and irrevocably guaranteed by the City (the "City Guaranty"); and

WHEREAS, in order to achieve debt service savings on and extend the maturity of the Series 2007 Bonds, the Borrower has requested that the Authority refund all or a portion of the outstanding Series 2007 Bonds through the issuance of the Authority's \$ _____ aggregate principal amount City-Guaranteed Revenue Refunding Bonds, Series 2021 (Finlaw State Office Building Project) (the "Series 2021 Bonds" or the "Bonds"); and

WHEREAS, the Authority proposes to issue the Series 2021 Bonds pursuant to this Supplemental Indenture and a First Supplemental Loan Agreement between the Authority and the Borrower dated as of _____, 2021 (the "Supplemental Loan Agreement" and together with the 2007 Loan Agreement, the "Loan Agreement"); and

WHEREAS, the execution and delivery of this Supplemental Indenture has been duly authorized by the Authority, and all conditions, acts and things necessary and required by the Constitution or statutes of the State or otherwise, to exist, to have happened, or to have been performed precedent to and in execution and delivery of this Supplemental Indenture do exist, have happened and have been performed in regular form, time and manner.

NOW, THEREFORE, in consideration of the foregoing, the parties hereby agree as follows:

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ARTICLE I Definitions

Section 1.01. The following terms used herein will have the following definitions:

"Escrow Agent" means Fulton Bank, National Association, a bank holding company duly organized and validly existing under the laws of the United States and has a corporate trust office in Lancaster, Pennsylvania, as escrow agent under the Escrow Deposit Agreement.

"Escrow Deposit Agreement" means the escrow deposit agreement dated _____, 2021, among the Authority, the Borrower and the Escrow Agent to be executed in connection with the issuance of the Series 2021 Bonds and the refunding of the refunded Series 2007 Bonds.

"Escrow Fund" means the escrow fund established under the Escrow Deposit Agreement.

"Series 2021 Loan" means the loan from the Authority to the Borrower, in the principal amount of the Series 2021 Bonds, to provide funds for the refunding of the Series 2007 Bonds, evidenced by the Series 2021 Note.

"Series 2021 Note" means the note in the principal amount of the Series 2021 Bonds evidencing the 2021 Loan, and any amendments, replacements and supplements thereof and thereto.

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ARTICLE II Amendments to the Original Indenture

Section 2.01. Amended Definition; Additional Definitions.

(a) The following definitions are added to Section 101 of the Original Indenture as follows:

"Insurance Policy" shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2021 Bonds when due.

"Insurer" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Debt Service Reserve Requirement" shall mean an amount equal to the lesser of: (i) the maximum Debt Service payable on the Bonds in any year ending on June 30 ("MADS Test"); (ii) 10% of the principal amount of the Bonds; or (iii) 125% of the average annual principal and interest requirements on the Bonds ("125% Test"); and which allows the Debt Service Reserve Fund to qualify as a "reasonably required reserve or replacement fund" under Section 148(d) of the Code. As of the Issue Date, the Debt Service Reserve Requirement for the Bonds shall be \$ _____ (125% Test). Commencing on [____], 20____ the Debt Service Reserve Requirement for the Bonds shall be reduced to \$ _____ (MADS Test).

Section 2.02. Amendment of Section 5.03 of the Original Indenture. The last paragraph of Section 5.03 of the Original Indenture is hereby amended as follows:

Moneys in the Debt Service Reserve Fund at any time which shall not be required to maintain the Debt Service Reserve Fund at the Debt Service Reserve Requirement shall be transferred to the Interest Account and Principal Account within the Bond Fund and applied to the payment of the principal of, redemption price for and interest on the Bonds as set forth in Section 5.02 hereof. Accordingly, on [____], 20____ when the Debt Service Reserve Requirement is reduced to \$[____], the Trustee shall transfer amounts held in the Debt Service Reserve Fund in excess of said amount to the Bond Fund and applied to the payment of the principal of, and interest on the Bonds. Interest earnings on moneys in the Debt Service Reserve Fund shall be transferred, pursuant to Section 5.04 hereof, to the Bond Fund and applied in accordance with the priority set forth therein.

Section 2.03. Amendment of Article XII. Article XII of the Original Indenture is hereby amended to include the following:

The following provisions apply to the Series 2021 Bonds, notwithstanding anything to the contrary in the Indenture:

(a) The prior written consent of the Insurer is hereby be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Series 2021 Bonds.

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(b) The Insurer is hereby be deemed to be the sole holder of the Series 2021 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2021 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Series 2021 Bond, the Trustee and each Series 2021 Bondholder appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the Authority or Borrower under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Series 2021 Bondholder delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Series 2021 Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Series 2021 Bondholders hereby expressly include mandamus.

(c) The security for the Series 2021 Bonds includes a pledge of the Loan Agreement, the [L]ease [A]greements, the Support Agreement and the Guaranty Agreement (collectively, with the Indenture, the "Related Documents"), that are a source of payment for the Series 2021 Bonds, and a default under any such agreement shall constitute an Event of Default under the Indenture.

(d) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(e) The Insurer is hereby included as a third party beneficiary to this Indenture and the other Related Documents.

(f) The exercise of any provision of the Indenture which permits the purchase of Series 2021 Bonds in lieu of redemption hereby requires the prior written approval of the Insurer if any Series 2021 Bond so purchased is not cancelled upon purchase.

(g) Any amendment, supplement, modification to, or waiver of, the Indenture or the other Related Documents, that requires the consent of Series 2021 Bondowners or adversely affects the rights and interests of the Insurer is hereby subject to the prior written consent of the Insurer.

(h) The rights granted to the Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Series 2021 Bondholders and such action does not evidence any position of

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the Insurer, affirmative or negative, as to whether the consent of the Series 2021 Bondowners or any other person is required in addition to the consent of the Insurer.

(i) Only (1) cash, (2) non callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the Borrower and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Series 2021 Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2021 Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2021 Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Series 2021 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and Insurer. The Insurer shall be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow.

Series 2021 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(j) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Series 2021 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture and the other Related Documents shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(k) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2021 Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2021 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the

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Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Series 2021 Bond payment date shall promptly be remitted to the Insurer.

(l) The Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2021 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(m) The Authority shall pay or reimburse, and subject to the limitations in the Indenture and the Other Related Documents shall cause the Borrower to pay or reimburse, the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(n) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Series 2021 Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(o) The Insurer shall be entitled to pay principal or interest on the Series 2021 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Series 2021 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(p) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 1633 Broadway, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. [_____], Telephone: (212) 974-0100; Telecopier: (212) 339 3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(q) The Insurer shall be provided with the following information by the Authority, the Borrower or Trustee, as the case may be:

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amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2021 Bonds and the amount required to pay principal of the Series 2021 Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Series 2021 Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2021 Bonds registered to the then current Series 2021 Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2021 Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2021 Bond shall have no effect on the amount of principal or interest payable by the Authority on any Series 2021 Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2021 Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Series 2021 Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Series 2021 Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Series 2021 Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2021 Bonds under the sections hereof regarding payment of Series 2021 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay, and cause the Borrower to pay, to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2021 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority and Borrower hereby covenant and agree that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate on a parity with debt service due on the Series 2021 Bonds, as set forth in the Indenture.

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(i) Annual audited financial statements within 180 days after the end of the Borrower's fiscal year (together with a certification of the Authority that it is not aware of any default or Event of Default under the Indenture or the Other Related Documents), and the Borrower's annual budgets within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Series 2021 Bonds;

(iii) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Series 2021 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Authority or Borrower commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2021 Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Series 2021 Bondholders under the terms of the Related Documents.

In addition, to the extent that the Authority or the Borrower has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Series 2021 Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information. The Insurer shall have the right to receive such additional information as it may reasonably request.

(r) The Authority and the Borrower will permit the Insurer to discuss the affairs, finances and accounts of the Authority and the Borrower or any information the Insurer may reasonably request regarding the security for the Series 2021 Bonds with appropriate officers of the Authority and the Borrower and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Authority and the Borrower on any business day upon reasonable prior notice.

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(s) The Trustee shall notify the Insurer of any failure of the Authority or the Borrower to provide notices, certificates and other information under the transaction documents.

(t) Notwithstanding satisfaction of the other conditions to the issuance of additional Series 2021 Bonds set forth in the Indenture or the Other Related Documents, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement (including the proposed issue) upon the issuance of such additional Series 2021 Bonds, in either case unless otherwise permitted by the Insurer.

(u) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Series 2021 Bonds or the rights of the Series 2021 Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(v) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Series 2021 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

There shall be delivered an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto), to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Series 2021 Bonds shall have occurred. An executed copy of each of such opinion and reliance letter, if applicable, shall be forwarded to the Insurer prior to delivery of the Series 2021 Bonds.

Section 2.04. Amendment of Section 13.07 of the Original Indenture. Section 13.07 of the Original Indenture is hereby amended to reflect new contact information for the heading "To the Insurer", with respect to the Series 2021 Bonds, any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given to the Insurer when delivered or mailed or certified mail, postage prepaid, or sent by telegram, telecopier or telex, addressed as follows:

To the Insurer: Assured Guaranty Municipal Corp.
1633 Broadway
New York, New York 10019
Attention: Managing Director – Surveillance, Re: Policy No. ____
Telephone: (212) 974-0100;
Telecopier: (212) 339-3556

ARTICLE III Issuance of the Series 2021 Bonds

Section 3.01. Authorization, Amount, Purpose and Title of Series 2021 Bonds.

(a) Bonds of the Authority in the aggregate principal amount of \$ _____ to be designated "City-Guaranteed Revenue Refunding Bonds, Series 2021 (Finlaw State Office Building Project)" are hereby authorized to be issued pursuant to the terms of this Supplemental Indenture and pursuant to, among others Section 2.03 and any other provision of the Original Indenture, to provide funds to refund the Series 2007 Bonds.

(b) The Series 2021 Bonds shall be in substantially the form set forth in the Original Indenture, as amended and supplemented hereby.

Section 3.02. Disbursement of Proceeds of Sale. Upon the execution and delivery of this Supplemental Indenture, the Authority shall issue the Series 2021 Bonds, and the Trustee shall authenticate and deliver such Series 2021 Bonds to the initial purchasers thereof, and apply the net proceeds of the Series 2021 Bonds (i.e. the par amount of \$ _____, plus a net original issue premium in the amount of \$ _____, less Underwriter's discount of \$ _____ and less an insurance premium to the Insurer in the amount of \$ _____), together with other available funds, as follows:

(a) Proceeds of the Series 2021 Bonds in the amount set forth in the [Executive Director's Certificate] shall be deposited in the hereby created Optional Redemption Account in the Bond Fund and then immediately transferred to the Escrow Agent for deposit into the Escrow Fund established under the Escrow Deposit Agreement.

(b) Proceeds of the Series 2021 Bonds in the amount set forth in the [Executive Director's Certificate] shall be deposited in the 2021 Debt Service Fund.

(c) Proceeds of the Series 2021 Bonds in the amount set forth in the [Executive Director's Certificate] shall be deposited into the 2021 Costs of Issuance Account of the Project Fund.

(d) Proceeds of the Series 2021 Bonds in the amount set forth in the [Executive Director's Certificate] shall be deposited into the 2021 Debt Service Reserve Fund.

Section 3.03. Appointment of Escrow Agent. Fulton Bank, National Association, a banking corporation duly organized and validly existing under the laws of the United States and has a corporate trust office in Lancaster, Pennsylvania is hereby appointed Escrow Agent for the refunding of the Series 2007 Bonds.

Section 3.04. No Recourse on Series 2021 Bonds. No recourse shall be had for the payment of the principal of or the interest on the Series 2021 Bonds or for any claim based thereon or on the Indenture against any member or other officer of the Authority or any person executing the Series 2021 Bonds. The Series 2021 Bonds are not and shall not be in any way a debt or liability of the State and do not and shall not create or constitute any indebtedness, liability or obligation of said State, either legal, moral or otherwise.

The Series 2021 Bonds, together with the interest and any redemption premium thereon, shall be limited obligations of the Authority payable solely from the Trust Estate and the Revenues and shall be a valid claim of the respective Holders thereof only against the Trust Estate and the Revenues, which Revenues are hereby pledged for the equal and ratable payment of the Series 2021 Bonds and shall be used for no other purpose than to pay the principal and purchase price of and interest and redemption premium, if any, on the Bonds, except as may be otherwise expressly authorized in the Indenture. Neither the members of the Authority nor any person executing the Series 2021 Bonds issued pursuant to this resolution and the Act shall be liable personally on the Series 2021 Bonds by reason of the issuance thereof. The Series 2021 Bonds shall not be in any way a debt or liability of the State or any political subdivision other than the Authority and the City to the extent of the City Guaranty, whether legal, moral or otherwise.

Section 3.05. Execution and Authentication of the Series 2021 Bonds. Any Authorized Officer is hereby authorized and directed to execute by his or her manual or facsimile signature the Series 2021 Bonds in the name of the Authority and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The Secretary or an Assistant Secretary of the Authority is hereby authorized and directed to attest by his or her manual or facsimile signature the execution of the Series 2021 Bonds.

The Trustee is hereby authorized and directed to authenticate by manual signature the Series 2021 Bonds and deliver the same to or upon the order of the Authority, in such amounts and at such times as the Trustee shall be directed in writing by the [Executive Director's Certificate.]

ARTICLE IV Miscellaneous

Section 4.01. Compliance with the Original Indenture. The Trustee confirms, in reliance upon an opinion of Bond Counsel, that this Supplemental Indenture complies with the terms of the Original Indenture.

Section 4.02. Successors and Assigns. This Supplemental Indenture shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

Section 4.03. No Consent or Waiver. Nothing herein shall be construed as a consent to or waiver of any other covenant, term or condition of the Indenture or any documents executed in connection with the issuance of the Series 2021 Bonds.

Section 4.04. Governing Law. This Supplemental Indenture shall be construed in accordance with and governed by the laws of the State.

Section 4.05. Execution in Several Counterparts. This Supplemental Indenture may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 4.06. Remaining Terms. Except as explicitly amended herein, all terms of the Original Indenture remain in full force and effect.

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Supplemental Indenture to be signed by their respective authorized officers as of the day and year first above written.

[SEAL]
ATTEST

**THE SALEM COUNTY
IMPROVEMENT AUTHORITY**

Name: BARRY DAVIS
Title: Secretary

By: _____
Name: CORDY TAYLOR
Title: Chairperson

ATTEST:

**FULTON BANK, NATIONAL
ASSOCIATION, as Trustee**

Name:
Title:

By: _____
Name: Stuart W. Juppenlatz
Title: Senior Vice President

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FIRST SUPPLEMENTAL LOAN AGREEMENT
by and between
THE SALEM COUNTY IMPROVEMENT AUTHORITY
AND
STAND UP FOR SALEM, INC.

Dated as of _____, 2021

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FIRST SUPPLEMENTAL LOAN AGREEMENT

THIS FIRST SUPPLEMENTAL LOAN AGREEMENT (this "Supplemental Loan Agreement"), dated as of _____, 2021, by and between **THE SALEM COUNTY IMPROVEMENT AUTHORITY** (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey (the "State") and **STAND UP FOR SALEM, INC.**, a New Jersey non-profit corporation (the "Borrower").

WHEREAS, the Authority was created pursuant to the provisions of the county improvement authorities law, under Chapter 183 of the Laws of New Jersey of 1960, as amended and supplemented (N.J.S.A. 40:37A-44 *et seq.*) (the "Act"); and

WHEREAS, the Authority is authorized to issue its bonds for the purpose of carrying out its powers under the Act; and

WHEREAS, the Authority issued its \$19,500,000 aggregate principal amount City-Guaranteed Revenue Bonds (Finlaw State Office Project), Series 2007 (the "Series 2007 Bonds") on July 19, 2007; and

WHEREAS, the Authority loaned the proceeds of the Series 2007 Bonds (the "Series 2007 Loan") to Stand Up For Salem, Inc., a New Jersey not-for-profit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower"), for: (i) the acquisition of certain property located at 195 East Broadway, Salem, New Jersey and existing improvements thereon (commonly referred to as the Finlaw Building), as well as other nearby properties (presently designated as Block 61, Lots 4, 5 and part of Lots 7 and 8, to be consolidated and hereafter known as Block 61, Lot 4 on the Official Tax Map of the City of Salem, and presently designated Block 61, Lots 23, 24, 25, 26, 28, a portion of Lot 15 and a portion of Belden Street (now vacated) in the City, all to be consolidated and hereafter known as Block 61.01, Lot 23, on the Official Tax Map of the City (collectively, the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 50,000 square feet, to house various State agencies and other entities ("Office Building"); and (b) an adjacent parking facility to house 275 spaces ("Parking Facility"); (iv) all other costs and expenses necessary therefore or related to the proposed project, including the funding of a debt service reserve fund and capitalized interest; and (v) the costs of issuance with respect to the issuance and sale of the Bonds (the "Project") in the City of Salem, County of Salem, in the State (the "City"); and

WHEREAS, in order to achieve debt service savings on the Series 2007 Bonds, the Borrower has requested that the Authority refund all of the outstanding Series 2007 Bonds through the issuance of the Authority's \$ _____ aggregate principal amount City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 (the "Series 2021 Bonds" or the "Bonds"); and

WHEREAS, in connection with the Series 2007 Bonds, the Authority and the Borrower entered into a Loan Agreement dated as of July 1, 2007 (the "Original Loan Agreement") and this

First Supplemental Loan Agreement dated as of _____, 2021 (the "Supplemental Loan Agreement" and together with this Original Loan Agreement, the "Loan Agreement");

WHEREAS, in connection with the issuance of the Series 2021 Bonds, the Authority and Fulton Financial Advisors, N.A. (now Fulton Bank, National Association) (the "Trustee"), entered into an Indenture of Trust dated as of July 1, 2007 (the "Original Indenture") and entered into a First Supplemental Indenture of Trust dated as of _____, 2021 (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture"); and

WHEREAS, payment of the principal of (including mandatory sinking fund installments, if applicable) and interest on the Series 2021 Bonds and the hereinafter defined Bonds is fully, unconditionally and irrevocably guaranteed by the City (the "City Guaranty"); and

WHEREAS, the Authority proposes to issue the Series 2021 Bonds pursuant to the Indenture and the Loan Agreement; and

WHEREAS, the execution and delivery of this Supplemental Loan Agreement has been duly authorized by the Authority, and all conditions, acts and things necessary and required by the Constitution or statutes of the State or otherwise, to exist, to have happened, or to have been performed precedent to and in execution and delivery of this Supplemental Loan Agreement do exist, have happened and have been performed in regular form, time and manner.

NOW, THEREFORE, in consideration of the foregoing, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The following terms used herein will have the following definitions:

"Series 2021 Loan" shall mean the loan made by the Authority to the Borrower of the proceeds of the Series 2021 Bonds;

"Series 2021 Note" means the Promissory Note dated as of _____, 2021 in the original principal amount of the Series 2021 Bonds made by the Borrower in favor of the Authority evidencing the Series 2021 Loan, in the form attached hereto as Exhibit A-1.

Capitalized terms used herein and not otherwise defined, shall have the meanings set forth in the Indenture.

ARTICLE II

AMENDMENTS TO THE ORIGINAL LOAN AGREEMENT

Section 2.1. Amended Definitions. The following definitions in the Original Loan Agreement are hereby amended to read as follows:

"Bond Resolution" shall mean, collectively, the resolution of the Authority dated August 14, 2006 and entitled "BOND RESOLUTION OF THE SALEM COUNTY IMPROVEMENT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$19,500,000 AGGREGATE PRINCIPAL AMOUNT OF THE AUTHORITY'S CITY-GUARANTEED REVENUE BONDS (FINLAW STATE OFFICE BUILDING PROJECT), SERIES 2006; MAKING CERTAIN DETERMINATIONS AND APPROVALS WITH RESPECT TO SAID BONDS; AND AUTHORIZING CERTAIN ACTIONS" (the "Original Bond Resolution") and the resolution of the Authority dated April 15, 2021 and entitled "SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CITY-GUARANTEED REVENUE REFUNDING BONDS (FINLAW STATE OFFICE BUILDING PROJECT) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,000,000 OF THE SALEM COUNTY IMPROVEMENT AUTHORITY AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL LOAN AGREEMENT, A FIRST SUPPLEMENTAL INDENTURE OF TRUST, ASSIGNMENT, CITY GUARANTY AGREEMENT AND CITY SUPPORT AGREEMENT AND AUTHORIZING AND APPROVING THE PREPARATION, NEGOTIATION, EXECUTION AND DELIVERY, AS APPLICABLE, OF A BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT AND OTHER FINANCING DOCUMENTS AND RELATED INSTRUMENTS AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH" (the "Supplemental Bond Resolution").

"Indenture" shall mean the Original Indenture and the Supplemental Indenture, as the same may be from time to time amended, modified or supplemented in accordance with its terms.

"Insurance Policy" shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2021 Bonds when due.

"Insurer" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Loan" means, collectively, the Series 2007 Loan, and the Series 2021 Loan.

"Loan Documents" means the Original Loan Agreement, this Supplemental Loan Agreement, the Note and all other documents executed in connection herewith and therewith.

"Note" means, collectively, the Series 2007 Note and the Series 2021 Note.

Section 2.2. Amendment of Section 10.01 of the Original Loan Agreement. In Section 10.01 of the Original Loan Agreement, the address of the Trustee is hereby deleted and replaced with the following:

Trustee: Fulton Bank, National Association
One Penn Square
Lancaster, Pennsylvania 17604

and the address of the Insurer is hereby amended to include, with respect to the Series 2021 Bonds, the following:

Bond Insurer: Assured Guaranty Municipal Corp.
1633 Broadway
New York, New York 10019
Attention: Managing Director – Surveillance, Re: Policy No. _____,
Telephone: (212) 974-0100;
Telecopier: (212) 339-3556

Section 2.3. Exhibit B. Exhibit B hereto shall be the form of Requisition with respect to the proceeds of the Series 2021 Bonds.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 3.1. Representations, Warranties and Covenants. The Borrower represents that, except as otherwise provided herein, all of the representations of the Borrower in the Original Loan Agreement remain true and accurate as if made on the date hereof and that it has complied with all warranties and covenants contained in the Original Loan Agreement.

Section 3.2. Certification of the Borrower. The Borrower hereby certifies that (a) the Original Loan Agreement is in full force and effect, (b) no Event of Default has occurred thereunder and (c) the proceeds of the Series 2021 Bonds will be used to refund all of the outstanding Series 2007 Bonds and to pay costs of issuance in connection with the issuance of the Series 2021 Bonds.

Section 3.3. Certain Representations of the Authority. The Authority represents that all of the representations of the Authority in Article VII of the Original Loan Agreement remain true and accurate as if made on the date hereof and that it has complied with all warranties and covenants applicable to it contained in the Original Loan Agreement.

ARTICLE IV

THE SERIES 2021 LOAN

Section 4.1. Agreement to Issue the Series 2021 Bonds; Application of Series 2021 Bond Proceeds. The Authority, concurrently with the execution of this Supplemental Loan Agreement, will issue, sell, and deliver the Series 2021 Bonds and deposit the proceeds of the Series 2021 Bonds with the Trustee in accordance with the Supplemental Indenture.

ARTICLE V

LOAN PROVISIONS

Section 5.1. Loan of Series 2021 Bond Proceeds.

(a) The Authority agrees, upon the terms and conditions contained in this Supplemental Loan Agreement and the Supplemental Indenture, to make the Series 2021 Loan from the proceeds received by the Authority from the sale of the Series 2021 Bonds.

(b) The proceeds of the Series 2021 Bonds shall be disbursed to or on behalf of the Borrower as follows:

(i) \$_____ deposit to the Optional Redemption Account of the Bond Fund pursuant to the Indenture;

(ii) \$_____ deposit to the Debt Service Reserve Fund pursuant to the Indenture; and

(iii) \$_____ deposit to the 2021 Costs of Issuance Account of the Project Fund Costs of Issuance Account pursuant to the Indenture.

Section 5.2. Bond Insurance Policy Requirements And Agreements.

(a) The Borrower hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate on a parity with debt service due on the Series 2021 Bonds, as set forth in the Indenture.

(b) The Insurer shall be provided with the following information by the Borrower:

(i) Annual audited financial statements within 180 days after the end of the Borrower's fiscal year (together with a certification of the Authority that it is not aware of any default or Event of Default under the Indenture or the Other Related Documents), and the Borrower's annual budgets within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Series 2021 Bonds;

(iii) Prior notice of the advance refunding or redemption of any of the Series 2021 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iv) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(v) Notice of the commencement of any proceeding by or against the Borrower commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vi) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2021 Bonds;

(vii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(viii) All reports, notices and correspondence to be delivered to Series 2021 Bondholders under the terms of the Related Documents.

In addition, to the extent that the Borrower has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Series 2021 Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information. The Insurer shall have the right to receive such additional information as it may reasonably request.

(c) The Borrower will permit the Insurer to discuss the affairs, finances and accounts of the Borrower or any information the Insurer may reasonably request regarding the security for the Series 2021 Bonds with appropriate officers of the Borrower and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Borrower on any business day upon reasonable prior notice.

Section 5.3. Borrower Agreement to Budget, Capital and Fiscal Planning, Procurement And Reimbursement Best Practices Agreement.

(a) The Borrower hereby covenants and agrees to enter into a Budget, Capital and Fiscal Planning, Procurement and Reimbursement Best Practices Agreement dated as of _____, 2021, by and between the Borrower, the City and the Authority in connection with the Series 2021 Bonds.

ARTICLE VI
MISCELLANEOUS

Section 6.1. Payment of Fees and Expenses. The Borrower will pay all out-of-pocket expenses incurred by the Authority in connection with the preparation of this Supplemental Loan Agreement and the other Loan Documents, the making of the Series 2021 Loan hereunder, and the enforcement of the rights of the Authority in connection with the Loan Agreement and the other Loan Documents, including the Authority's issuance fee as established at the time of the issuance of each series of Bonds, and the fees, disbursements and expenses of Bond Counsel.

Section 6.2. Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Supplemental Loan Agreement.

Section 6.3. Severability. In the event any provision of this Supplemental Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.4. Counterparts. This Supplemental Loan Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 6.5. Effective Date and Term. This Supplemental Loan Agreement shall become effective upon its execution and delivery by the parties hereto, shall remain in full force from the date hereof and, subject to the provisions hereof, shall expire on such date as the Bonds and the interest thereon, and all other expenses or sums to which the Authority, the Trustee and any paying agent are entitled, have been fully paid in accordance with the Indenture.

Section 6.6. Application of Supplemental Loan Agreement to Series 2021 Bonds and the Loan Documents. The terms of the Original Loan Agreement shall remain in full force and effect and shall be applicable to the Series 2021 Bonds and the Loan Documents except to the extent such terms are specifically supplemented by or modified by this Supplemental Loan Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Loan Agreement as of the date first above written.

[SEAL]
ATTEST

THE SALEM COUNTY
IMPROVEMENT AUTHORITY

Name: BARRY DAVIS
Title: Secretary

By: Name: CORDY TAYLOR
Title: Chairperson

SEAL
ATTEST

STAND UP FOR SALEM, INC.

Name:
Title: Secretary

By: Name:
Title: President

EXHIBIT A-1
FORM OF SERIES 2021 NOTE

EXHIBIT A-1
(FORM OF NOTE)
PROMISSORY NOTE

\$ _____, 2021

FOR VALUE RECEIVED, STAND UP FOR SALEM, INC., a non-profit corporation duly created and validly existing under the laws of the State of New Jersey ("Borrower"), agrees to be liable for and promise to pay to the order of THE SALEM COUNTY IMPROVEMENT AUTHORITY, a public body corporate and politic and governmental instrumentality of the State of New Jersey ("Authority"), the principal sum of _____ DOLLARS and to be liable for and to pay interest from the date of issuance of this Note on the unpaid principal amount of this Note, such principal and interest to be paid at the times, in the amounts and at the interest rates hereinafter provided.

This Note evidences the Borrower's indebtedness to the Authority under a Loan Agreement, dated as of July 1, 2007 (the "Original Loan Agreement"), as amended and supplemented by a First Supplemental Loan Agreement dated as of _____, 2021 ("Supplemental Loan Agreement" and together with the Original Loan Agreement, the "Agreement"), which provides for the Authority to issue its \$ _____ City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 (the "Bonds") and for the proceeds of the Bonds to be loaned to the Borrower to (i) currently refunding all of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 dated July 19, 2007 currently outstanding in the amount of \$18,100,000 and maturing on August 15 in the years 202_ through and including 2038 (the "Refunded Bonds"), which Refunded Bonds were issued for the purpose of making a loan to Stand Up for Salem, Inc., a New Jersey non-profit corporation (the "Borrower"), (ii) funding a deposit to the Debt Service Reserve Fund created pursuant to the Indenture (as defined herein), as necessary, and (iii) paying the costs of issuance for the Bonds (collectively, the "Refunding Project"). In order to provide a source of payment for and to secure the Bonds, the Authority has transferred and assigned to the Trustee (as defined below) this Note and the Agreement (subject to certain rights reserved therein) and, accordingly, the payment of the principal (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest, due hereunder shall be paid in lawful money of the United States of America to Fulton Bank, National Association, as Trustee ("Trustee") under an Indenture of Trust, dated as of July 1, 2007 (the "Original Indenture") as amended and supplemented by a First Supplemental Indenture of Trust, dated as of _____, 2021, as the assignee and holder of this Note, at 1 Penn Square, Lancaster, Pennsylvania 17602, Attention: Corporate Trust Department, or at such other place as the Trustee or other holder of this Note may designate in writing to the Authority and the Borrower.

The Borrower shall pay or cause to be paid the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, this Note at such times and in such amounts in the aggregate as will permit the Authority to make timely payments of the principal of (including mandatory sinking fund installments, if any), (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on the Bonds. With respect to the Bonds, the Borrower's obligation to pay principal and interest on this Note is set forth on Schedule "A" attached hereto.

Interest on this Note shall be computed and shall be payable on the same terms and conditions as the interest on the Bonds, and all of the terms and provisions of the Bonds pertaining thereto are incorporated by reference herein.

In any case where the date of maturity of principal of this Note or the date fixed for purchase, prepayment or redemption of this Note shall be on a Saturday, Sunday, a day on which commercial banks in New York City or in the city in which the corporate trust office of the Trustee is located are authorized by law to close, or a day on which the New York Stock Exchange is closed, then payment of the principal of (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, and purchase price of, need not be made on such date but may be made on the next succeeding Business Day (as defined in the Agreement) with the same force and effect as if made on the date of maturity or the date fixed for purchase, prepayment or redemption, and no interest shall accrue for the period after such date.

Any amount held by the Trustee or the Paying Agent in the Bond Fund on any due date for a payment installment hereunder shall be credited against the payment installment due on such date to the extent available for such purposes. Any excess amount held by the Trustee in the Bond Fund on a payment date shall be credited against the payment due on such date; and provided further that, subject to the provisions of the next succeeding sentence, if at any time the amount held by the Trustee in the Bond Fund should be sufficient (and remain sufficient) to pay at the times required the principal of, redemption premium, if any, interest on, the Bonds then remaining unpaid, the Borrower shall not be obligated to make any further payments under the provisions of this Note or the Agreement. Notwithstanding the provisions of the preceding sentence, if on any date the amount held by the Trustee is insufficient to make the then required payments of principal (whether at maturity, upon redemption, upon acceleration or otherwise), redemption premium, if any, interest on, the Bonds on such date, the Borrower shall be liable for the payment of such deficiency as a payment installment hereunder.

The Borrower shall also be liable for the payment to the Trustee of any and all other sums which the Authority is obligated to pay to the Trustee under the terms and provisions of the Indenture.

This Note is subject to prepayment and redemption in the same manner as the Bonds, and all of the terms and provisions of the Bonds pertaining thereto are incorporated by reference herein.

Upon the occurrence of any Event of Default, as defined in the Agreement, the entire unpaid balance of the principal and accrued interest on this Note may become immediately due and payable in the manner, with the effect and subject to the conditions provided in the Agreement.

This Note is subject to all of the terms and conditions of the Agreement, which is hereby incorporated herein, with the same effect as if the Agreement were fully set forth herein. Reference is hereby made to the Agreement, executed counterparts of which are on file with the Authority, the Borrower and the Trustee, for a description of the security for this Note, the rights and obligations of the Borrower and the Authority in connection with the Project and the loan made to finance the Project, and other matters affecting the indebtedness evidenced by this Note.

The Borrower and any endorsers hereof severally waive presentment, demand, protest and notice (other than notices provided for in the Agreement or as required by law).

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed on its behalf as of the date above.

STAND UP FOR SALEM, INC., a New Jersey Not-For-Profit Corporation

ATTEST:

By: _____,
_____, Secretary,

By: _____,
_____, President

[SEAL]

Pay To The Order of Fulton Bank, National Association, as Trustee, Without Recourse.

THE SALEM COUNTY IMPROVEMENT
AUTHORITY

By: _____
CORDY TAYLOR, Chairperson

[SEAL]

Attest:

BARRY DAVIS, Secretary

EXHIBIT B
FORM OF SERIES 2021 REQUISITION

EXHIBIT B

FORM OF REQUISITION (COSTS OF ISSUANCE)

THE SALEM COUNTY IMPROVEMENT AUTHORITY
CITY-GUARANTEED REVENUE REFUNDING BONDS, SERIES 2021
(FINLAW STATE OFFICE BUILDING PROJECT)

REQUISITION NO. 1

Fulton Bank, National Association
One Penn Square
Lancaster, PA 17604

Attention:

Ladies and Gentlemen:

I am an Authorized Officer of The Salem County Improvement Authority (the "Authority"). This Requisition is being submitted for payment from the 2021 Costs of Issuance Account of the Project Fund held by you as Trustee in connection with the above captioned Bonds. All capitalized terms used herein shall have the meanings given to them under the Indenture of Trust by and between the Authority and you dated as of July 1, 2007, including by a First Supplemental Indenture of Trust dated as of _____, 2021.

A. Description of Request

1. The Trustee is hereby directed to make payment under this Requisition to the payees named in Schedule A attached hereto.
2. The total amount to be disbursed under this Requisition is \$ _____.

B. Certificate of Authorized Officer

I certify that the amount being paid or withdrawn will be applied to the payment of Costs of Issuance.

Very truly yours,

**THE SALEM COUNTY IMPROVEMENT
AUTHORITY**

By: _____
Authorized Officer

SCHEDULE A

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT ("Mortgage") dated as of _____, 2021, between STAND UP FOR SALEM, INC., a New Jersey non-profit corporation ("Borrower"), as mortgagor, and THE SALEM COUNTY IMPROVEMENT AUTHORITY, a body politic and corporate of the State of New Jersey ("Authority"), as mortgagee.

WITNESSETH:

WHEREAS, pursuant to the Act (as hereinafter defined), the Authority has agreed to issue its City Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021, in the aggregate principal amount of _____ Dollars (\$ _____) (as extended, modified, renewed, substituted, replaced and/or redated from time to time hereafter with the consent of Assignee, the "Bonds") for the purpose of refinancing and currently refunding all of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 dated July 19, 2007 currently outstanding in the amount of \$18,100,000 and maturing on August 15 in the years 202_ through and including 2038 (the "Refunded Bonds"), which Refunded Bonds were issued for the purpose of: (i) the acquisition of certain property located at 195 East Broadway, Salem, New Jersey 08079 and existing improvements thereon (commonly referred to as the Finlaw Building) (Block 61, [A Portion] Lot 4 on the Official Tax Map of the City of Salem) and Block 61.01 the Official Tax Map of the City of Salem) (collectively, the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 50,000 square feet, to house various State agencies and other entities; and (b) an adjacent parking facility to house approximately 275 spaces; (iv) all other costs and expenses necessary therefore or related to the proposed project, including capitalized interest and the funding of a debt service reserve fund; and (v) the costs of issuance with respect to the Bonds (as hereinafter defined) (collectively, the "Refunding Project"); and

WHEREAS, the Authority and Fulton Financial Advisors, N.A., as trustee (now known as Fulton Bank, National Association) (the "Trustee"), have entered into a certain Indenture of Trust dated as of July 1, 2007 (the "Original Indenture of Trust"), as amended and supplemented by a First Supplemental Indenture of Trust dated as of _____, 2021 (the "Supplemental Indenture of Trust") and together with the Original Indenture of Trust, the "Indenture", under the terms of which the Authority will issue the Bonds, and

WHEREAS, pursuant to a loan agreement (the "Original Loan Agreement") dated as July 1, 2007, as amended and supplemented by a First Supplemental Loan Agreement dated as of _____, 2021 (the "Supplemental Loan Agreement" and together with the Original Loan Agreement, the "Loan Agreement") between the Authority and the Borrower, the Authority proposes to loan the proceeds of the sale of the Bonds to the Borrower to enable it to undertake the Refunding Project, and the Borrower, in consideration of the issuance of the Bonds by the Authority, and the loan of the proceeds of the sale of the Bonds to the Borrower by the Authority, will agree to repay said loan in such amounts and at such times as will be sufficient to enable the Trustee to pay the principal of, redemption premium (if any) and the interest on the Bonds as the same become due and to make certain other payments with respect to the Bonds; and

WHEREAS, the Bonds will be issued under and secured by, inter alia, the Indenture, and this Mortgage; and

WHEREAS, in order to evidence the indebtedness under the Indenture, the Borrower has executed and delivered to the Authority a Promissory Note in the aggregate principal amount of _____ Dollars (\$ _____), dated as of even date herewith (as extended, modified, renewed, substituted, replaced and/or redated from time to time hereafter, the "Note"); and

WHEREAS, to induce prospective purchasers of the Bonds to purchase the same and provide additional security to the owners thereof, the City of Salem, in the County of Salem, State of New Jersey (the "City") has, in accordance with Section 37 of the Act, unconditionally and irrevocably guaranteed the punctual payment of the principal of and interest on the Bonds (the "City Guaranty"); and

WHEREAS, the Borrower has agreed to enter into this Mortgage to grant to the Authority a first priority mortgage lien on and perfected Security Interest (as hereinafter defined) in, the Mortgaged Property (as hereinafter defined), as security for the payment and performance of all obligations of the Borrower to the Authority hereunder, and under the Note, the Loan Agreement, and all of the other Loan Documents, and as security for all obligations of any nature, whether now existing or hereafter incurred, of the Borrower to the Authority (collectively, the "Obligations").

NOW, THEREFORE, for and in consideration of the mutual agreements contained herein, and the benefits to flow to each of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure the Borrower's performance of the Obligations and all of the Borrower's other obligations under the Loan Agreement and hereunder, the Borrower does hereby:

(A) grant, bargain, sell, convey, assign, transfer, mortgage and pledge to the Authority the following "Mortgaged Property":

(i) [All of the tract or parcel of land and premises commonly known as: (i) 195 East Broadway in the City of Salem, County of Salem, State of New Jersey, Block 61, [a portion of] Lot 4 on the Official Tax Map of the City of Salem, all as more specifically described in Schedule "A" attached hereto and made a part hereof; and (ii) [Block 61.01, Lot 23] on the Official Tax Map of the City of Salem, all as more specifically described in Schedule "B" attached hereto and made a part hereof (items (i) and (ii) are collectively referred to herein as the "Project Site"), including any land to the extent owned by the Borrower lying in the bed of any street, avenue or alley in front of or adjoining the Project Site to the center line thereof;

(ii) All buildings, structures, fixtures and improvements now or hereafter located on the land comprising the Project Site, including all appurtenant rights, easements and fixtures (as defined in Section 9-313 of the New Jersey Uniform Commercial Code ("State UCC")) of the Refunding Project, all as constructed, improved or acquired, or to be constructed, improved or acquired;

(iii) All equipment, furniture, machinery, building materials and/or other personal property and fixtures of whatever character or description, affixed to, attached to, placed upon or located at or to be used by the Borrower in the use, enjoyment, occupancy, operation or maintenance of the Mortgaged Property (collectively, the "Liened Property"). The Borrower hereby authorizes the Authority to prepare and file, and the Borrower agrees to prepare and file at the request of the Authority, such financing statements and other documents, and to take such other actions as may be required by the Authority shall from time to time in order to protect, create and continue its security interest in the Liened Property constituting part of the Mortgaged Property provided for under the Uniform Commercial Code as enacted in the State of New Jersey ("State") or under other state or federal law. The Borrower hereby agrees to execute and deliver further instruments (including additional security agreements) as may be requested from time to time by the Authority to confirm the lien of the Mortgage on and the Security Interest (as defined herein) in the Mortgaged Property. The Borrower shall pay all fees for the filing or recording of any such instruments. This Mortgage shall also be a security agreement for all of the foregoing fixtures, equipment and other personalty;

(iv) All easements and rights-of-way (public and private), gores of land, roads, public places, streets, ways, sidewalks and alleys, passages, sewer rights, waters, water courses, water rights and powers, air space and all estates, rights, titles, interest, privileges, liberties, tenements, hereditaments, and appurtenances of any nature whatsoever, now or hereafter used in connection with or in any way belonging, relating or pertaining to the Mortgaged Property (including, without limitation, any and all development rights, air rights or similar or comparable rights of any nature whatsoever now or hereafter appurtenant to the Project Site or now or hereafter transferred to the Project Site);

(v) All present and future leases, rents and other agreements affecting the use or occupancy of the Mortgaged Property now or hereafter entered into (hereinafter referred to as the "Leases") and the right to receive and apply the rents, issues and profits of the Mortgaged Property (hereinafter referred to as the "Rents"). The Borrower agrees to use the rents, issues and profits in payment of principal and interest becoming due on the Note and the other Obligations and in payment of taxes, assessments, water rents and other governmental charges becoming due against the Mortgaged Property, should the Borrower default in the payment of any of the foregoing payments. The Borrower shall not receive or collect rent from any tenant of the Mortgaged Property or any part thereof for a period of more than one month in advance, nor shall it cancel, surrender or modify or lease without the prior written consent of the Authority and upon the occurrence of an Event of Default under the Loan Agreement, or any other Loan Document (including, but not limited to, this Mortgage), the Borrower will pay monthly in advance to the Authority or to any receiver appointed to collect the rents, issues and profits, the fair and reasonable rental value for the use and occupation of the Mortgaged Property or any part thereof as may be in the possession of the Borrower, and upon default in any such payment will vacate and surrender possession of the Mortgaged Property to the Authority or to such receiver, and in default thereof may be evicted by summary proceedings; provided, however, payment or acceptance of said rent shall not be deemed as a bar or waiver of any other remedies available under this Mortgage or under the Loan Agreement, Indenture, or the other Loan Documents including, without limitation, the right to foreclose this Mortgage;

(B) Grants to and creates in the Authority a security interest ("Security Interest") in --

(i) the Mortgaged Property, to the extent that the same cannot be mortgaged pursuant to Paragraph (A) above, and all general intangibles related thereto or arising therefrom, and all proceeds thereof;

(ii) Any and all judgments, awards of damages, damages, awards, payments and proceeds and settlements hereafter made resulting from condemnation proceedings or the taking of the Mortgaged Property or any part thereof under the power of eminent domain or conveyance in lieu thereof, or for any damage (whether caused by such taking or otherwise) to the Mortgaged Property or any part thereof, or to any rights appurtenant thereto, including any award for change of grade of streets;

(iii) All awards, damages, payments and proceeds of insurance with respect to the Mortgaged Property or any part thereof, and any and all claims and demands therefor and rights with respect thereto;

(iv) All rights in and to all general construction contracts, engineering contracts and architectural services and contracts and other contracts and agreements affecting the Mortgaged Property;

(v) All permits and approvals obtained and to be obtained by the Borrower from all federal, state, county and municipal bodies and agencies necessary, required and incident to the Borrower's renovations to and use and occupancy of the Mortgaged Property;

(vi) The right, in the name of and on behalf of the Borrower, to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to commence any action or proceeding to protect the interest of the Authority in the Mortgaged Property;

(vii) Any warranties or service contracts now or hereafter existing with respect to the Mortgaged Property;

(viii) Any and all funds created by or established under the Indenture (as defined in the Loan Agreement) and

(ix) All proceeds of any of the foregoing and any expansions, repairs, accessions, alterations, renewals, betterments, replacements and substitutions on the Mortgaged Property or Pledged Property and additions, enlargements and improvements thereto.

(The property described by Subparagraph B(i) through (viii) inclusive above, is referred to as the "Pledged Property").

IN TRUST for the benefit and security of the Authority for the enforcement of the payment of all Obligations;

TO HAVE AND TO HOLD the above granted and described Mortgaged Property and Pledged Property unto the Authority and the successors and assigns thereof forever.

PROVIDED, ALWAYS, if the Obligations are paid according to the tenor and effect thereof when the same shall become due and payable, and if the Borrower performs all agreements herein contained or contained in the Loan Agreement and the other Loan Documents in a timely manner, then this Mortgage shall be immediately cancelled and surrendered and the Authority shall cooperate with the Borrower in executing all instruments necessary to evidence the release of this Mortgage and the Security Interest created hereby.

THE BORROWER HEREBY FURTHER AGREES WITH THE AUTHORITY, AS FOLLOWS:

ARTICLE I.

DEFINITIONS AND CERTAIN RULES OF INTERPRETATION

Section 1.1. Definitions. The following terms shall have the meaning specified in the preambles to the Mortgage:

- Assignee
- Authority
- Bonds
- Borrower
- City
- City Guaranty
- Indenture
- Leases
- Liened Property
- Loan Agreement
- Mortgage
- Mortgaged Property
- Note
- Obligations
- Pledged Property
- Project Site
- Rents
- Refunding Project
- Security Interest
- Trustee

In addition to the words and terms elsewhere defined herein, the following words and terms as used hereon shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"Act" means the County Improvements Authority Law, Chapter 183 of the Laws of New Jersey, 1960, as the same may be amended from time to time.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, if any, become an event of default.

"Event of Default" shall have the meaning set forth in Section 4.1 hereof.

"GAAP" means, as of the date of any determination with respect thereto, those accounting principles applicable in the preparation of financial statements, as promulgated by, or not inconsistent with those of, the Financial Accounting Standards Board, or such other body or bodies as may be recognized as authoritative by the American Institute of Certified Public Accountants or any successor body, consistently applied and maintained throughout the relevant periods and from period to period.

"Loan Document" shall have the meaning ascribed to such term in the Loan Agreement.

"Permitted Encumbrances" shall have the meaning ascribed to such term in the Indenture.

"Person" means any natural person, corporation, cooperative, partnership, association, joint stock company, trust or unincorporated organization, governmental body or agency, political subdivision, municipality or municipal authority or any legal entity, as in the context may be appropriate.

"State" means the State of New Jersey.

Section 1.2. Certain Rules of Interpretation. The words "hereof", "herein", "hereto", "hereby" and "hereunder" and other equivalent words refer to this entire Mortgage. Unless otherwise indicated, all references to particular Articles or Sections (as capitalized terms) are references to the Articles or Sections of this Mortgage. Any pronoun used herein shall be deemed to cover all genders. References to any time of the day in this Mortgage shall refer to Eastern standard time or Eastern daylight savings time. Capitalized terms not otherwise defined herein shall have the meaning specified in the Loan Agreement.

ARTICLE II.

COVENANTS, WARRANTIES AND REPRESENTATIONS

Section 2.1. Obligations of the Borrower. The Borrower shall pay to the Authority, in accordance with the terms of the Note, Loan Agreement and this Mortgage, the principal and interest due thereon, and other sums herein and therein set forth; and Borrower shall perform and comply with the terms, conditions, agreements, covenants, provisions and stipulations of all agreements to which it is a party including, without limitation, all provisions of the Note and of the Loan Agreement, or of any other Loan Document, or by which it or any of its properties (now owned or hereafter acquired) may be subject or bound.

Section 2.2. Warranty of Title.

(a) The Borrower represents and warrants that it is the owner of and possesses good and marketable title to an indefeasible fee simple estate in the Mortgaged Property and Pledged Property, except for those title exceptions listed in the Authority's title insurance policy approved by and issued to Authority, insuring the priority of the lien of this Mortgage as a first Mortgage, that it has a good and marketable fee interest in the Mortgaged Property and Pledged Property, and that this Mortgage is and shall remain a valid and enforceable first lien on the fee interest.

(b) The Borrower will preserve the fee interest and does hereby warrant and will forever warrant and defend the same to the Authority and will forever warrant and defend the validity and priority of the lien hereof against the claims and demands of all persons and parties whomsoever.

(c) The Borrower agrees to provide, at its own expense, on the date of execution of the Loan Documents a policy of title insurance and a survey with respect to the real property included in the Mortgaged Property, satisfactory to the Authority, and further agrees to provide thereafter, at its own expense, on the reasonable request of the Authority, opinions of title and certificates of title or policies of title insurance and surveys with respect to such real property, satisfactory to the Authority. Prior to execution and delivery of this Mortgage, the Borrower has delivered to the Authority a survey of the Mortgaged Property, showing the location of all buildings, roads and land improvements.

Section 2.3. Taxes and Claims.

(a) The Borrower shall file all federal, state and local tax returns and other reports as the Borrower is required by law to file, maintain adequate reserves for the payment of all taxes, assessments, governmental charges, and levies imposed upon it, or upon any property belonging to it including, without limitation, the Mortgaged Property and Pledged Property, and pay and discharge all such taxes, assessments, governmental charges and levies on or prior to the date on which due or before the period of grace (not to exceed thirty (30) days), if any, related thereto has expired, except where the same may be contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained and segregated on the books of the Borrower in accordance with GAAP, and upon first giving the Authority written notice thereof. The Borrower shall pay and discharge promptly all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords, repairmen and other similar persons for labor, materials, supplies and rentals, which if unpaid might by law become a lien or charge upon its property, including without limitation, the Mortgaged Property and Pledged Property, unless such claims are being contested in good faith and by appropriate proceedings, provided that there is no Event of Default and that adequate reserves with respect thereto are maintained and segregated on the books of the Borrower in accordance with GAAP, and upon first giving the Authority written notice thereof.

(b) At the option of the Authority, the Borrower shall establish with the Authority an appropriate escrow account on a monthly basis to cover the costs of all real estate taxes on the Mortgaged Property, and the Borrower shall pay one-twelfth (1/12th) of the annual real estate taxes in respect of the Project Site on or before the first day of each month (or at such other times as the Authority shall require) to such escrow account and the Authority shall pay all real estate taxes on the Mortgaged Property from such escrow account.

(c) The Borrower shall not claim or demand or be entitled to any credit or credits on account of the Obligations for any part of the taxes assessed against the Mortgaged Property or Pledged Property or any part thereof and no deduction shall otherwise be made or claimed from the taxable value of the Mortgaged Property or Pledged Property, or any part thereof, by reason of this Mortgage or the Obligations.

Section 2.4. Casualty and Other Insurance. The Borrower shall maintain insurance of the types, in such amounts and in such manner as set forth in Article VIII of the Loan Agreement, as such article may be subsequently amended. All policies must be kept in effect for the entire term of this Mortgage and until payment in full of all Obligations. The Borrower shall produce to the Authority proof of payment of premiums therefor and provide copies of all policies and extensions and renewals thereof.

If the insurance, or any part thereof, shall expire, or be cancelled, or become void or voidable by reason of breach of any condition thereof, or if Authority determines that such coverage is unsatisfactory by reason of the failure or impairment of the capital of any company in which the insurance may then be carried, or if for any reason whatsoever the insurance shall be unsatisfactory to Authority, Borrower shall cause new insurance coverages to be placed on the Mortgaged Property and Pledged Property, satisfactory to Authority. All renewal policies or certificates of insurance, with premiums paid, shall be delivered to Authority at least thirty (30) days before expiration of the old policies.

In the event of loss, Borrower will give immediate notice thereof to Authority and the City, and Authority and the City may make proof of loss if not made promptly by Borrower; provided, however, that any adjustment of a proof of loss shall require the prior written consent of Authority and the City. Each insurance company issuing fire, casualty and/or hazard insurance policies relating to the Mortgaged Property or Pledged Property is hereby authorized and directed to make payment under such insurance, including return of unearned premiums, directly to Authority, and Borrower appoints Authority, irrevocably, as Borrower's attorney-in-fact to apply for and endorse any draft therefor. Authority shall have the right to retain and apply the proceeds of any such insurance, at its election and in its sole discretion (but with the approval of the City), to reduction of the indebtedness secured hereby or to restoration or repair of the property damaged. Such hazard policies of insurance and all renewals thereof are hereby assigned to Authority as additional security for payment of the indebtedness hereby secured and Borrower hereby agrees that after default hereunder any values available thereunder upon cancellation or termination of any of said policies or renewals, whether in the form of return of premiums or otherwise, shall be payable to Authority as assignee thereof. If Authority becomes the owner of the Mortgaged Property or Pledged Property or any part thereof by foreclosure or otherwise, such policies, including all right, title and interest of Borrower thereunder, shall become the absolute property of Authority.

Section 2.5. Application of Net Proceeds. Any insurance policy required pursuant to Article VIII of the Loan Agreement shall be so written or endorsed as to make losses, if any, payable to Authority, and the Trustee as their interests may appear and in accordance with Section 8.03 of the Loan Agreement. The Net Proceeds (as hereinafter defined) of any insurance proceeds or condemnation award resulting from the (a) destruction or damage (in whole or in part) of the Mortgaged Property or Pledged Property by fire or other casualty or (b) the taking under the exercise of the power of eminent domain by any Person, acting under governmental authority, of title to or any interest in, or the temporary use of, the Mortgaged Property

or Pledged Property or any part thereof, shall be deposited in a separate trust fund to be held by the Trustee pursuant to the Indenture. The Net Proceeds shall be applied in one or more of the following ways, as shall be elected by the Authority in its sole discretion (after notice to the Borrower and with the consent and approval of the City):

(a) For the prompt repair, restoration, modification or improvement of the Mortgaged Property or Pledged Property, as applicable; provided, however, that if the Net Proceeds are insufficient to pay in full the cost of any such repair, restoration, modification or improvement, the Borrower shall nonetheless complete the work and shall pay any cost in excess of the amount of the Net Proceeds;

(b) To prepay without preference or priority all or a part of the outstanding Obligations secured hereunder; or

(c) For any other lawful purpose.

For the purposes of this Section, "Net Proceeds" shall mean the amount remaining after deducting from the gross proceeds of any insurance or condemnation award all expenses (including reasonable attorneys' fees) incurred in the collection of any insurance proceeds or condemnation award.

Section 2.6. Condemnation. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise, the Borrower shall continue to pay the Obligations at the time and in the manner provided for such payment in the Note, the Loan Agreement, this Mortgage or any other instruments evidencing or connected with the Obligations and the payment therefor shall continue to be actually received and applied by the Authority to the discharge of the Obligations. If the Mortgaged Property or Pledged Property is sold, through foreclosure or otherwise, prior to the receipt by the Authority of such award or payment, the Authority shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive such award or payment, or if such award or payment exceeds the amount sufficient to pay the Obligations in full, the portion thereof sufficient to pay the Obligations in full. The Borrower shall file and prosecute its claim or claims for any such award or payment in good faith and with due diligence and cause the same to be collected and paid over to the Authority. The Borrower hereby irrevocably authorizes and empowers the Authority, in the name of the Borrower or otherwise, to collect and receive any such award or payment and to file and prosecute such claim or claims. Although it is hereby expressly agreed that the same shall not be necessary in any event, the Borrower shall, upon demand of the Authority, make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning any such award or payment to the Authority, free and clear of any encumbrances of any kind or nature whatsoever.

Section 2.7. Authority. The Borrower warrants that it has full power, authority and legal right to execute, deliver and perform this Mortgage, and to mortgage, give, grant, pledge, bargain, sell, alien, enforce, convey, confirm and assign the Mortgaged Property and Pledged Property pursuant to the terms hereof and to keep and observe all of the terms of this Mortgage on the Borrower's part to be performed.

Section 2.8. Documentary and Other Stamps. If at any time the United States, the State or any political subdivision thereof, or any department or bureau of any of the foregoing shall require documentary, revenue or other stamps on the Agreement or this Mortgage, Borrower shall be caused to pay for them together with any interest or penalties payable thereon. Borrower will promptly pay or cause to be paid all taxes, assessments or other governmental charges, if any, which may be lawfully be levied or assessed upon its income or profits, or upon any of its property, real, personal or mixed (including the Mortgaged Property and Pledged Property), the value of Borrower's equity therein, or the indebtedness evidenced by the Agreement and secured by this Mortgage, and also any lawful claims for labor, material and supplied which, if unpaid, might become a lien or charge against same.

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Section 2.9. Enforcement. The Borrower hereby authorizes the Authority at the expense of the Borrower and in its name, place and stead or otherwise to exercise any and all of the rights of the Borrower under the terms of this Mortgage. The Authority does not assume and shall not be subject to any obligation or duty undertaken by the Borrower under the terms of this Mortgage.

Any failure or omission to enforce this Mortgage for any period of time shall not impair its force and effect or prejudice the rights of the Authority to enforce it in the future.

Section 2.10. Indemnification. The Borrower hereby agrees to indemnify the Authority, its successors and assigns against and to save it harmless from any and all liability arising from this Mortgage.

Section 2.11. Additional Documents. The Borrower agrees to execute any and all additional documents and/or instruments and take all additional actions which are or may be necessary to effectuate the purpose and intent of this Mortgage.

Section 2.12. Conditional License. So long as the Borrower is not in Default of any covenant, duty or obligations imposed upon it pursuant to the terms of the Loan Agreement, or Note, the Borrower is hereby granted a conditional license to act based upon the authority given to the Borrower pursuant to the various terms and conditions of this Mortgage.

Section 2.13. Compliance With Laws and Regulations. The Borrower shall comply with all laws, ordinances, regulations and orders of all federal, state, municipal and other governmental authorities relating to the Mortgaged Property and Pledged Property.

Section 2.14. Inspection. The Authority, the City and any persons authorized by the Authority and the City shall have the right at any time, upon reasonable notice to Borrower, to enter the Mortgaged Property at a reasonable hour and to inspect and photograph the condition and state of repair of the Mortgaged Property and Pledged Property.

Section 2.15. Declaration of No Set-Off. Within one (1) week after requested to do so by Authority, Borrower shall certify to Authority, in a writing duly acknowledged, the amount of principal, interest and other charges then owing on the Obligations secured by this Mortgage and by prior liens, if any, and whether there are any set-offs or defenses against it or claims against the Authority.

Section 2.16. Required Notices. The Borrower shall notify the Authority and the City promptly of the occurrences of any of the following:

- (a) A fire or other casualty causing damage to the Mortgaged Property or Pledged Property;
- (b) Receipt of notice of eminent domain proceedings or condemnation of all or any part of the Mortgaged Property or Pledged Property;
- (c) Receipt of notice from any governmental authority relating to the structure, use or occupancy of the Mortgaged Property or Pledged Property or any real property adjacent to the Mortgaged Property;
- (d) Receipt of any default or termination notice from any tenant of all or any portion of the Mortgaged Property;

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(e) Substantial change in the occupancy or use of the Mortgaged Property or Pledged Property;

(f) Receipt of any default or acceleration notice from the holder of any lien or security interest in the Mortgaged Property or Pledged Property; or

(g) Commencement of any material litigation affecting the Mortgaged Property or Pledged Property.

Section 2.17. Miscellaneous Covenants.

(a) **No Sale or Transfer.** Without the prior written consent of the Authority and the City, the Borrower will not cause or permit, to the extent it may do so, (i) any transfer of title to or beneficial interest in the Mortgaged Property or Pledged Property or any part thereof or (ii) any transfer of an interest by any person holding any part of the title or beneficial interest in or to the Mortgaged Property or Pledged Property which will cause the ownership or controlling interest in the legal or beneficial owner of the Mortgaged Property or Pledged Property to be different from that in effect on the date hereof. Any consent of the Authority and the City with respect to this paragraph shall pertain to the referenced transfer only and shall not constitute, or obligate the Authority or the City to approve, any further transfer or relieve any person of any liability hereunder or under the Loan Agreement. Any violation of or failure to comply with the provisions of this paragraph shall constitute an immediate Event of Default hereunder, anything herein to the contrary notwithstanding.

(b) **Continuing Use.** The Borrower shall promptly act to obtain any reasonable easement or contract the Authority may deem appropriate to insure the continuing use of all utilities and access to the Mortgaged Property or Pledged Property. The continuing use shall be for whatever reasonable duration the Authority deems necessary in its sole discretion. The Authority shall notify the Borrower of any such easement or contract deemed appropriate.

(c) **Alteration, Additions, Removals.** The Borrower shall keep the Mortgaged Property and Pledged Property protected and in good order, condition and repair at all times and shall not, (a) commit, permit or suffer any waste, damage, disfigurement or injury to or upon the Mortgaged Property or Pledged Property or any portion thereof, (b) demolish, destroy, or remove any buildings, fixtures, structures or improvements now or hereafter erected on or annexed or affixed to the Mortgaged Property, (c) install, or permit to be installed, in or on the Mortgaged Property or Pledged Property any new fixture in replacement of, substitution for or addition to, any fixture in or on the Mortgaged Property or Pledged Property, if such new fixture would be subject to a security interest held by any person other than the Authority, or (d) make any additions, alterations or changes thereto that would constitute structural changes or execute or cause to be executed any document purporting to grant any security interest therein without the prior written consent of the Authority and the City except as may otherwise be allowed under the Loan Agreement.

(d) **Repairs and Maintenance.** Throughout the term of this Mortgage, the Borrower, at its sole cost and expense, will take good care of the Mortgaged Property and Pledged Property and the sidewalk and curbs if any, adjoining the Mortgaged Property and will keep the same in good order and condition and in a rentable and tenable state of repair, and will make or cause to be made, as and when necessary, all repairs, renewals and improvements thereto, interior and exterior, structural and nonstructural, ordinary and extraordinary, and unforeseen and foreseen. All repairs made by the Borrower shall be equal or better in quality and class to the original work. The necessity for and adequacy of repairs to the building and improvements pursuant to this Mortgage shall be measured by the standard which is appropriate for structures of similar construction and class, provided that the Borrower shall in any event make all repairs necessary to avoid any structural damage or injury to the buildings and improvements and to keep the

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buildings and improvements in proper condition for their intended use. The Borrower shall abstain from and shall not permit the commission of waste in or about the Mortgaged Property or Pledged Property and shall not remove or demolish any portion of the Mortgaged Property, or alter the structural character of any building erected at any time on the Mortgaged Property which would impair the mortgage collateral, without the prior written consent of the Authority, and shall not permit the Mortgaged Property or Pledged Property to become deserted or abandoned. Possession of the Mortgaged Property and Pledged Property is in the Borrower as of the date hereof and the Borrower has agreed to carry out the obligations hereunder.

(e) **Inspection and Repairs by the Authority.** The Borrower will permit the Authority, the City, the Authority's representatives and the City's representatives to enter the Mortgaged Property at reasonable times to inspect same. In case of any breach or default under this Section 2.17, the Authority may, at its option, upon reasonable prior notice, enter the Mortgaged Property to protect, restore or repair any part thereof, but the Authority shall be under no obligation to do so. The Borrower will repay to the Authority on demand any sums paid by the Authority to protect, with interest thereon as set forth in the Loan Agreement, and until so paid, the same shall be secured by this Mortgage.

(f) **Utilities.** The Borrower shall maintain and make available at all times adequate sewer, water, electric, fuel and other utilities for the Mortgaged Property. The Borrower shall cooperate with such utility companies to the extent reasonably required to comply with this covenant.

(g) **No Liens or Encumbrances.** Without the prior written consent of the Authority and the City, the Borrower shall not create or cause or permit to exist any lien or security interest on any of its assets including, without limitation, the Mortgaged Property, Pledged Property, any furniture, fixtures, appliances, equipment or other items of personal property which are intended to be or become part of the Mortgaged Property, except the lien created hereby, the Permitted Encumbrances, and any other liens granted to or hereafter approved by the Authority and the City in writing.

No lien or encumbrance of any type, whether voluntary or involuntary, shall be permitted to be filed or entered against the Mortgaged Property or Pledged Property without the prior written consent of the Authority and the City. If any such lien or encumbrance is filed or entered, the Borrower shall have it removed of record within thirty (30) days after it is filed or entered by either paying it, or initiating appropriate action or proceedings within said thirty (30) day period to remove the lien of record and diligently processing such action or proceeding to conclusion. In the event the Borrower shall be unsuccessful in having such lien discharged of record it shall immediately pay the full amount of said lien.

The Borrower shall have no right to permit the holder of any subordinate mortgage or other subordinate lien, whether or not consented to by the Authority, to terminate any lease of all or a portion of the Mortgaged Property whether or not such lease is subordinate (whether by law or the terms of such lease or other agreement) to the lien of this Mortgage without first obtaining the prior written consent of the Authority and the City. The holder of the subordinate mortgage or other subordinate lien shall have no such right, whether by foreclosure of its mortgage or lien or otherwise, to terminate any such lease, whether or not permitted to be so by the Borrower or as a matter of law, and any such attempt to terminate any such lease shall be ineffective and void without first obtaining the prior written consent of the Authority. The Borrower shall not create, incur, assume or suffer to exist any lien or encumbrance or agree to become liable to do so on any of its assets including, without limitation, the Refunding Project, the Mortgaged Property or Pledged Property, or any portion thereof, whether now or hereafter owned or acquired, except Permitted Liens (as defined in the Indenture).

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(h) Additional Covenants and Agreements. All additional covenants and agreements contained in the Loan Agreement are hereby incorporated herein by reference and made a part hereof as if more fully set forth herein.

ARTICLE III.

SPECIAL AGREEMENTS

Section 3.1. Advances by Authority. If the Borrower fails to maintain the full insurance coverage required by this Mortgage, or the Loan Agreement, or fails to keep the Mortgaged Property or Pledged Property in a safe condition or fails to keep or cause to be kept the Mortgaged Property, Pledged Property and all equipment and fixtures thereon in good repair and good operating condition, the Authority may (but shall be under no obligation to) take out the required policies and pay the premiums on the same or make the required repair, renewals and replacements; and all amounts so advanced or paid therefor by the Authority will become a part of the Obligations secured by this Mortgage and will immediately, upon demand, become due and payable by the Borrower and will bear interest as set forth in the Loan Agreement.

Section 3.2. Further Assurances. At any time, and from time to time, upon request by the Authority, or Assignee, the Borrower shall, and shall authorize the Authority to, make, prepare and deliver or cause to be made, prepared and delivered, to the Authority and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or filed at such time and in such offices and places as shall be reasonably deemed desirable by the Authority, any and all such other and further security agreements, Financing Statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the reasonable opinion of the Authority, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (a) the obligations of the Borrower under the Note, the Loan Agreement and this Mortgage, and (b) the lien of this Mortgage as a first and prior lien upon, and Security Interest in and to, all of the Mortgaged Property and Pledged Property. Upon any failure by the Borrower so to do, the Authority may make, record, file, re-record and/or refile any and all such security agreements, Financing Statements, continuation statements, instruments, certificates, and documents for and in the name of the Borrower and the Borrower hereby irrevocably appoints the Authority as its agent and attorney-in-fact of the Authority so to do. The lien hereof shall automatically attach, without further act, to all after-acquired property deemed to be a part of the Mortgaged Property and Pledged Property.

Section 3.3. Expenses. The Borrower shall pay or reimburse the Authority upon demand, for all reasonable counsel fees, reasonable out-of-pocket costs and expenses incurred by the Authority in any suit, action, legal proceeding or dispute of any kind in which the Authority is made a party or to appear as party plaintiffs or defendants, affecting the Obligations, this Mortgage or the interests created or assigned herein, or the Refunding Project, including without limitation, the exercise of the power of sale contained in this Mortgage, any condemnation action involving the Mortgaged Property or Pledged Property or any action to protect the security hereof; and any such amounts paid by the Authority shall become a part of the Obligations secured by this Mortgage and will immediately, upon demand, become due and payable by the Borrower and will bear interest as set forth in the Loan Agreement.

Section 3.4. Estoppel Affidavits. The Borrower, upon ten (10) days prior written notice, shall furnish the Authority with a written statement, duly acknowledged, setting forth the unpaid amount of, and any interest due on, the Obligations, and whether or not any offsets or defenses exist against the Obligations. The Authority shall, upon ten (10) days prior written notice furnish the Borrower with a written statement, duly acknowledged, setting forth the amount of any Obligations owed to it and other amounts owing to it and secured by this Mortgage.

Section 3.5. Subrogation. The Authority shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid with the proceeds of the Obligations or are otherwise discharged or paid by the Authority.

Section 3.6. Filing of Mortgage, Etc. The Borrower forthwith upon the execution and delivery of this Mortgage and thereafter, from time to time, shall cause this Mortgage, and any security instrument creating a lien or evidencing the lien hereof upon the Mortgaged Property and Pledged Property and each instrument of further assurance to be filed, registered or recorded in such a manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect, preserve and perfect the lien hereof upon and the interest of the Authority in the Mortgaged Property and Pledged Property. The Borrower shall pay all filing, registration and recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Mortgage, any mortgage supplemental hereto, any security instrument with respect to the Mortgaged Property and Pledged Property, and any instrument of further assurance, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage, any mortgage supplemental hereto, any security instrument with respect to the Mortgaged Property or Pledged Property or any instrument of further assurance.

Section 3.7. Compliance with Act and Other Laws. Throughout the term of this Mortgage, the Borrower, at its sole cost and expense, shall promptly comply with the Act and all other present and future laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, courts, departments, commissions, boards and officers, any national or local Board of Fire Underwriters, or any other body exercising functions similar to those of any of the foregoing, which may be applicable to the Mortgaged Property or Pledged Property, the maintenance and use thereof and the sidewalks and curbs adjoining the Mortgaged Property, whether or not such law, ordinance, order, rule, regulation or requirements shall necessitate structural changes or improvements, or the removal of any encroachments or projections, ornamental, structural or otherwise, onto or over property contiguous or adjacent thereto. The Borrower will comply with all the orders and notices of violation thereof issued by any governmental authority. The Borrower will pay all license fees and similar municipal charges for the use and/or occupancy of the Mortgaged Property and Pledged Property and the other areas now or hereafter comprising part thereof or used in connection therewith and will not, unless so required by any governmental agency having jurisdiction, discontinue use of the Mortgaged Property or Pledged Property without prior written consent of the Authority. If the Borrower shall fail to perform any covenant herein, the Authority may (but shall be under no obligation to) perform such covenant for the account of the Borrower and any sums paid by the Authority in such event shall be repaid by the Borrower to the Authority, and until so paid, the same shall be added to the principal sum secured by this Mortgage.

Section 3.8. Security Interest; Financing Statements. This Mortgage constitutes a security agreement within the meaning of the State Uniform Commercial Code and creates a security interest in all that property (and the proceeds thereof) included in the Pledged Property which might otherwise be deemed "personal property". Concurrently with the execution and delivery hereof and thereafter from time to time, as reasonably requested by the Authority, not less often than once every four and one-half (4 1/2) years, the Borrower shall obtain an opinion of counsel and furnish a signed copy thereof to the Authority, setting forth what, if any, actions by the Borrower or the Authority should be taken to perfect and preserve the lien of security interests granted by this Mortgage. The Borrower shall perform or cause to be performed any such acts, and execute and cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Authority for such protection of the interests of the Authority, and shall furnish satisfactory evidence to the Authority of recording, registering, filing and refiling of such instruments and of every additional instrument in such place or places that, in the opinion of said counsel, shall be necessary to preserve such security until the principal of and interest on the Note shall have been paid in accordance with the Loan Agreement. Without limiting the generality of the foregoing, the Borrower will, if required, join with the Authority in preparing and filing such Financing Statements and other documents under the State UCC, as amended, and other applicable law and will pay the costs of filing the same in such public offices as required by such laws and as the Authority shall designate, and shall prepare continuation statements under the State

UCC, as amended, and shall file the same with the Treasurer of the State, and the recording officer of Salem County within six (6) months prior to the fifth (5th) anniversary of the execution and delivery hereof and within six (6) months prior to the end of each five (5) year period thereafter, or at such other place and time as may be required by applicable law, in order to preserve the security interest granted under this Mortgage. Notwithstanding any contained herein to the contrary, the Borrower hereby authorizes the Authority to prepare and file such Financing Statements and other documents in form and substance satisfactory to the Authority and to take such other actions as the Authority may require from time to time in order to create, perfect and continue the security interests provided for above under the State UCC or other laws of the State or under any other state or federal law. Said authority shall not, however, constitute a waiver by the Authority of its right to require the Borrower to comply with its obligations under the terms of this provision.

Section 3.9. Environmental Representations and Covenants.

(a) **Definitions.** As used in this Section 3.9, the following terms shall have the following meanings:

(i) **Clean-Up:** Removal, abatement and/or remediation of, or other response to, Environmental Conditions as required or directed by applicable Governmental Authorities with jurisdiction therefor, or as required by and in compliance with Environmental Laws.

(ii) **Environmental Conditions:** Any environmental contamination or pollution or threatened contamination or pollution of, or the Release or threatened Release of Hazardous Substances into, surface soils, subsurface soils, sewage systems, surface water, groundwater, land or air.

(iii) **Environmental Documents:** (a) Any and all documents received or submitted by the Borrower from the United States Environmental Protection Agency, the State Department of Environmental Protection and/or any other State, county or municipal environmental or health agency concerning environmental matters relating to the Mortgaged Property or the Borrower's operations upon the Mortgaged Property; and (b) any and all non-privileged reviews, audits, reports, or other analyses concerning Environmental Conditions including, but not limited to, the presence or absence of Hazardous Substances on, at, under, emanating from, relating to or surrounding the Mortgaged Property that have been prepared by or on behalf of the Borrower or are otherwise in the Borrower's possession, custody or control.

(iv) **Environmental Laws:** Any and all federal, State and local laws, statutes, codes, ordinances, regulations or rules (including, but not limited to, consent decrees and judicial or administrative orders or decrees or other legal requirements of any kind issued in connection with the Mortgaged Property), relating to pollution or contamination of the environment, presently in effect or hereafter amended, modified or adopted from time to time during the Mortgage term including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or the "Federal Superfund Act"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA") (42 U.S.C. §9601-9675); the Resource Conservation and Recovery Act of 1976, as amended ("RCRA") (42 U.S.C. §6901, *et seq.*); the Clean Water Act, as amended (33 U.S.C. §1251, *et seq.*); the Clean Air Act, as amended (42 U.S.C. §7401, *et seq.*); the Federal Insecticide, Fungicide and Rodenticide Act, as amended ("FIFRA") (7 U.S.C. §136, *et seq.*); the Hazardous Materials Transportation Act, as amended (49 U.S.C. §1801, *et seq.*); the Toxic Substances Control Act (15 U.S.C. §2601, *et seq.*); the New Jersey Spill Compensation and Control Act, as amended ("Spill Act") (N.J.S. 58:10-23.11, *et seq.*); the Industrial Site Recovery Act, as amended ("ISRA") (N.J.S. 13:1K-6, *et seq.*); the New Jersey Solid Waste Management Act, as amended (N.J.S. 13:1E-1, *et seq.*); N.J.S. 58:10A-21, *et seq.*, as amended ("New Jersey Tank Registration Act"); the New Jersey Water Pollution Control Act, as amended

(N.J.S. 58:10A-1, et seq.); the New Jersey Air Pollution Control Act (N.J.S. 26:2C-1 et seq.); the Safe Drinking Water Act (33 U.S.C. §1251, et seq.); the New Jersey Worker and Community Right to Know Act (N.J.S. 34:5A-1, et seq.); the New Jersey Toxic Catastrophe Prevention Act (N.J.S. 13:19, et seq.); and the Lender Liability Act of 1996 and the rules and regulations promulgated thereunder.

(v) Hazardous Substances: Any dangerous, toxic or hazardous pollutant, contaminant, chemical, waste, material or substance as listed, defined in or regulated under any Environmental Law and also including, but not limited to, urea-formaldehyde, polychlorinated biphenyls, asbestos or asbestos-containing materials, nuclear or radioactive fuel or waste, explosives, known carcinogens, petroleum and petroleum products.

(vi) Regulatory Actions: Any claim, demand, action or proceeding brought or instigated by any Governmental Authority in connection with or under the authority of any Environmental Law including, without limitation, civil, criminal and/or administrative proceedings, and whether or not directing or requiring any action or compelling compliance with Environmental Laws or seeking costs, damages, penalties, expenses or injunctive relief.

(vii) Release: The spilling, leaking, disposing, discharging, emitting, depositing, injecting, leaching, escaping, or threatened Release, however defined, and whether intentional or unintentional, of any Hazardous Substance.

(viii) Third-Party Claims: Claims of third parties (other than Regulatory Actions) alleging damages arising from personal injury, property damage or damage to natural resources arising from or related in any way to Environmental Conditions on, at, under, emanating from, relating to or surrounding the Mortgaged Property.

(b) Representations and Warranties. The Borrower represents and warrants, as of the date hereof that:

(i) No part of the Mortgaged Property was ever used, to the best of its knowledge, nor is it being used now, as a landfill, dump or other disposal, storage, or treatment area for Hazardous Substances or as a gasoline service station or a facility with its primary operations involving the selling, dispensing, storing, transferring or handling of petroleum and/or petroleum products; and

(ii) There are not now nor, to the best of its knowledge, has there ever been located on the Mortgaged Property or in the buildings at the Mortgaged Property any (i) underground storage tanks, above-ground storage tanks or any other vessels used or intended for the treatment, storage or disposal of Hazardous Substances; or (ii) urea-formaldehyde materials, asbestos, asbestos-containing materials, polychlorinated biphenyls ("PCBs") or nuclear fuels or wastes; and

(iii) There has not been nor, to the best of its knowledge, is there now occurring any Release of any Hazardous Substance on, at, under, emanating from, relating to or surrounding the Mortgaged Property, except in compliance with all applicable Environmental Laws; and

(iv) The Borrower's use, if any, and/or disposal, if any, of Hazardous Substances on the Mortgaged Property and/or disposal elsewhere, if any, of Hazardous Substances generated on or from the Mortgaged Property has been in material compliance with all applicable Environmental Laws; and

(v) The Mortgaged Property and the use and operation thereof are currently, and at all times during the Borrower's occupancy, operation or control of the Mortgaged Property have been, in material compliance with all applicable Environmental Laws; and

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presence of any Hazardous Substance which has come to be located on, at, under, relating to or surrounding the Mortgaged Property from another location; (ii) any injury to human health or safety or the environment by reason of the Environmental Condition of, or activities on or under the Mortgaged Property; or (iii) any violation, or alleged violation, of any applicable Environmental Law.

(iv) After the date of execution of this Mortgage, the Borrower shall, upon request, make available to the Authority and the City, so long as the Loan is outstanding and the Authority has any interest in the Mortgaged Property, complete copies of any and all Environmental Documents.

(v) The Borrower will keep the Mortgaged Property free of any lien imposed pursuant to any Environmental Law. In the event that there shall be filed a lien against the Mortgaged Property by the State Department of Environmental Protection, pursuant to and in accordance with the provisions of the Spill Act (specifically, N.J.S.A. 58:10-23.11(f)), as a result of the Administrator of the State Spill Compensation Fund having expended monies from said fund pursuant to N.J.S.A. 58:10-23.11g, or to pay for "Cleanup and Removal Costs", as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Borrower, resulting in the releasing, spilling, pumping, pouring, emitting, emptying or dumping of "Hazardous Substances", as such term is defined in N.J.S.A. 58:10-23.11b(k), into waters of the State or onto lands from which it might flow or drain into said waters, then the Borrower shall, within sixty (60) days from the date that the Borrower is given notice that the lien has been placed against the Mortgaged Property (or within such shorter period of time in the event that the State has commenced steps to cause the Mortgaged Property to be sold pursuant to the lien), either (a) pay the claim and remove the lien from the Mortgaged Property, or (b) furnish to the Authority either (1) a bond satisfactory to the Authority in the amount of the claim out of which the lien arises, (2) a cash deposit in the amount of the claim out of which the lien arises, or (3) other security reasonably satisfactory to the Authority in an amount sufficient to discharge the claim out of which the lien arises.

(vi) In the event the Authority at any time (even after the occurrence of or during the continuance of any Event of Default under the Loan Agreement or any of the other Loan Documents or this Mortgage) has actual knowledge of any material violation of any Environmental Laws at the Mortgaged Property or the presence or threatened presence of any Environmental Conditions at, on, under, emanating from or relating to the Mortgaged Property, the Borrower shall, upon the written request of the Authority, have an environmental review or audit and report of the Mortgaged Property prepared or caused to be prepared for the Authority. The duty of the Borrower to provide or cause to be provided an environmental review or audit and report shall continue after the occurrence of and during the continuance of any Event of Default under the terms of this Mortgage, the Loan Agreement or the Loan Documents.

(vii) After the occurrence of an Event of Default, the Authority may itself, or by its employees, agents, contractors or representatives, enter upon the Mortgaged Property for the purposes of conducting such soil and chemical tests or other investigations, examinations or analyses (hereafter referred to as "Investigation") as each of the Authority may reasonably desire. The Authority shall provide the Borrower with reasonable notice before entering the Mortgaged Property to conduct any such Investigation, and the Borrower shall cooperate fully in such Investigation.

(viii) The Authority and its employees, agents, contractors, consultants and/or representatives shall conduct any such Investigation in a manner which does not unreasonably interfere with the Borrower's use of and operations on the Mortgaged Property; provided, however, that reasonable temporary interference with such use and operations is permissible if the Investigation cannot otherwise be reasonably and inexpensively conducted. In the event that this Mortgage is foreclosed, the Borrower shall deliver the Mortgaged Property to the Authority free of all Hazardous Substances which the

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(vi) No Third-Party Claims and/or Regulatory Actions have been asserted or assessed against the Borrower and/or the Mortgaged Property, and no Third-Party Claims and/or Regulatory Actions are pending or, to the best of the Borrower's knowledge, threatened against the Borrower and/or the Mortgaged Property; and

(vii) The Mortgaged Property is not listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or any other similar list maintained by any federal, State or local Governmental Authority with respect to sites from which there is or has been a Release of any Hazardous Substance. The Borrower has not transported or arranged for the transportation of any Hazardous Substances generated from the Mortgaged Property to any location; and

(viii) The Borrower has not received and is not in possession of any Environmental Documents which have not been made available to the Authority; and

(ix) None of the real property owned and/or occupied by the Borrower including, but not limited to, the Mortgaged Property, has been, to the best of its knowledge, or is now being used as a "Major Facility" as such term is defined in N.J.S.A. 58:10-23.11b(l). The Borrower will not use the Mortgaged Property nor will it permit the Mortgaged Property to be used in the future as a "Major Facility"; and

(x) There are no liens against the Mortgaged Property arising under any Environmental Law or based upon a Regulatory Action and/or Third-Party Claim; and further, no lien has been attached to any revenues or any real or personal property owned by the Borrower including, but not limited to, the Mortgaged Property, as a result of the Administrator of the State Spill Compensation Fund expending monies from said fund pursuant to N.J.S.A. 58:10-23.11g, and/or to pay for "Cleanup and Removal Costs" as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Borrower or, to the best of its knowledge, any previous owner and/or operator of the Mortgaged Property; and

(xi) ISRA does not apply to the Borrower's ownership or Borrower's use and/or occupancy of the Mortgaged Property.

(c) Covenants.

(i) The Borrower will not permit or conduct on the Mortgaged Property the generation, treatment, manufacture, use, storage or disposal of any Hazardous Substance, except in compliance with all applicable Environmental Laws. In addition, the Borrower will not permit the Mortgaged Property to be used for any of the purposes set forth in Section 3.9(b) hereof.

(ii) The Borrower will promptly notify the Authority and the City, in writing, of any material existing, pending or threatened (i) investigation, inquiry, claim or action by any Governmental Authority in connection with any Environmental Laws, (ii) Third-Party Claims, (iii) Regulatory Actions, and/or (iv) Environmental Conditions at, on, under, emanating from, relating to or surrounding the Mortgaged Property of which it has knowledge.

(iii) In the event that any investigation and/or Clean-Up of any Environmental Conditions on, at, under, emanating from, relating to or surrounding the Mortgaged Property is required to be undertaken by the Borrower by any Governmental Authority or under any applicable Environmental Laws as a result of or relating to any of the following, then the Borrower shall complete or cause to be completed, at its own expense, such investigation and/or Clean-up: (i) any Release of any Hazardous Substance on, at, under, emanating from, relating to or surrounding the Mortgaged Property or the

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Borrower is legally responsible to report, investigate, Clean-Up or take any other remedial action pursuant to and in compliance with all Environmental Laws.

(ix) The Borrower shall use its best efforts to assure or cause to be assured material compliance with all Environmental Laws by all lessees, sublessees, tenants, subtenants, occupants, licensees and users of the Mortgaged Property.

(d) Indemnities.

(i) The Borrower agrees to, and does hereby, indemnify, defend (with counsel reasonably acceptable to the Authority) and hold harmless the Authority, its directors, officers, employees, agents, successors and assigns (all being included in the word "Authority" for the purposes of this Section 3.9(d)(i)) from and against any and all claims, causes of action, damages, demands, fines, liabilities, losses, penalties, settlements, expenses and/or costs, however defined and of whatever kind or nature, known or unknown (including, but not limited to, reasonable attorneys', consultants' and engineering fees and disbursements and sampling, monitoring or remediation costs) ("Losses"), which may be asserted against, imposed upon, suffered or incurred by the Authority, arising out of or in any way related to or due to (a) the Release of any Hazardous Substances at the Mortgaged Property or any Environmental Conditions on, at, under, emanating from, relating to or surrounding the Mortgaged Property, (b) any injury to human health, safety or the environment (including wrongful death, personal injury, property damage or damage to natural resources) by reason of Environmental Conditions, or activities past or present, on, at, under, emanating from or relating to the Mortgaged Property; (c) any violation, or alleged violation, of any Environmental Law; (d) any material misrepresentation by the Borrower which relates to Environmental Conditions in this Mortgage, the Loan Agreement, or in any other Loan Documents or materials furnished by the Borrower to the Authority and/or their representatives in connection with the issuance of the Bonds and purchase thereof by the Purchaser; (e) any breach of, or other failure to comply with, or any default after expiration of applicable grace and cure periods under, any provision of this Mortgage which relates to Environmental Conditions; (f) any Regulatory Action or Third-Party Claim arising from or relating to any Release or any Environmental Conditions on, at, under, emanating from or relating to the Mortgaged Property, except to the extent such Regulatory Action or Third-Party Claim arises from or relates to the grossly negligent acts or omissions of the Authority or its successors or assigns including any transferee of the title of the Authority or any subsequent purchaser at a foreclosure; or (g) any lien imposed upon the Mortgaged Property in favor of any Governmental Authority as a result of the presence, disposal or Release of Hazardous Substances or any other Environmental Conditions on, at, under or affecting the Mortgaged Property. The duty of the Borrower to indemnify, defend, and hold harmless the Authority includes, but is not limited to, proceedings or actions commenced by any person (including, but not limited to, any Governmental Authority or entity) before any court or administrative agency. The Authority also shall have the right to join and participate in, if it so elects, any legal proceedings or actions initiated in connection with any Losses and to have its reasonable attorneys' fees and expenses in connection therewith paid by the Borrower.

(ii) If the Borrower fails to initiate or cause to be initiated and diligently pursue or cause to be diligently pursued to completion any Clean-Up required of the Borrower by any Governmental Authority or under any applicable Environmental Laws and such failure continues for thirty (30) days after either or both of the Authority provide the Borrower written notice thereof (provided, however, that if such Clean-Up requires work to be done, actions to be taken or conditions to be remedied which by their nature cannot be fully done, taken or remedied, as the case may be, within such thirty (30) day period, then no such failure shall be deemed to have occurred with respect to any such work, actions or remediation so long as the Borrower commences or causes to be commenced performance of any such work, actions or remediation within such thirty (30) day period and thereafter

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diligently and continuously prosecutes or causes to be prosecuted same to completion), the Authority may, in its sole discretion, (a) upon prior written notice to the Borrower, cause the Clean-Up of any Hazardous Substance or other Environmental Conditions on, at, under, emanating from, relating to or surrounding the Mortgaged Property; (b) pay, on behalf of the Borrower, any losses imposed on the Borrower as a result of any Regulatory Actions; (c) make any other payment or perform any other reasonable act which will prevent a lien in favor of any Governmental Authority from attaching to the Mortgaged Property; or (d) pay, on behalf of the Borrower, any losses imposed on the Borrower as a result of any Third-Party Claims or any one or more of the foregoing. The costs of such Clean-Up and/or exercise of the remedies hereinabove set forth by the Authority shall be added to the indebtedness under the Loan Agreement (whether or not any court or Governmental Authority has ordered the Clean-Up), and said costs shall become due and payable, with interest thereon, at the default rate specified in the Loan Agreement. After the occurrence of an Event of Default hereunder, the Borrower shall give the Authority and their employees, agents, contractors and representatives, access to the Mortgaged Property to conduct any Clean-Up that either or both of the Authority, in its sole discretion, deem appropriate; however, the Authority has no affirmative obligation to conduct any such Clean-Up, and this Mortgage and the Loan Agreement shall not be construed as creating any such obligation or any liability on the part of the Authority.

(iii) Any partial exercise by the Authority of the remedies set forth herein, or any partial undertaking on the part of the Authority to cure the failure of the Borrower to comply with any Environmental Laws, shall not obligate the Authority to complete the actions taken or require the Authority to expend further sums to cure such noncompliance; nor shall the exercise of any such remedies operate to place upon the Authority any responsibility for the operation, control, care, management or repair of the Mortgaged Property or make the Authority, or be construed to deem the Authority to be, an "owner" or "operator" of the Mortgaged Property within the meaning of or under any Environmental Laws. The Authority, by making any such payment or incurring any such costs, shall be subrogated to any rights of the Borrower to seek reimbursement from any third parties including, without limitation, a predecessor-in-interest to the Borrower's title to the Mortgaged Property, who may be a "responsible party" or otherwise liable for any or all of such payments or costs under any Environmental Laws, common law, equity or contract.

(e) General.

(i) The representations, warranties, covenants and indemnities contained in this Section 3.9 shall continue after and survive the execution and delivery of this Mortgage, the discharge of the Note, the discharge of this Mortgage, the payment in full of the Obligations and any foreclosure of this Mortgage and any acquisition of title to the Mortgaged Property by the Authority and they shall be deemed continuing representations, warranties and indemnities for the benefit of the Authority and any successors and assigns of the Authority, including any transferee of the title of the Authority or any subsequent purchaser at a foreclosure sale, and any subsequent owner of the Mortgaged Property claiming through or under the title of the Authority.

(ii) The representations and warranties of the Borrower in this Section 3.9 are based on its investigations of the Mortgaged Property, and the Authority is entitled to rely thereon notwithstanding any independent investigations by the Authority or its employees, agents, contractors or representatives.

(iii) The Borrower and its successors and assigns hereby forfeit and forever waive, release and agree not to make any claim or bring any cost recovery action against the Authority arising out of any of the matters described herein under CERCLA, or any equivalent State or local law, or any other Environmental Laws, except to the extent such claim or action arises or results from the acts or

omissions of the Authority or its successors or assigns after any foreclosure pursuant to the terms hereof. It is expressly understood and agreed that, to the extent that the Authority is strictly liable under any such law, statute, code, ordinance, regulation, rule or other requirement, the indemnification obligation of the Borrower to the Authority under this Section 3.9 shall likewise be without regard to fault on the part of the Borrower with respect to any violation or condition which results in any liability to the Authority, except if such liability is the result of the gross negligence of the Authority.

The Authority's rights and remedies against the Borrower under this Section 3.9 shall be in addition to and not in lieu of all other rights and remedies of the Authority under this Mortgage, the Loan Agreement and the Loan Documents, at law or in equity.

ARTICLE IV.

DEFAULTS AND REMEDIES

Section 4.1. Events of Default. The terms "Default", "Event of Default" or "Events of Default", wherever used in this Mortgage, shall mean any one or more of the following events:

(a) failure by the Borrower to make any payment or payments required under the Loan Agreement, the Note and/or this Mortgage;

(b) failure of the Borrower to duly perform or observe any obligation, covenant or agreement on its part contained herein not otherwise specifically constituting an Event of Default under this Mortgage and such failure continues unremedied for a period of ten (10) days (which ten (10) day period may be extended to twenty (20) days in the event a remedy cannot reasonably be accomplished within the ten (10) day period, provided that the Borrower commences to accomplish such remedy within such ten (10) day period and diligently pursues such remedy) after the earlier of (i) notice to the Borrower of the existence of such failure, (ii) any officer of the Borrower knows or should have known of the existence of such failure, provided that in the event such failure is incapable of remedy or was willfully caused or permitted by the Borrower, the Borrower shall not be entitled to any notice or grace hereunder. The Borrower expressly acknowledges and agrees that all notice and grace periods in the Loan Documents shall run concurrently with each other;

(c) the occurrence of an event of default or Event of Default (as defined in the Loan Agreement or the Indenture) or an event of default under any other document securing the Loan Agreement or the Indenture or failure to comply with the terms and conditions thereof or of any other document delivered to the Authority in connection with the Loan Agreement or Indenture by the Borrower and/or any other person liable, directly or indirectly, for the payment of the Loan Agreement;

(d) any representation or warranty of the Borrower herein proves to have been false or misleading in any material respect when made; or the Borrower or any other person is in Default under any mortgage or deed of trust covering any part of the Mortgaged Property or Pledged Property whether superior or inferior in lien to this Mortgage, and including without limitation, any such mortgage or deed of trust now or hereafter held by the Authority;

(e) Any assignment for the benefit of creditors made by the Borrower (in general or with respect to the Mortgaged Property or Pledged Property).

(f) Appointment of a receiver, liquidator or trustee for the Borrower (in general or with respect to the Mortgaged Property or Pledged Property) or of any of the Mortgaged Property or Pledged Property; the filing by or against the Borrower (in general or with respect to the Mortgaged Property or Pledged Property) of any petition for bankruptcy pursuant to the Federal Bankruptcy Sale or any similar federal or state statute (and, in the case of any such petition filed against the Borrower, such petition is not dismissed within forty-five (45) days); or the institution of any proceedings for the dissolution or liquidation of the Borrower.

(g) The occurrence of any of the events set forth in subsections (d) or (e) of this paragraph with respect to the City, or a default by the City under any of the terms of the City Guaranty.

Section 4.2. Remedies.

(a) Upon the occurrence of any Event of Default, the entire unpaid principal balance due under the Note and the Loan Agreement and all accrued interest due under the Note and the Loan Agreement and all other sums secured by this Mortgage shall become immediately due and payable, at the option of the Authority (subject to the approval by the City, as hereinafter provided), without notice or demand, and the Authority may at its option do one or more of the following provided that, if the City has not failed to make a required payment under the City Guaranty, no remedy available to the Authority shall be exercised without the prior written consent of the City:

(i) **Foreclosure.** The Authority may institute an action of foreclosure against the Mortgaged Property or Pledged Property, or take such other action at law or in equity for the enforcement of this Mortgage and realization on the mortgage security or any other security herein or elsewhere provided for, as the law may allow, and may proceed therein to final judgment and execution for the entire unpaid principal balance of the Note and the Loan Agreement, with interest at the rates set forth in the Loan Agreement, together with all other sums due to the Authority in accordance with the provisions of the Loan Agreement and this Mortgage, including all sums which may have been loaned by the Authority to the Borrower after the date of this Mortgage, and all sums which may have been advanced by the Authority for insurance, taxes, water or sewer rents, charges or claims, payments on prior liens or repairs to the Mortgaged Property, all costs of suit, together with interest at the maximum legal rate then pertaining on any judgment obtained by the Authority from and after the date of said judgment until actual payment is made of the full amount due to the Authority, and a reasonable attorneys' fee for collection together with reimbursement for all out of pocket expenses.

(ii) **Possession and Assignment of Rents.** The Authority may enter into possession of the Mortgaged Property, with or without legal action, collect from tenants all rentals then due or to become due (which rentals shall also include sums payable for use and occupation) and, after deducting all costs of collection and administration expenses, apply the net rentals to any or all of the following in such order and amounts as the Authority, in the Authority's sole discretion, may elect: to the payment of any sums due for insurance premiums, taxes, water and sewer rents, charges and claims and all other carrying charges, and to the maintenance, repair or restoration of the Mortgaged Property, and on account and in reduction of the principal, interest or any other sums hereby secured. In and for that purpose, the Borrower hereby assigns to the Authority all rentals due and to become due under any lease or leases or rights to use and occupation of the Mortgaged Property presently or hereafter created, as well as all rights and remedies provided in such lease or leases or at law or in equity for the collection of the rentals. The Authority shall have the right for the same default or any subsequent default to bring one or more actions to recover possession of the Mortgaged Property. The Authority may bring such action before or after a sheriff's sale or judicial sale or other foreclosure sale of the Mortgaged Property in which the Authority is the successful bidder.

The Authority may seek possession of the Mortgaged Property before or after (i) the institution of foreclosure proceedings under this Mortgage; (ii) the entry of judgment thereunder or under the Loan Agreement or (iii) a sheriff's sale of any part of the Mortgaged Property in which the Authority is the successful bidder, it being the understanding of the parties that the authorization to pursue such proceedings for obtaining possession is an essential part of the remedies for enforcement of this Mortgage and the Loan Agreement and shall survive any execution sale to the Authority. If, for any reason after such action has been commenced, it shall be discontinued, or possession of the Mortgaged Property shall remain in or be restored to the Borrower, the Authority shall have the right for the same default or any subsequent default to bring one or more further actions as above provided to recover possession of the Mortgaged Property.

(iii) **Receiver.** The Authority may apply for, and as a matter of right, without consideration for the value of the Mortgaged Property or for the solvency of any person, firm, or corporation obligated for the payment of the amount due shall be entitled to the appointment by any competent court or tribunal, without prior demand or notice to any party, of a receiver of rents and profits and rental value of the Mortgaged Property, with power to take possession of the Mortgaged Property, including possession from the Borrower if in possession and occupying any portion of the Mortgaged Property, and in the latter case to require the Borrower, as a condition of remaining in possession and occupation to pay the reasonable rental value for the use and occupation thereof with further power to lease and repair the Mortgaged Property and to operate same or renovate same if the Authority reasonably deems renovation necessary and with such other powers as may be deemed necessary and permitted under the law, including the right to collect and apply the rents, issues, profits and revenues thereof. Such receiver, after deducting all proper charges and expenses shall each month pay over to the Authority the residue of said rents and profits and rental value to be applied by the Authority to the payment of the amount remaining secured hereby or to any deficiency (whether or not any judgment therefor may be entered and irrespective of the market value of the Mortgaged Property) which may exist in the event of foreclosure by sale after applying the proceeds of the sale of the Mortgaged Property or the payment of the amount due, including interest, costs and expenses of such foreclosure and sale, or in the event of strict foreclosure to the payment of any deficiency existing thereunder. A receiver while in possession of the Mortgaged Property shall have the right to make repairs and to make improvements necessary or advisable in its reasonable opinion to preserve the Mortgaged Property or make and keep it rentable to the best advantage and the Authority may advance moneys to a receiver for such purpose. Any moneys so expended or advanced by the Authority or by a receiver shall be repaid so far as possible out of the rents collected after payment of other expenses properly chargeable against said rents, and any unpaid balance of moneys so advanced or expended shall be added to and become part of the debt secured by this Mortgage. The Borrower shall pay to the Authority all reasonable out-of-pocket expenses, including receiver's fees, counsel fees, costs and agents' compensation, incurred pursuant to the provisions of this Section, and all such expenses will become part of the Obligations secured by this Mortgage and will immediately, upon demand, become due and payable by the Borrower and will bear interest at the rate as set forth in the Loan Agreement.

(b) Upon and after any Event of Default, the Authority shall have all of the remedies of a secured party under all applicable laws including the Uniform Commercial Code including, without limitation the right and power to sell, or otherwise dispose of, the Mortgaged Property or Pledged Property, or any part thereof, and for that purpose may take immediate and exclusive possession of the Mortgaged Property or Pledged Property, or any part thereof, and with or without judicial process, enter upon any property on which the Mortgaged Property or Pledged Property, or any part thereof, may be situated and remove the same therefrom without being deemed guilty of trespass and without liability for damages thereby occasioned, or at the Authority's option, the Borrower shall assemble the Mortgaged Property or Pledged Property, and make it available to the Authority at the place and at the time designated in the demand. The Authority shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by the Borrower under the terms of this Mortgage, as they become due, without regard to whether or not the principal indebtedness or any other sums secured by the Note or this Mortgage shall be due, and without prejudice to the right of the Authority hereafter to bring an action of mortgage foreclosure, or any other action, for any default by the Borrower existing at the time the earlier action is commenced.

(c) Upon any sale made under or by virtue of this Section, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, the Authority may bid for and acquire the Mortgaged Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the indebtedness of the Borrower secured by this Mortgage the net sales price after deducting therefrom the expenses of the

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become a part of the Obligations secured by this Mortgage and will immediately, upon demand, become due and payable by the Borrower and will bear interest as set forth in the Loan Agreement. The Authority shall be the sole judge of the necessity for any such actions and of the amounts to be paid. The Authority is hereby empowered to enter and to authorize others to enter upon the Mortgaged Property and the Project Site or any part thereof for the purpose of performing or observing any such defaulted term, condition or agreement without thereby becoming liable to the Borrower or any person in possession holding under the Borrower. The Borrower expressly acknowledges and agrees, however, that notwithstanding anything contained in this Section to the contrary, the Authority shall not be obligated under this Section to incur any expense or to perform any act whatsoever. Any sums so expended by the Authority hereunder shall be added to the Obligations secured by the Mortgage and shall be repayable by the Borrower on demand.

Section 4.4. Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Authority by this Mortgage is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder, under the Loan Agreement or now or hereafter existing at law or in equity or by statute.

Section 4.5. Waiver.

(a) No delay or omission of the Authority to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such event of default, or acquiescence therein; and every right, power and remedy given by this Mortgage to the Authority may be exercised from time to time and as often as may be deemed expedient by the Authority. No consent or waiver, expressed or implied, by the Authority to or of any breach or default by the Borrower in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of the same or any other obligations of the Borrower hereunder. Failure on the part of the Authority to act, complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, or to enforce this Mortgage shall not constitute a waiver by the Authority of its rights hereunder or impair any rights, powers or remedies consequent on any breach or Default by the Borrower. The Authority may take action to recover the Obligations, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of the Authority hereafter to foreclose this Mortgage.

(b) If the Authority: (i) grants forbearance of or an extension of time for the payment of any sums secured hereby; (ii) takes other or additional security for the payment of any sums secured hereby; (iii) waives or does not exercise any right granted herein, in the Loan Agreement; (iv) releases any part of the Mortgaged Property or Pledged Property from the lien of this Mortgage or otherwise changes any of the terms, conditions or agreements of this Mortgage, the Loan Agreement or any documents related to either the Mortgage or the Loan Agreement; (v) consents to the filing of any map, plat or replat affecting the Mortgaged Property; (vi) consents to the granting of any easement or other right affecting the Mortgaged Property; or (vii) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under the Notes, the Agreement, this Mortgage or any other obligation of the Borrower; nor shall any such act or omission preclude the Authority from exercising any right, power or privilege herein granted or intended to be granted in the event of any default then made or of any subsequent default; nor, except as otherwise expressly provided herein or in an instrument or instruments executed by the Authority, shall the lien of this Mortgage be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Mortgaged Property or Pledged Property, the Authority, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Mortgaged Property or Pledged Property or the Obligations secured hereby, or with reference to any of the terms, conditions or agreements hereof, as fully

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sale and the cost of the action and any other sums which the Authority is authorized to deduct under this Mortgage. The Authority, upon so acquiring the Mortgaged Property, or any part thereof shall be entitled to hold, lease, rent, operate, manage and sell the same in any manner provided by applicable laws.

(d) The purchase money, proceeds or avails of any sale made under or by virtue of this Section, together with any other sums which then may be held by the Authority under this Mortgage, whether under the provisions of this Section or otherwise, shall be applied as follows:

FIRST: To the payment of the costs and expenses of such sale and of any judicial proceedings wherein the same shall be made, including reasonable compensation to the Authority, its agents and counsel, and all the expenses, liabilities and advances made or incurred by the Authority under this Mortgage, together with interest (as provided in the Loan Agreement) on all advances made by the Authority including all taxes or assessments, except and taxes, assessments and other charges subject to which the Mortgaged Property shall have been sold.

SECOND: To the payment of any other sums required to be paid by the Borrower pursuant to any provisions of this Mortgage or the Loan Agreement.

THIRD: To the payment of the whole amount then due, owing or unpaid upon the Loan Agreement for principal and interest, with interest on the unpaid principal at the rates specified in the Loan Agreement from and after the happening of any Event of Default until the same is paid.

FOURTH: To the payment of the surplus, if any, to whomsoever may be lawfully entitled to receive the same.

(e) The Authority may exercise all of the rights and remedies provided in this Mortgage or the Loan Agreement, or which may be available to the Authority by law, and all such rights and remedies may be cumulative and concurrent and may be pursued singly, successively or together, at the Authority's sole discretion, and may be exercised as often as occasion therefor shall occur. Any real estate sold pursuant to any writ of execution issued on a judgment obtained by virtue of the obligation of this Mortgage, or pursuant to any other judicial proceedings under the Mortgage, may be sold in one parcel, as an entirety, or in such parcels, and in such manner or order as the Authority, in its sole discretion, may elect. Any failure by the Authority to insist upon strict performance by the Borrower of the Loan Agreement, this Mortgage or the Loan Documents shall not be deemed to be a waiver thereof, and the Authority shall have the right thereafter to insist upon strict performance by the Borrower. Any waiver by the Authority of any breach by the Borrower of any term, covenant, agreement or condition contained herein shall not be valid unless in writing signed by an officer of the Authority, and such waiver shall not affect the right of the Authority hereafter to exercise all rights or remedies set forth herein or available at law or in equity on account of a subsequent Event of Default hereunder.

(f) The Authority shall have the right to set-off all or any part of any amount due by the Borrower to the Authority under the Loan Agreement, this Mortgage or otherwise, against any indebtedness, liabilities or obligations owing by the Authority for any reason and in any capacity to the Borrower with respect to the Mortgaged Property, including any obligation to disburse to the Borrower or its Assignee any funds or other property on deposit with or otherwise in the possession, control or custody of the Authority.

Section 4.3. Performance by the Authority on Default by the Borrower. If the Borrower shall Default in the payment, performance or observance of any term, condition or agreement of this Mortgage, the Authority may, without notice to the Borrower, at the Authority's option, pay, perform or observe the same, and all payments made or costs or expenses incurred by the Authority in connection therewith will

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and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings of the Borrower.

(c) Any waiver asserted against the Authority as being given by the Authority must be evidenced by an express writing validly signed by the Authority.

Section 4.6. Suits to Protect the Mortgaged Property or Pledged Property. The Authority shall have power (a) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Mortgaged Property or Pledged Property by any acts which may be unlawful or any violation of this Mortgage, (b) to preserve or protect its interest in the Mortgaged Property or Pledged Property and in the rents, issues, profits and revenues arising therefrom, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interest of the Authority under the Notes or the Loan Agreement. All such reasonable costs and expenses, including counsel fees, expended by the Authority hereunder will become a part of the Obligations secured by this Mortgage and will immediately, upon demand, become due and payable by the Borrower and will bear interest as set forth in the Loan Agreement.

Section 4.7. The Authority May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceeding affecting the Borrower, its creditors or its property, the Authority, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Authority allowed in such proceedings for the entire amount due and payable by the Borrower under the Note, the Loan Agreement and this Mortgage at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Borrower under the Note, the Loan Agreement and hereunder after such date.

Section 4.8. Rights of the Authority. This Mortgage shall terminate as to the interests and rights of the Authority upon the payment in full of all the Obligations. Upon payment of all of the Obligations, this Mortgage and all related Financing Statements will be released or terminated and the Authority at the Borrower's expense, shall execute such documents as may be necessary to evidence such release.

Section 4.9. Provisions for Benefit of the Authority. The rights and remedies of the Authority specified in this Article 4 are for the sole and exclusive benefit, use and protection of the Authority, and the Authority is entitled but shall have no duty or obligation to, the Borrower, the owner or holder of the Bonds, or any other person, or otherwise, (a) to exercise or to refrain from exercising any right or remedy reserved to the Authority hereunder, or (b) to cause any other person to exercise or to refrain from exercising any right or remedy available to such person under this Mortgage, the Note, the Loan Agreement or any other Loan Document.

Section 4.10. Prohibition Against Attaching or Assigning Rents & Other Income. The Authority, for itself and its successors and assigns, further covenants and agrees that in the event of the appointment of a receiver or of the appointment of the Authority as mortgagee-in-possession, in any action by the Authority, its successors or assigns, to foreclose the Mortgage, no rents, revenue or other income of the Refunding Project collected by the receiver or by the mortgagee-in-possession shall be utilized for any other charges due and payable under this Mortgage, except from surplus cash available for distribution, if any.

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ARTICLE V.

MISCELLANEOUS

Section 5.1. Binding Effect. This Mortgage shall inure to the benefit of and be binding upon the Borrower, the Authority and their respective successors and assigns (subject in the Borrower's case to such consent of the Authority as may be required under the Loan Agreement), provided however, this Mortgage may not be assumed by any successor of and to the Borrower without the Authority's prior written consent.

Section 5.2. Severability. If any provision of this Mortgage shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof. Should a term, condition or provision of this Mortgage become in conflict with a federal, state or county regulation and said conflict results in the modification of such term, condition or provision, then only the specific term, condition or provision will be affected. All other terms, conditions or provisions of this Mortgage will remain in full force and effect.

Section 5.3. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, return receipt requested, postage prepaid, or by private delivery service addressed as follows:

(a) If to the Borrower: Stand Up for Salem, Inc.
219 E. Broadway
P.O. Box 33
Salem, New Jersey 08079
Attention: Chris Davenport, Executive Director

With copy to: Adam I. Telsey, Esq.
95 Market Street
Salem, New Jersey 08079

(b) If to the Authority: The Salem County Improvement Authority
286 Welchville Road
P.O. Box 890
Alloway, New Jersey 08001
Attention: Julie Acton, Executive Director

With copy to: Archer & Greiner P.C.
10 Highway 35
Red Bank, New Jersey 07701
Attention: John M. Cantalupo, Esq.

(c) If to the City: City of Salem, New Jersey
17 New Market Street
Salem, New Jersey 08079
Attention: Chief Financial Officer

The Borrower and the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 5.4. Amendments, Changes, Consents, Waivers and Modifications. The Borrower, together with the Authority, may amend this Mortgage, and the Authority may terminate this Mortgage or waive any term or condition hereof or grant any consent required hereunder, and any such amendment, termination, waiver or consent shall be binding upon the Borrower and the Authority and their respective successors and assigns, without the necessity of any further action by the Authority. All such amendments, terminations, waivers or consents under this Mortgage must be in an express writing signed by the Authority and the Borrower and are subject to the prior written consent of the City.

Section 5.5. Captions. The captions and headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provision hereof.

Section 5.6. Law Govering Construction of Mortgage. This Mortgage shall be governed by, and construed in accordance with, the laws of the State without regard to principles of conflicts of law.

Section 5.7. Authority's Counsel. All items subject to the Authority's review, consent or approval hereunder shall also be subject to the review, consent or approval of the Authority's counsel.

Section 5.8. Changes in Laws Regarding Taxation. In the event of the passage after the date of this Mortgage of any law of the State deducting from the value of real property for the purpose of taxation any lien or encumbrance thereon or changing in any way the laws for the taxation of mortgages or debts secured by mortgages for state or local purposes or the manner of the collection of any such taxes, and imposing a tax, either directly or indirectly, on this Mortgage or the Obligations, the Borrower shall, if permitted by law, pay any tax imposed as a result of any such law within the statutory period or within fifteen (15) days after demand by the Authority, whichever is less; provided, however, that if, in the opinion of the attorneys for the Authority, the Borrower is not permitted by law to pay such taxes, the Authority shall have the right, at its option, to declare the Obligations due and payable on a date specified in a prior notice to the Borrower of not less than thirty (30) days.

Section 5.9. Offsets, Counterclaims and Defenses. Any assignee of this Mortgage shall take the same free and clear of all offsets, counterclaims or defenses of any nature whatsoever which the Borrower may have against any assignor of this Mortgage, and no such offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon this Mortgage and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 5.10. Documentary Stamps. If at any time the United States of America, any state thereof, or any governmental subdivision of any such state, shall require revenue or other stamps to be affixed to the Note, the Loan Agreement or this Mortgage, the Borrower shall pay for the same, with interest and penalties thereon, if any.

Section 5.11. Right of Entry. The Authority and its agents or representatives shall have the right to enter and inspect the Mortgaged Property at any reasonable time and from time to time.

Section 5.12. Sole Discretion of the Authority. Except as may otherwise be expressly provided to the contrary, wherever pursuant to the Note, the Loan Agreement, this Mortgage, or any other document or instrument now or hereafter executed and delivered in connection therewith or otherwise with respect to the obligations secured hereby, the Authority exercises any right given to it to consent or not consent, or approve or disapprove, or any arrangement or term is to be satisfactory to the Authority, the decision of the Authority to consent or not consent, approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory, shall be in the sole and absolute discretion of the Authority and shall be final and conclusive.

Section 5.13. Reasonableness. If at any time the Borrower believes that the Authority has not acted reasonably in granting or withholding any approval or consent under the Loan Agreement, this Mortgage, or any other document or instrument now or hereinafter executed and delivered in connection therewith or otherwise with respect to the obligations secured hereby, as to which approval or consent either the Authority has expressly agreed to act reasonably, or absent such agreement, a court of law having jurisdiction over the subject matter would require the Authority to act reasonably, then the Borrower's sole remedy shall be to seek injunctive relief or specific performance and no action for monetary damages or punitive damages shall in any event or under any circumstances be maintained by the Borrower against the Authority.

Section 5.14. Recovery of Sums Required to be Paid. The Authority shall have the right at any time and from time to time to take action to recover any sum or sums which constitute a part of the Obligations as the same become due, without regard to whether or not the balance of the Obligations shall be due, and without prejudice to the right of the Authority thereafter to bring an action of foreclosure, or any other action, for a default or defaults by the Borrower existing at the time such earlier action was commenced.

Section 5.15. Actions and Proceedings. The Authority shall have the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property or Pledged Property and to bring any action or proceeding, in the name and on behalf of the Borrower which the Authority, in its discretion, feels should be brought to protect its interest in the Mortgaged Property or Pledged Property.

Section 5.16. Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever hereunder from the Authority except with respect to matters for which this Mortgage specifically and expressly provides for the giving of notice by the Authority to the Borrower, and the Borrower hereby expressly waives the right to receive any notice from the Authority with respect to any matter for which this Mortgage does not specifically and expressly provide for the giving of notice by the Authority to the Borrower.

Section 5.17. Waiver of Statutory Rights. The Borrower shall not apply for or avail itself of any appraisal, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws," now existing or hereinafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws to the full extent that the Borrower may do so under applicable law. The Borrower waives the benefit of all laws now existing or that hereafter may be enacted providing for (a) any appraisal before sale of any portion of the Mortgaged Property or Pledged Property, and (b) the benefit of all laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the Note or the debt evidenced thereby or creating or extending a period of redemption from any sale made in collection of such debt. The Borrower for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Property or Pledged Property marshalled upon any foreclosure of the lien of this Mortgage and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property or Pledged Property sold as an entirety. The Borrower hereby waives for itself and all who may claim through or under it, and to the full extent the Borrower may do so under applicable law, any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage or granted under any statute now existing or hereafter enacted. The Borrower hereby waives and releases all errors, defects and imperfections in any proceeding instituted by the Authority under the Note or this Mortgage or the other Loan Documents, or any of them and unless specifically required herein, all notices of the Borrower's default or of the Authority's election to exercise, or the Authority's actual exercise of any option under the Note or this Mortgage or the other Loan Documents. If any law referred to in this section and now in force, of which the Borrower, the Borrower's successors and assigns or other person may take advantage despite this

section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section. The Borrower expressly waives and relinquishes any and all rights and remedies which the Borrower may have or be able to assert by reason of the laws of the State pertaining to the rights and remedies of sureties.

Section 5.18. Relationship. The relationship of the Authority to the Borrower hereunder is strictly and solely that of lender and borrower and nothing contained in the Loan Agreement, this Mortgage, or any other document or instrument now or hereafter executed and delivered in connection therewith or otherwise in connection with the obligations secured hereby is intended to create, or shall in any event or under any circumstance be construed as creating, a partnership, joint venture, tenancy-in-common, joint tenancy or other relationship of any nature whatsoever between the Authority and the Borrower other than as lender and borrower.

Section 5.19. Counsel Fees. If the Authority becomes a party to any suit or proceeding affecting the Mortgaged Property or Pledged Property or title therein, the lien created by this Mortgage or the Authority's interest therein, or if the Authority engages counsel to collect any of the indebtedness or to enforce the performance of the agreements, conditions, covenants, provisions or stipulations of this Mortgage or the Loan Agreement, the Authority's costs, expenses and reasonable counsel fees, whether or not suit is instituted, shall be paid to the Authority by the Borrower, on demand, with interest at the rate from time to time applicable to overdue amounts under the Note, the Loan Agreement, and any other Loan Documents, until paid, they shall be deemed to be part of the indebtedness evidenced by the Loan Agreement and secured by this Mortgage.

Section 5.20. Further Assurances. The Borrower will execute and deliver such further instruments and perform such further acts as may be reasonably requested by the Authority, from time to time, to confirm the provisions of this Mortgage, to carry out more effectively the purposes of this Mortgage or the other documents securing the Loan Agreement, or to confirm the priority of the lien created by this Mortgage on any property, rights or interest encumbered or intended to be encumbered by the lien of this Mortgage or the other documents securing the Loan Agreement. The Borrower shall pay all costs of recording, filing, refiling and acknowledging such documents in such public offices as the Authority may require.

Section 5.21. Cross Collateralization. The Collateral securing this Mortgage shall also secure the payment of all loans, advances, obligations, indebtedness, notes, liabilities and amounts, liquidated and unliquidated, each of every kind, nature and description, including, without limitation, principal and interest, and whether secured or unsecured, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter contracted of the Borrower to the Authority, together with interest payable at the rates and times specified therein, and any other sums payable on, and the performance and observation of all of the provisions thereof, which shall be considered a part of this Mortgage as if fully set forth herein. The Authority shall be under no obligation until all of the obligations shall be fully paid and satisfied.

Section 5.22. Waiver of Jury Trial. The Borrower and the Authority, upon advice from their respective counsel, hereby intentionally, knowingly, voluntarily, expressly and mutually waive any right to trial by jury of any claim, counterclaim, demand, action or cause of action (a) arising under this mortgage or any other documents evidencing the loan, or (b) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Mortgage or any of the other documents evidencing the Loan, or the transactions related hereto or thereto, or any course of conduct, course of decline, statements (whether verbal or written) or actions of any party, or (c) in any litigation between the parties, in each case whether now existing or hereafter arising and whether in contract or tort or otherwise, and each party hereby agrees and consents that any such claim, demand,

action or cause of action shall be decided by court trial without a jury, and that any party to this Mortgage may file this original Mortgage or a copy thereof with any court as written evidence to the consent of the parties hereto to the waiver of their right to a trial by jury. This waiver constitutes a material inducement for Mortgage to accept this Mortgage and make the Loan.

Section 5.23. Waiver of Stay. The Borrower agrees that, in the event the Borrower, the Guarantor, any other guarantor of the Obligations, or any of the persons or parties constituting the Borrower, shall (i) file with any bankruptcy court of competent jurisdiction or be the subject of a petition under Title 11 of the United States Code, as amended (the "Bankruptcy Code"), (ii) be the subject of any order for relief under the Bankruptcy Code, (iii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors, (iv) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator, or (v) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors, the Authority shall thereupon be entitled and the Borrower irrevocably consents to immediate and unconditional relief from any automatic stay imposed by Section 362 of the Bankruptcy Code, or otherwise, on or against the exercise of the rights and remedies otherwise available to the Authority herein or in the other Loan Documents, or any other documents or instruments executed and delivered in connection therewith and as otherwise provided by law, and the Borrower irrevocably waives any right to object to such relief and will not contest any motion by the Authority seeking relief from the automatic stay.

THE BORROWER HEREBY DECLARES AND ACKNOWLEDGES THAT THE BORROWER HAS RECEIVED, WITHOUT CHARGE, A TRUE COPY OF THIS MORTGAGE.

IN WITNESS WHEREOF, the Borrower has caused this Mortgage to be signed in its name by its authorized officers and its corporate seal to be affixed hereto and attested by its authorized officer, all on the date first above written.

STAND UP FOR SALEM, INC., a New Jersey Not-For-Profit Corporation,

ATTEST:

_____, Secretary

By: _____
_____, President

[SEAL]

STATE OF NEW JERSEY :
 : ss.
COUNTY OF SALEM :

SCHEDULE "A"

On this, the ____ day of ____, 2021, before me, a notary public, the undersigned officer, personally appeared _____ who acknowledged himself to be the President of Stand Up For Salem, Inc., a New Jersey non-profit corporation, who I am satisfied is the person who signed the foregoing instrument, and that he, as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signed the name of the limited liability company by himself as such manager.

IN WITNESS WHEREOF, I hereunto set my hand and official seal the day and year aforesaid.

Name: _____
Notary Public

My Commission Expires:

TRACT #1:
[TO BE UPDATED AT CLOSING]

SCHEDULE "B"

BEGINNING at a point for a corner in the southwesterly line of New Jersey State Highway Route 49 (a.k.a West Broadway, width varies); said point being the northeasterly corner of land of Lot 3 of Block 61; thence

1. along the said southwesterly line of Route 49, south 62 degrees 46' 55" east, 74.49 feet, to a point for a corner; thence
2. along the line of Lot 6 of Block 61, south 25 degrees 23' 47" west, 128.16 feet, to a point for a corner; thence
3. still along same, south 65 degrees 01' 59" east, 34.52 feet, to a point for a corner; thence
4. along the northwesterly line of Lot 15 of Block 61, south 24 degrees 23' 59" west, 93.71 feet, to a point for a corner; thence
5. along the northeasterly line of the Proposed Hires Avenue, north 68 degrees 24' 35" west, 111.00 feet, to a point for a corner at an angle point in same; thence
6. still along same, north 69 degrees 19' 35" west, 71.01 feet, to a point for a corner in the southeasterly line of New Market Street (60 feet wide, width varies); thence
7. along said New Market Street, north 21 degrees 50' 53" east, 86.37 feet, to a point for a corner; thence
8. along the Lot line of Lot 2 of Block 61, south 66 degrees 19' 21" east, 36.46 feet, to a point for a corner at an angle point in same; thence
9. still along same, south 63 degrees 04' 11" east, 36.69 feet, to a point for a corner; thence
10. still along same, north 26 degrees 41' 04" east, 60.81 feet, to a point for a corner at an angle point in same, thence
11. still along same, north 26 degrees 32' 03" east, 90.09 feet, to the place of beginning.

CONTAINING 0.61 of an acre of land.

BEING known as Block 61, [A Portion Of] Lot 4.

TRACT #2
[TO BE UPDATED AT CLOSING]

BEGINNING at a point for a corner at the intersection of the southerly line of Belden Street with the westerly line of Walnut Street (50 feet wide); thence

1. along said southerly line of Belden Street, north 67 degrees 07' 43" west, 168.14 feet, to a point for a corner; thence
2. crossing over Belden Street, north 22 degrees 52' 17" east, 40.00 feet, to a point for a corner in the northerly line of said Belden Street; thence
3. along the easterly line of land of Block 61, Lot 14, north 24 degrees 41' 55" east, 105.55 feet, to a point for a corner; thence
4. along the easterly line of land of Block 61, Lot 10, north 24 degrees 50' 35" east, 135.78 feet, to a point for a corner; thence
5. along the easterly line of land of Block 61, Part of Lot 7 known as Parcel 9, north 24 degrees 22' 07" east, 4.34 feet, to a point for a corner in the southerly line of Proposed Hires Avenue; thence
6. along the said southerly line of Proposed Hires Avenue, south 68 degrees 24' 35" east, 63.09 feet, to a point for a corner; thence
7. along the westerly line of land of Block 61, Part of Lot 19 known as Parcel 3 and Lots 20, 21 and 22, south 23 degrees 42' 48" west, 108.60 feet, to a point for a corner; thence
8. along the southerly line of land of Block 61, Lot 22, south 68 degrees 30' 43" east, 100.60 feet, to a point for a corner in the said westerly line of Walnut Street; thence
9. along said westerly line of Walnut Street, south 21 degrees 56' 47" west, 140.79 feet, to a point the intersection of said northerly line of Belden Street with the said westerly line of Walnut Street; thence
10. crossing over said Belden Street, south 28 degrees 02' 43" west, 40.16 feet, to the place of beginning.

CONTAINING 0.85 of an acre of land.

BEING known as Block 61.01, Lot 23.

STATE OF NEW JERSEY)
) ss.
COUNTY OF SALEM)

BE IT REMEMBERED, that on this ____ day of _____, 2021, before me the subscriber, a notary public of the State of New Jersey, personally appeared _____, I am satisfied, is the person who signed the within instrument as the President of Stand Up for Salem, Inc., the corporation named therein and they thereupon acknowledged that the said instrument made by the corporation and sealed with its corporate seal, was signed, sealed with the corporate seal and delivered by them as such officers and is the voluntary act and deed of the corporation.

Notary Public of the State of New Jersey

SUPPORT AGREEMENT BY AND BETWEEN THE CITY OF SALEM, NEW JERSEY AND THE SALEM COUNTY IMPROVEMENT AUTHORITY WITH RESPECT TO THE FINLAW STATE OFFICE BUILDING PROJECT

SUPPORT AGREEMENT by and between the City of Salem, in the County of Salem, State of New Jersey (the "City"), and the Salem County Improvement Authority (the "Authority") with respect to the Finlaw State Office Building Project ("Agreement"), dated as of the ___ day of _____, 2021 and effective as of the Effective Date (as hereinafter defined).

WITNESSETH:

WHEREAS, pursuant to 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"), The Salem County Improvement Authority ("Authority") was created by virtue of an ordinance, duly and finally adopted by the governing body of the County of Salem, State of New Jersey ("County"), and is a public body politic and corporate of the State organized and existing under the Act, constituting a political subdivision of the State and established as an instrumentality exercising public and essential governmental functions to provide for the public health and welfare; and

WHEREAS, the Authority had received an application for financial assistance, dated January 9, 2006 ("Application"), from Stand Up for Salem, Inc., a New Jersey non-profit corporation ("Borrower") relating to: (i) the acquisition of certain property located at 195 East Broadway, Salem, New Jersey 08079 and existing improvements thereon (commonly referred to as the Finlaw Building), as well as other nearby properties (presently designated as Block 61, Lots 4, 5 and part of Lots 7 and 8, to be consolidated and hereafter known as Block 61, Lot 4 on the Official Tax Map of the City of Salem, and presently designated Block 61, Lots 23, 24, 25, 26, 28, a portion of Lot 15 and a portion of Belden Street (now vacated) in the City of Salem, all to be consolidated and hereafter known as Block 61.01, Lot 23, on the Official Tax Map of the City of Salem) (collectively, the "Existing Property"); (ii) the preparation of the Existing Property for development and improvement; (iii) the construction on the Existing Property of: (a) a five-story office building, in the approximate size of 45,000 square feet, to house various State agencies and other entities; and (b) an adjacent parking facility to house approximately 282 spaces; (iv) all other costs and expenses necessary therefore or related to the proposed project, including capitalized interest and a debt service reserve fund; and (v) the costs of issuance with respect to the proposed financing, all as further described in said Application and the other information submitted in connection therewith (collectively, the "Project"); and

WHEREAS, the Authority had reviewed the Application and had, pursuant to two (2) resolutions adopted on January 9, 2006 made certain findings and determinations with respect to said Application and preliminarily authorized, *inter alia*, the issuance of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project), Series 2007 ("Series 2007 Bonds") to finance the cost thereof; and

WHEREAS, the Authority had 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:37A-54(1)*, for approval of the Project and the issuance of the Series 2007 Bonds and City Guaranty (hereinafter defined) and had received the requisite approval from the Local Finance Board; and

WHEREAS, the Authority subsequently adopted a bond resolution on August 14, 2006 (the "2006 Bond Resolution") authorizing, among other things, the issuance of the Series 2007 Bonds and the

execution of certain documents used in the consummation of the transactions contemplated by said Bonds; and

WHEREAS, the Authority issued the Series 2007 Bonds pursuant to the Act, the Bond Resolution, an Indenture of Trust, dated July 1, 2007, by and between the Authority and Fulton Financial Advisors, N.A. (now Fulton Bank, National Association), as Trustee (the "Original Indenture"), and other related documents; and

WHEREAS, the Authority desires to achieve debt service savings on the Authority's existing bond indebtedness through the issuance of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 in an aggregate principal amount of \$ _____ (the "Series 2021 Bonds" or the "Bonds"), a portion of which shall be used to refund the Series 2007 Bonds; 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"), and received the requisite approval of the issuance of the Series 2021 Bonds and City Guaranty (hereinafter defined) on April 14, 2021 from the Local Finance Board; and

WHEREAS, the Authority subsequently adopted a supplemental bond resolution on April 15, 2021 (the "2021 Bond Resolution") authorizing, among other things, the issuance of the Series 2021 Bonds and the execution of certain security and other documents used in the consummation of the transactions contemplated by said Bonds; and

WHEREAS, the Authority will issue the Series 2021 Bonds pursuant to the Act, the Bond Resolution (as defined herein), a First Supplemental Indenture of Trust dated as of _____, 2021, which amends and supplements the Original Indenture (the "Supplemental Indenture of Trust" and together with the Original Indenture, the "Indenture") by and between the Authority and Fulton Bank, National Association; and

WHEREAS, the Authority shall apply the proceeds from the sale of the Bonds to make a loan to the Borrower pursuant to a Loan Agreement dated as of July 1, 2007 (the "Original Loan Agreement"), as amended and supplemented by a First Supplemental Loan Agreement dated as of _____, 2021 (the "Supplemental Loan Agreement" and together with the Original Loan Agreement, the "Loan Agreement") for the purposes of financing the costs of the Project; and

WHEREAS, as evidence of and security for all of its payment obligations hereunder and under the Loan Agreement, including the payment of all debt service requirements on the Bonds, (i) the Borrower has executed and delivered to the Authority: (a) a promissory note ("Note") payable to the Authority to evidence the loan; and (b) real estate mortgage and security agreement ("Mortgage") granting to the Authority a first priority lien on and security interest in the Mortgaged Property and Pledged Property (as defined therein), subject to Permitted Encumbrances (as defined in the Indenture); and (c) Uniform Commercial Code financing statements evidencing the security interest created hereunder and by the Mortgage; and

WHEREAS, the Bonds are special, limited obligations of the Authority, payable solely from and secured by its interest in the pledged Trust Estate and the Revenues, including amounts payable by the Borrower pursuant to the Loan Agreement (subject to the rights of the Authority reserved therein), the Mortgage and the Note, all funds held by the Trustee under the Indenture (except the Rebate Fund) and all income derived from the investment of such funds; and

WHEREAS, pursuant to an Indenture, the Authority will assign (with certain reservations) its rights and benefits under the Loan Agreement, the Note and the Mortgage to the Trustee as security for the Bonds; and

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WHEREAS, to induce prospective purchasers of the Bonds to purchase the same and provide additional security to the owners thereof, the City has, in accordance with Section 37 of the Act, *N.J.S.A. 40:37A-80*, unconditionally and irrevocably guaranty the punctual payment of the principal of and interest on the Bonds (the "City Guaranty"); and

WHEREAS, the City and the Authority have also each determined that it will be economical, efficient and otherwise advantageous to each of them and to the residents of the City for the City and the Authority to enter into this agreement ("Support Agreement") providing for certain financial assistance, which Support Agreement shall, among other things, additionally obligate the City, subject to appropriation, to pay to the Authority such sums of money as may be determined annually by the City to be applied to the payment of deficiencies incurred by the Authority for debt service with respect to the Bonds from amounts which are available therefor; and

WHEREAS, the Authority and the City have each duly authorized its proper officials to enter into and execute this Support Agreement;

NOW THEREFORE, in consideration of the premises, the mutual covenants and agreement herein set forth and the respective undertakings of each party to the other, the Authority and the City, each binding itself, its successors and its assigns, do mutually covenant, promise and agree as follows:

**ARTICLE I
DEFINITIONS AND INTERPRETATIONS**

Section 101. Certain Definitions. Capitalized words and terms which are used in this Agreement as defined terms shall, unless otherwise defined herein or unless a different meaning clearly appears from the context, have the meanings which are set forth below:

"**Accountant**" means the Division of Local Government Services in the State Department of Community Affairs or a registered municipal accountant or a certified public accountant of the State;

"**Act**" means the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960, of the State and the acts amendatory thereof or supplemental thereto;

"**Agreement**" or "**Support Agreement**" means this Support Agreement by and between the City and the Authority with respect to the Bonds, as the same may be amended or supplemented from time to time in accordance with the terms hereof;

"**Annual Charges**" shall have the meaning given to such term in Section 203 and Section 204 hereof;

"**Authority**" shall mean The Salem County Improvement Authority;

"**Bonds**" means the Authority's \$ _____ aggregate principal amount of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 issued to provide funds to pay the costs of the Project;

"**Council**" shall mean the Common Council of the City;

"**Bond Resolution**" means the resolution, adopted by the Authority on August 14, 2006, entitled "BOND RESOLUTION OF THE SALEM COUNTY IMPROVEMENT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$19,500,000 AGGREGATE PRINCIPAL AMOUNT OF THE

AUTHORITY'S CITY-GUARANTEED REVENUE BONDS (FINLAW STATE OFFICE BUILDING PROJECT), SERIES 2006; MAKING CERTAIN DETERMINATIONS AND APPROVALS WITH RESPECT TO SAID BONDS; AND AUTHORIZING CERTAIN ACTIONS", and a supplemental resolution, adopted by the Authority on April 15, 2021, entitled "SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CITY-GUARANTEED REVENUE REFUNDING BONDS (FINLAW STATE OFFICE BUILDING PROJECT) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,000,000 OF THE SALEM COUNTY IMPROVEMENT AUTHORITY AND AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL LOAN AGREEMENT AND A SUPPLEMENTAL INDENTURE OF TRUST AND AUTHORIZING AND APPROVING THE PREPARATION, NEGOTIATION, EXECUTION AND DELIVERY, AS APPLICABLE, OF A BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, FINAL OFFICIAL STATEMENT AND RELATED INSTRUMENTS AND DOCUMENTS AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH" as the same may be amended and supplemented from time to time in accordance with its terms, authorizing the issuance of the Bonds pursuant to the Indenture;

"**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, the Authority or any Paying Agent (as such terms are defined in the Trust Indenture) is legally authorized to close;

"**City**" shall mean the City of Salem, in the County of Salem, State of New Jersey;

"**Effective Date**" shall mean that date the Bonds are issued.

"**Fiscal Year**" means the twelve (12) month fiscal period of the City or Authority, commencing January 1 of each year;

"**Revenues**" shall have the meaning assigned to it in the Indenture;

"**State**" shall mean the State of New Jersey;

"**Surplus Revenues**" means any funds of the Authority which are derived from or related to the Project which may be available for use by the Authority for any purpose, and which are not required by any contract of the Authority or under the terms of the Indenture to be retained in any Fund or Account which has been established thereunder for the security or benefit of the Holders of any of the Bonds;

"**Trustee**" shall mean Fulton Bank, National Association, as the trustee under the Indenture; and

"**Project**" shall mean the proposed financing of the Project through the issuance of the Bonds.

Section 102. Terms Generally. Whenever the context may require, any pronoun which is used in this Agreement shall include the corresponding masculine, feminine and neuter forms and the singular shall include the plural and vice versa. Unless otherwise noted, the words "include", "includes" and "including" which are used in this Agreement shall be deemed to be followed by the phrase "without limitation." The words "agree", "agreement", "approval" and "consent" which are used in this Agreement shall be deemed to be followed by the phrase "which shall not be unreasonably withheld or unduly delayed" except as may otherwise be specified.

Section 103. Short Title. This Agreement may hereafter be cited and is herein sometimes referred to as the "Support Agreement".

ARTICLE II
CHARGES BY THE AUTHORITY

Section 201. Revenues. With respect to all Revenues, the Authority will charge and collect for Revenues as set forth in the Loan Agreement. If such Revenues are insufficient: (1) to pay or provide for the principal of, redemption premium, if any, and interest on the Bonds as the same become due; (2) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or the Indenture, or as may be deemed necessary or desirable by the Authority; (3) to comply in all respects with the terms and provisions of the Indenture, the Act, and any other State law; and (4) to make any payments which are required by the terms of any contract or agreement executed by the Authority with respect to the Project or any part thereof; then the Authority shall pledge any other lawfully available Revenues for said purpose as so provided in and subject to the provisions of the Indenture.

Section 202. Collection of Revenues. The Authority will at all times take all reasonable measures permitted by law to charge, collect and enforce prompt payment of all Revenues to the Trustee for deposit to the Revenue Fund established pursuant to the Indenture.

In addition, subject to the provisions of applicable law, in order to assist the Authority in carrying out its obligations hereunder, the City may, in its sole and absolute discretion, at the request of, and in cooperation with, the Authority, subject to the terms and conditions of this Agreement, make available to the Authority upon mutually acceptable terms, all reasonable resources which are available to the City and which are reasonably required by the Authority.

Section 203. Payment of Annual Charges by City. From and after the Effective Date, at least sixty (60) days prior to the beginning of each of its Fiscal Years, the Authority shall prepare and cause to be delivered to the City a copy of the Authority's annual budget of anticipated Revenues relating to the Project for each Fiscal Year ("Budget"). The Budget shall contain an estimate for each such Fiscal Year (on a monthly basis) of all Revenues anticipated to be received from the Payment Installments (as such term is defined in the Loan Agreement) from the Borrower. The Authority shall prepare each Budget for each Fiscal Year such that the income set forth in each month of the Budget for each such Fiscal Year shall be sufficient to meet the debt service requirements to the maximum extent feasible. The Authority shall also prepare and cause to be delivered to the City any amendments to the Budget. If the Budget reflects that there will be a deficit for the payment of the principal of and interest on the Bonds ("Deficit"), the Authority shall notify or cause the Trustee to notify the City of the amount of the projected Deficit and shall provide or cause the Trustee to provide the City with notice that an amount equal to the deficiency is required (subject to the provisions of Section 205 hereof) to be paid by the City in an amount not to exceed the City Annual Charge Cap (as hereinafter defined) and shall be due and payable by the City unless the deficiency shall have been satisfied by the Authority from available amounts in the Funds established under the Indenture no later than fifteen (15) days thereafter. Upon receipt of said notice, the City shall then provide (subject to the provisions of Section 205 hereof) to the Authority and the Trustee, on an annual basis, within five (5) Business Days after the filing of the City's annual budget, a certificate of the Chief Financial Officer of the City ("Budget Certificate") certifying that the annual budget contains a line item which represents the agreed upon amount equal to the projected Deficit ("City Annual Charge Cap"), for the payment of the Deficit ("Annual Charges"). Said Budget Certificate shall have attached a copy of the page of the annual budget on which the line item appears. In the event such Budget Certificate is not received by the Trustee within sixty (60) days following the beginning of the City's Fiscal Year, the Trustee shall, pursuant to the Indenture, promptly notify the Authority of such event. If at any time during a month there shall be a Deficit, the Trustee shall, pursuant to the provisions of the Indenture, notify the City, in writing, of such deficiency amount and demand payment by the City. Upon receipt of said notice, the Annual Charges, shall (subject to the provisions of Section 205 hereof) be immediately payable by the City to the Trustee for deposit into the Bond Fund established under the Indenture which Annual Charges may, at the option of the City and at the request of

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the Authority, be paid in quarterly installments on each January 1, April 1, July 1 and October 1 of a Fiscal Year. At the end of each Fiscal Year, and following any permitted transfers into the Bond Fund and Project Fund in accordance with the provisions of Sections 5.02 and 3.03, respectively, of the Indenture, the Authority shall reconcile the final actual Budget with the projected Budget.

Section 204. Reconciliation and Reimbursement. The Authority shall prepare and submit or cause the Trustee to prepare and submit to the City, on a monthly basis, a written record of accumulated Annual Charges, the payment of which have been advanced by the City pursuant to this Agreement, which amounts remain due and owing to the City pursuant to this Agreement. If, as of the sixth (6th) Business Day after the end of each Fiscal Year, moneys have been transferred to the Bond Fund established under the Indenture, following reimbursement to the City for sums advanced pursuant to the City Guaranty, said moneys shall, thereafter, be paid to the City as reimbursement to the City for the aggregate amount of Annual Charges paid by the City pursuant to this Agreement in that or any prior Fiscal Year. Any unreimbursed Annual Charges paid by the City in that or any prior Fiscal Year shall be carried forward to the succeeding Fiscal Year and aggregated with other Annual Charges for purposes of calculating reimbursement to the City of Annual Charges paid.

Section 205. Obligation of City. (a) Notwithstanding anything in this Agreement to the contrary, the cost and expense of the performance by the City of its obligations under this Agreement and the incurrence of any liabilities of the City under this Agreement including, without limitation, the payment of all Annual Charges to the extent established by the provisions of Section 203 hereof, shall be subject to and dependent upon annual appropriation being made from time to time by the City on behalf of the Authority. The City's obligations hereunder shall not in any way constitute "debt" of the City, and this Agreement does not and shall not constitute a pledge of the credit or taxing power of the City. Failure by the City to make any such annual appropriation shall not constitute a default by the City hereunder and shall not give rise to any damages or remedies.

(b) No set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature (other than performance by the City of its obligations hereunder) which the City has or may have against the Authority, or against any Holder of the Bonds, shall be available to the City against the Authority or anyone succeeding to the Authority's interest.

ARTICLE III
MISCELLANEOUS

Section 301. [Reserved].

Section 302. Effect of Breach. Failure on the part of the Authority in any instance or under any circumstance to observe or fully perform any obligation which is assumed by or imposed upon it by the terms of this Agreement, or by law, shall not make the Authority liable in damages to the City or relieve the City of its obligations (subject to the provisions of Section 205 hereof) to make any payment of Annual Charges to the Authority. Notwithstanding the above, the City may have and pursue any and all other remedies which are provided by law for compelling performance by the Authority of such obligations assumed by or imposed upon the Authority.

Section 303. Pledge or Assignment. This Agreement may not be assigned by any party without the prior written consent of the other parties.

Section 304. Report as to Issuance of Debt. Forthwith upon the issuance of any Additional Bonds (as defined in the Indenture) or Refunding Bonds (as defined in the Indenture), the Authority shall prepare and file in the office of the Clerk of the Common Council of the City, a schedule setting forth the

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principal amount, designation, denomination, date of issue, place of payment, maturity or maturities, rate or rates of interest and redemption prices (if any) of any series of Additional Bonds or Refunding Bonds issued by the Authority, together with a copy of the resolution of the Authority authorizing the issuance of such series of Additional Bonds, each certified by the Secretary (or Assistant Secretary) of the Authority and under its seal.

Section 305. Term of Agreement. This Agreement, subject to annual appropriation as set forth in Section 205 hereof, shall terminate, unless otherwise extended by the mutual consent of the parties hereto on the earlier to occur of: (i) the final payment date of the Bonds and any series of Additional Bonds and Refunding Bonds issued in connection with the Project, or (ii) prior redemption and defeasance of the Bonds and any series of Additional Bonds and Refunding Bonds issued in connection with the Project by the Authority. No such Additional Bonds or Refunding Bonds shall be issued without the prior written consent of the City.

Section 306. Modifications. The provisions of this Agreement shall (a) constitute the entire agreement between the parties for or with respect to the matters described herein, and (b) be modified, unless provided herein to the contrary, only by written agreement duly executed by both parties.

Section 307. Headings. Captions and headings in this Agreement are for ease of reference only and do not constitute a part of this Agreement

Section 308. Governing Law. This Agreement and any questions concerning its validity, construction or performance shall be governed by the laws of the State, irrespective of the place of execution or of the order in which the signatures of this parties are affixed or of the place or places of performance.

Section 309. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall be deemed to be an original.

Section 310. Severability. In the event that any provision of this Agreement shall, for any reason, be determined to be invalid, illegal, or unenforceable in any respect, the parties hereto shall negotiate in good faith and agree to such amendments, modifications, or supplements of or to this Agreement or to such other appropriate actions as shall, to the maximum extent practicable in light of such determination, implement and give effect to the intentions of the parties as reflected herein, and the other provisions of this Agreement shall, as so amended, modified, supplemented, or otherwise affected by such action, remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto, in consideration of the mutual covenants set forth herein and intending to be legally bound, have caused this Agreement to be executed and delivered as of the date first written above.

Attest: CITY OF SALEM, NEW JERSEY
By: BEN ANGELI, City Clerk
(Seal)

By: CHARLES WASHINGTON JR., Mayor

Attest: THE SALEM COUNTY IMPROVEMENT AUTHORITY
By: BARRY DAVIS, Secretary
(Seal)
220643588v3

By: CORDY TAYLOR, Chairperson

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Guaranty Agreement
Among The Salem County Improvement Authority,
Fulton Bank, National Association and the City of Salem, New Jersey

IN WITNESS WHEREOF, the City has caused this Guaranty to be executed by the manual or facsimile signature of its Mayor.

Charles Washington Jr., Mayor"

This Guaranty Agreement (the "Guaranty Agreement"), made and dated as of the ____ day of _____, 2021 among The Salem County Improvement Authority (hereinafter referred to as the "Authority"), a public body corporate and politic of the State of New Jersey, Fulton Bank, National Association (hereinafter referred to as the "Trustee") and the City of Salem, in the County of Salem, State of New Jersey (hereinafter referred to as the "City"), in the State of New Jersey.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the Authority, the Trustee and the City, each binding itself and its successors and assigns, do mutually covenant, promise and agree as follows:

Section 1. Pursuant to Section 80 of the County Improvement Authorities Law, *N.J.S.A. 40:37A-44 et seq.* (the "Act"), and in accordance with the terms and provisions of the ordinance finally adopted by the City on April 19, 2021 which ordinance guarantees the punctual payment of the principal of and interest on the Series 2021 Bonds (the "Guaranty"), the City hereby agrees to guaranty fully, unconditionally and irrevocably the punctual payment of the principal of and the interest on the Authority's Outstanding (as defined in the hereinafter defined Trust Indenture) City-Guaranteed Revenue Refunding Bonds, Series 2021 (Finlaw State Office Building Project) in the principal amount of \$ _____ (the "Series 2021 Bonds"), which bonds are being issued in order to currently refund and achieve debt service savings on the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office Building Project) Series 2007 issued on July 19, 2007 (the "Series 2007 Bonds"). The Series 2021 Bonds are being issued pursuant to an Indenture of Trust, as amended and supplemented by a First Supplemental Indenture of Trust dated as of _____, 2021, entered into between the Authority and the Trustee (the "Trust Indenture"). The proceeds of the Series 2007 Bonds were originally used to finance a loan made to Stand Up For Salem, Inc., a New Jersey non-profit corporation ("Borrower") relating to: (i) the refinancing of certain existing debt of the Borrower; (ii) the acquisition of various parcels of real property and the improvements thereon located in Salem, New Jersey, together with construction thereon of a office building and parking garage; (iii) the funding of capitalized interest; and (iv) the payment of the costs of issuance with respect to the proposed financing. The Authority loaned the proceeds of the Series 2007 Bonds to the Borrower pursuant to the Loan Agreement, dated as of July 1, 2007, as amended and supplemented by a First Supplemental Loan Agreement dated as of _____, 2021, between the Authority and the Borrower (collectively, the "Loan Agreement"). The full faith and credit of the City are hereby pledged for the full and punctual performance of the Guaranty.

Section 2. The Mayor or Chief Financial Officer of the City shall, by manual or facsimile signature, execute an endorsement on each of the Series 2021 Bonds evidencing the Guaranty by the City as to the punctual payment of the principal thereof and interest thereon. The endorsement on each Bond shall be in substantially the following form, and absent the fully executed endorsement in such form on any such Bond, such Bond shall not be entitled to the benefits of the Guaranty:

"GUARANTY BY THE CITY OF SALEM, NEW JERSEY"

The payment of the principal of (including sinking fund installments, if any) and the interest on the within Bond shall be fully, irrevocably and unconditionally guaranteed by the City of Salem, New Jersey (the "City") for as long as such Bond is outstanding under the Trust Indenture of The Salem County Improvement Authority, and the City is unconditionally and irrevocably liable for the payment, when due, of the principal of (including sinking fund installments, if any) and interest on the Bond.

Section 6. The Authority hereby covenants to the City that in the event the Guaranty is called upon, the Authority will take all actions within its power in accordance with the Act necessary for it to reimburse the City as soon as possible. In addition to and concurrent with the aforementioned rights of the City to reimbursement, the City shall have the right to enforce the provisions of the Loan Agreement and the Loan Agreement shall provide that the Borrower acknowledges the City's right to bring *ex parte* injunctive relief to enforce full and timely payment of Payment Installments (as defined in the Trust Indenture) and of reimbursement to the City. Any reimbursement to the City shall be subordinated to payment of debt service on the Series 2021 Bonds.

Section 7. The obligations of the City under this Guaranty Agreement shall remain in full force and effect until the entire principal of and interest on the Series 2021 Bonds shall have been paid in full, whereupon the obligations of the City hereunder and under the Guaranty shall be terminated immediately, all in accordance with and as required by law. The City's obligations shall not be affected, modified or impaired upon the happening from time to time of any of the following events, whether or not with notice to, or with the consent of, the City:

- (i) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Authority contained in the Trust Indenture and the Loan Agreement (collectively, the "Financing Documents"), or of the payment, performance or observance thereof;
- (ii) the failure to give notice to the City of the occurrence of an event of default under the provisions of the applicable Financing Documents;
- (iii) the extension of the time for payment of any principal of or interest on the Series 2021 Bonds or of the time for performance of any obligations, covenants or agreements under or arising out of the Financing Documents;
- (iv) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Financing Documents;
- (v) any failure, omission, delay or lack on the part of the Authority or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Authority or the Trustee in this Guaranty Agreement or in the Financing Documents or by any other act or acts on the part of the Authority, the Trustee or the holders of the Series 2021 Bonds;
- (vi) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Authority or any of the parties to the Financing Documents or any of the assets of any of them, or any allegation or contest of the validity of the City Guaranty or the Financing Documents;
- (vii) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the City from the performance or observance of the Guaranty;
- (viii) the default or failure of the Authority or the Trustee to perform fully any of its obligations set forth in this Guaranty Agreement or in the Financing Documents; or
- (ix) any other defense available to the City as a guarantor.

Section 3. If, by the end of the twentieth (20th) day of the first month preceding a month in which the Authority is obligated to pay principal of or interest on the Series 2021 Bonds, there are insufficient funds in the Bond Fund (including the Surplus Account) and the Debt Service Reserve Fund (as each such term is defined in the Trust Indenture) to make such payments when due under the Trust Indenture, the Trustee shall immediately notify the Authority and City of the amount of the deficiency in such Bond Fund and the City shall be obligated to pay such deficiency to the Trustee at least three (3) business days prior to the applicable interest payment date or maturity date for deposit by the Trustee into the City Guaranty account of the Bond Fund in accordance with the Trust Indenture.

Notwithstanding anything in this Section 3 or in this Guaranty Agreement to the contrary and until this Guaranty Agreement shall terminate in accordance with Section 7 hereof, the City shall be responsible under any circumstance whatsoever for the timely payment of the principal of or the interest on the Series 2021 Bonds on any interest payment date or maturity date with respect to the Series 2021 Bonds, including, but not limited to, the extent to which the Trustee has not received or no longer holds funds legally available to pay debt service sufficient to pay in full such principal or such interest on the Series 2021 Bonds as the same becomes due and payable. To the extent the Trustee no longer holds funds legally available to pay debt service from the Bond Fund (including the Surplus Account) and the Debt Service Reserve Fund (as each such term is defined in the Trust Indenture) sufficient to pay in full such principal or such interest on the Series 2021 Bonds and has received notice of such deficiency, the Trustee shall notify the City of such notice and the deficiency and the City shall be obligated to pay such deficiency to the Trustee no later than three (3) business days prior to the applicable interest payment date or maturity date.

Section 4. In the event the City receives a notification pursuant to Section 3 hereof, the City shall immediately take all necessary actions to pay such principal of and interest on the Series 2021 Bonds, including the adoption of an emergency appropriation or an emergency temporary appropriation and the funding of such appropriation in accordance with the requirements of the Local Budget Law constituting Chapter 169 of the Pamphlet Laws of 1960 of the State of New Jersey (*N.J.S.A. 40A:4-1 et seq.*) and the acts amendatory thereof and supplemental thereto, the levy of *ad valorem* taxes upon all of the taxable property within the City, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirements of such Guaranty. Notwithstanding the fact that the Authority is fully obligated to pay all principal and interest on the Series 2021 Bonds when due, the Authority shall determine in connection with the preparation of its annual budget if revenues, together with other available funds, for the ensuing fiscal year will be sufficient to meet its obligation to pay debt service charges during such fiscal year. If, after the adoption by the Borrower of its budget for its fiscal year, a deficiency is expected to arise during the Authority's fiscal year, the Authority shall give written notice thereof to the City and the City shall include such amounts in its annual budget in order to provide funds to pay principal of and interest on the Series 2021 Bonds when due. The Authority also shall monitor the receipt of revenues during each fiscal year and immediately upon discovery of any expected deficiency of revenues shall notify in writing the City of such expected deficiency of revenues.

Section 5. The Authority immediately shall notify the City in writing of any loan payment or any default in the payment of any interest or principal on the Series 2021 Bonds or of the receipt of notice from the Trustee of its intent to declare the principal of or the interest on the Series 2021 Bonds due and payable pursuant to the Trust Indenture.

Section 8. No set-off, counterclaim, reduction or diminution of an obligation or any defense of any kind or nature (other than performance by the City of its obligations hereunder) that the City has or may have against the Authority, the Borrower, the Trustee or any holder of the Series 2021 Bonds shall be available under this Guaranty Agreement to the City against the Authority, the Trustee or any Bondholder or anyone succeeding to the Authority's interest. Notwithstanding the preceding sentence, the City is not precluded from asserting any claims or defenses against the Borrower.

Section 9. The City further guarantees that all payments made with respect to any liabilities hereby guaranteed will, when made, be final, and it agrees that if such payments are recovered from or repaid by or on behalf of the Authority, the Trustee or the holders of the Series 2021 Bonds, in whole or in part, in any bankruptcy, insolvency or similar proceeding instituted by or against the Authority or the Borrower, the Guaranty shall continue to be fully applicable to such liabilities to the same extent as though the payment so recovered or repaid had never been originally made on such liabilities. The guaranty hereunder is a guaranty of payment and not of collection.

Section 10. In the event of a default in the payment of principal of or the interest on the Series 2021 Bonds, the Authority or any party to whom the Authority's rights have been assigned may proceed to enforce its rights first and directly against the City under this Guaranty Agreement without proceeding against or exhausting any other remedies that it may have and without resorting to any other security held by or available to the Authority or the Trustee. In any such event, the City shall be subrogated to the rights of such party with respect to such security. The City acknowledges it has no benefit or rights to the municipal bond insurance policy ("Bond Insurance Policy") issued by Assured Guaranty Municipal Corp. ("Assured Guaranty") with respect the Series 2021 Bonds.

Section 11. This agreement may be executed in any number of counterparts, each of which shall be executed by the Authority, the Trustee and by the City and all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same.

Section 12. The Authority hereby irrevocably assigns its rights to this Guaranty Agreement to the Trustee for the benefit of the holders from time to time of the Series 2021 Bonds, and the City and the Trustee hereby consent hereto. The City and the Trustee hereby further consent to the irrevocable assignment by the Authority of its rights under this Guaranty Agreement to the Trustee pursuant to the Trust Indenture.

Section 13. The construction and interpretation of this Guaranty Agreement shall be governed by the laws of the State of New Jersey.

Section 14. This Guaranty Agreement is being executed and delivered by the City, the Authority and the Trustee in consideration of and in order to induce potential investors to purchase the Series 2021 Bonds and to induce Assured Guaranty to issue the Bond Insurance Policy. Accordingly, the holders from time to time of the Series 2021 Bonds, and Assured Guaranty as bond insurer, shall be third-party beneficiaries of this Guaranty Agreement.

IN WITNESS WHEREOF, the Authority, the Trustee and the City have caused their respective seals to be hereunto affixed and attested, these presents to be signed by their respective officers thereunto duly authorized and this agreement to be dated as of the date and the year first above written.

THE SALEM COUNTY IMPROVEMENT
AUTHORITY

ATTEST:

By: _____
BARRY DAVIS, Secretary

By: _____
CORDY TAYLOR, Chairperson

CITY OF SALEM, NEW JERSEY

ATTEST:

By: _____
BEN ANGELI, City Clerk

By: _____
CHARLES WASHINGTON JR.,
Mayor

FULTON BANK, NATIONAL ASSOCIATION

ATTEST:

By: _____

By: _____
STUART W. JUPPENLATZ, Vice President

APPENDIX E

Copy of Executed State Lease and Authority Lease with Form of Authority Lease Amendment

STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

LEASE FOR REAL PROPERTY

Date of Execution of Lease: 6/18/07

Lease No. 4537

THIS LEASE is made and entered into this date by and between **Stand Up for Salem** whose address is **181 East Broadway, Salem, New Jersey** (hereinafter referred to as the "Lessor"), and the State of New Jersey (hereinafter referred to as the "State"), by the Director, Division of Property Management and Construction, (hereinafter referred to as "DPMC").

WHEREAS, the State's requirement for real estate being fulfilled through this lease was publicly advertised in accordance with N.J.A.C 17:11-5.1; and

WHEREAS, the Lessor is the Owner of certain real property located at **195 East Broadway, Salem, New Jersey 08079**, which it would like to lease to the State of New Jersey; and

WHEREAS, the State of New Jersey would like to lease from the Lessor the certain real property identified above and fully described hereon; and

WHEREAS, the parties hereto have negotiated and reached a sufficient verbal agreement upon the provisions, covenants, terms, and conditions necessary to enter into a lease of real property and wish to memorialize said agreement in writing.

WHEREAS, the DPMC recommended to the New Jersey Space Utilization Committee the Lessor's proposal as the most cost effective proposed lease agreement which will best serve the interests of the State; and

WHEREAS, the New Jersey Space Utilization Committee approved in writing the proposed lease agreement between the State and the Lessor at its meeting held on December 8, 2005.

NOW THEREFORE, the parties hereto, for and in consideration of \$1.00, the exchange and receipt of which is hereby acknowledged, hereby covenant and agree as follows:

§ 1. Parties

§§ 1.1. **THIS LEASE** is made and entered into this date by and between **Stand Up For Salem** whose address is **181 East Broadway, Salem, New Jersey 08079**, and whose interest in the property hereinafter described is that of Owner (hereinafter referred to as the "Lessor"),

and

§§ 1.2. The State of New Jersey (hereinafter referred to as the "State"), by the Director, Division of Property Management and Construction (hereinafter referred to as "DPMC"). The parties hereby covenant and agree as follows:

§ 2. Demised Premises

§§ 2.1. The Lessor hereby demises and leases to the State and the State hires and takes from the Lessor an amount of space not to exceed 39,000 total square feet of office space, as measured by the Lessor in accordance with State Standard Specifications for Rented Premises, attached hereto, incorporated herein and made a part of this Lease (hereinafter referred to as "Schedule B").

§§ 2.2. The Demised Premises consist of five (5) floors including a partial use of the first floor in a 5 floor Building (plus a basement) commonly known as the Finlaw Building, 195 East Broadway, Salem, New Jersey 08079, and legally described as Block 61, Lots 4,5,7 and 8 and Block 61, Lots 23,24,25,26 and 28 (parking garage) in the City of Salem , County of Salem, New Jersey (hereinafter referred to as the "Demised Premises"), to be used initially for State purposes by the Department of Treasury, Public Defender, the Department of Community Affairs, Rental Assistance, the Department of Transportation, Motor Vehicles Commission, the Department of Human Services, Division of Youth and Family Services and the Division of Developmental Disabilities, or by such other agency or agencies of State government as may be determined by the State.

§§ 2.3. Prior to occupancy by the State, or thereafter, the Lessor and DPMC hereby agree to perform a final measurement of the Demised Premises based on the measurement standards specified in Schedule B. The parties hereby agree that in no event shall the square footage of said final measurement exceed the total square footage referenced above. In the event the final measurement is less than 39,000 square feet, the parties hereby agree to execute a Clarification of Lease Terms, which shall thereafter become part of this Lease, to verify the actual reduced square feet of space, the annual rental payment, and the monthly rental payment based on the actual reduced square feet of space.

§ 3. Notices

§§ 3.1. Any notices, demands, and communications hereunder shall be sent by certified and regular mail, or by overnight and regular mail. Any notices given hereunder by any of the above-mentioned methods shall be deemed delivered when deposited in a United States general or branch post office, or with an overnight mail delivery service, addressed as provided below.

§§ 3.2. Unless such other address is requested by the Lessor in writing, if intended for the Lessor, said notices, demands, and communications shall be addressed to:

David Puma c/o Telsey and Puma

Lease No. 4537
195 East Broadway, Salem

170 W. Broadway
Salem, NJ 08079

Telephone: (856) 935-2244
Fax No.: (856) 935-5628

Copy to:

Jack Kugler, Director, Project Development c/o Stand Up for Salem
181 E. Broadway
PO Box 453
Salem, NJ 08079

Telephone: (856) 935- 8800
Fax No.: (856) 935-4070

§§ 3.3. If intended for the Mortgagee, and unless some other address is requested by the Mortgagee in writing, said notices, demands, and communications shall be addressed to:

None

§§ 3.4. If intended for the State, said notices, demands, and communications shall be addressed to the following address and to such other officials as the State may request in writing:

Director, Division of Property Management and Construction
33 West State Street, 9th Floor
P O Box 034
Trenton, NJ 08625-0034

Telephone: (609) 292-2143
Fax No.: (609) 984-8495

§ 4. Legal service of process

Pursuant to the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq., or the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq., legal service of process to be made upon the State shall be made to the Attorney General, Division of Law, Claims Service Section, Richard J. Hughes Justice Complex, 25 Market Street, PO Box 112, Trenton, NJ 08625-0112. A copy of documents served pursuant to this section shall be provided simultaneously to DPMC at the address indicated above.

§ 5. Attached Schedules

All of the terms, covenants and conditions of the following schedules are attached to this Lease and incorporated herein by reference and shall be deemed a part of this Lease as though fully set

Lease No. 4537
195 East Broadway, Salem

forth in the body of this Lease:

§§ 5.1. Schedule A	Tenant Rules and Regulations
§§ 5.2. Schedule B	State Standard Specifications for Rented Premises for State Departments and Agencies
§§ 5.3. Schedule C	Construction Documents
§§ 5.4. Schedule D	Disclosure Statement
§§ 5.5. Schedule E	Payee Identification Form
§§ 5.6. Schedule F	Lessor Affirmative Action Affidavit (AA302)
§§ 5.7. Schedule G	Janitorial Requirements
§§ 5.8. Schedule H	Definitions
§§ 5.9. Schedule I	Operating Expenses - Inclusions and Exclusions
§§ 5.10. Schedule J	Tenant Allowance (Intentionally omitted)
§§ 5.11. Schedule K	Contractor Certification; Disclosure of Political Contributions (Intentionally Omitted)
§§ 5.12. Schedule L	Approved Construction Schedule
§§ 5.13. Schedule M	State Standard SNDA
§§ 5.14. Exhibit A	Floor Plans

§ 6. Term

§§ 6.1. The State shall have and hold the Demised Premises with their appurtenances for a term beginning on the Commencement Date of the Lease Term (hereinafter defined in Schedule H) for a term of twenty (20) years, until the Expiration Date of the Lease Term (hereinafter defined in Schedule H), unless sooner terminated as hereinafter provided.

§§ 6.2. In the event the Rental Commencement Date (hereinafter defined in Schedule H) occurs in advance of the Commencement Date of the Lease Term, the State agrees to pay rent on a per diem rate (hereinafter referred to as the "Per Diem Rent") based on the number of days in the subject calendar year in accordance with the annual rent as established in Section 7 of this Lease.

§§ 6.3. The Lessor hereby agrees to be solely responsible for obtaining any required Temporary Certificates of Occupancy (hereinafter referred to as a "TCO"), Certificates of Occupancy (hereinafter referred to as a "CO") and other approvals as required by the New Jersey Uniform Construction Code, N.J.A.C. 5:23-1 and 5:23A et seq. as amended and supplemented (hereinafter referred to as the "NJUCC"), and local authorities. Upon completion of construction, the Lessor shall submit a copy of the TCO and/or CO to DPMC.

§§ 6.4. The parties hereby agree that all provisions, covenants, terms, and conditions of the Lease shall commence upon the Rental Commencement Date excepting the provision for the Commencement Date of the Lease Term.

§§ 6.5. The parties hereby agree that the Contract Interval (hereinafter defined in Schedule H) of this Lease shall begin as of the date of execution by the last party signing it, and shall terminate upon the Rental Commencement Date, at which time, the Lease shall become a leasehold estate. Notwithstanding the preceding sentence, the parties hereby agree that the term of the Lease shall

commence on the Commencement Date of the Lease Term. During the Contractual Interval, the Lessor hereby gives permission to the State to enter the Demised Premises for purposes consistent with the State's anticipated occupancy for the purpose of doing business. Such right of entry will serve to provide the State and its agents with sufficient opportunity to inspect the Demised Premises, make plans for occupancy for the purpose of doing business, or monitor the construction being performed by Lessor pursuant to this Lease.

§§ 6.6. The parties hereby agree to execute a written Clarification of Lease Terms to certify the Commencement and Expiration dates of the Lease Term, the Execution Date of the Lease, the Rental Commencement Date, and any other dates or changes that are required to be established for the purposes of this Lease.

§ 7. Rent

§§ 7.1. Pursuant to N.J.S.A. 52:18A-78.22, the State's incurrence of any liabilities pursuant to this lease agreement, including without limitation, the payment of any and all rental payments or other amounts required to be paid by the State hereunder, is subject to and dependent upon appropriations being made from time to time by the State Legislature for that purpose and upon the approval of this lease by the State Leasing and Space Utilization Committee.

§§ 7.2. The State shall pay the Lessor annual rent of \$780,000 (Years 1-5), \$858,000 (Years 6-15) and \$936,000 (Years 16-20) respectively (hereinafter referred to as the "Rent for the Lease Term"), payable in equal monthly payments of \$65,000 (Years 1-5), \$71,500 (Years 6-15) and \$78,000 (Years 16-20) respectively on the first day of each and every month during the Lease Term in the manner provided by the laws of the State of New Jersey governing the disbursement of public funds. Said annual rental is based on the rate of \$20.00 (Years 1-5), \$22.00 (Years 6-15) and \$24.00 (Years 16-20) per square foot respectively for an amount of space not to exceed 39,000 square feet.

§ 8. Per Diem Rent

§§ 8.1. In the event the State takes occupancy prior to the lease commencement date, rent shall be paid on the per diem rate based on the number of days in the subject calendar year in accordance with the annual rent as established in Section 7, commencing with issuance of a Temporary Certificate of Occupancy, Certificate of Occupancy, or other like document required by local authorities to allow for occupancy of the premises and written acceptance of the premises by the State.

§§ 8.2. All terms, conditions, and provisions of this lease, except for those pertaining to the term of the lease will apply as of issuance of a Temporary Certificate of Occupancy, Certificate of Occupancy, or other like document required by local authorities to allow for occupancy of the premises and written acceptance of the premises by the State.

§ 9. Codes and Policies

Lease No. 4537
195 East Broadway, Salem

§§ 9.1. The Lessor hereby warrants that all construction work during the lease term that is or will be undertaken in connection with this Lease, or that is or will be located at or associated with the use of the Demised Premises, shall comply with the applicable requirements of the NJUCC as of the Commencement Date of the Lease Term. The Lessor is and shall be solely responsible for obtaining permits, requesting inspections, and obtaining such certificates of occupancy or approval as the NJUCC requires or shall require.

§§ 9.2. The Lessor hereby warrants that the Demised Premises during the lease term, and any construction or alteration work shall conform to the minimum requirements of all applicable Municipal, Federal, State, and local laws, regulations, rules, ordinances, codes, and policies effective during the Lease Term, including but not limited to the New Jersey Uniform Fire Code, N.J.A.C. 5:70 and 71, New Jersey PEOSHA, N.J.S.A. 34:6A-25 et seq., and N.J.A.C. 12:100 and 110, as amended and supplemented; the Governor's Asbestos Control Policy, and N.J.S.A. 19:44A-20.13-20.25 (formerly known as Governor McGreevey's Executive Order No.134 (2004)), and all regulations and guidelines implementing the Americans with Disabilities Act.

§§ 9.3. Notwithstanding the above, during the Lease Term, in all cases where the Lessor is required to maintain the Demised Premises in accordance with the requirements of Schedule B and those requirements exceed the minimum requirements of all applicable Municipal, Federal, State, and local laws, regulations, rules, ordinances, codes, and policies effective during the State's possession of the Demised Premises under this Lease, Schedule B shall prevail.

§ 10. Option(s) to Renew

(Intentionally Omitted)

§ 11. Lease Cancellation Option

(Intentionally Omitted)

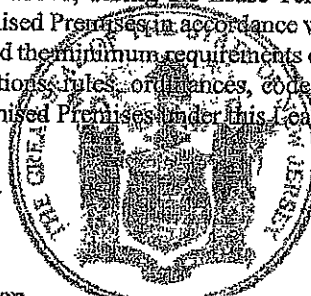
§ 12. Tenancy after Expiration of the original Lease Term

§§ 12.1. In the event the State remains in possession of the Demised Premises after expiration of the original Lease Term or any renewal term, the State's possession of the Demised Premises shall be deemed a month-to-month tenancy pursuant to N.J.S.A. 46:8-10 at the rental rate applicable to the last month prior to expiration of the term, with all the other rights and privileges, and under all the other provisions, covenants, terms, and conditions provided herein or as modified in writing and signed by the parties during the Lease Term or any renewal term, except those pertaining to the Lease Term.

§§ 12.2. It is acknowledged by the parties that any increases in rent beyond the expiration of the Lease Term are subject to statutory approval pursuant to N.J.S.A. 52:18A-191.1 et seq. and any other laws as may be in effect at the time.

§ 13. Warranty of Title

Lease No. 4537
195 East Broadway, Salem



The Lessor warrants that as of the date of execution of this Lease by the Lessor:

§§ 13.1. the Lessor is the owner of the Demised Premises; and

§§ 13.2. that on the date of delivery to the State, the Lessor shall have good and sufficient title to the Demised Premises; and

§§ 13.3. the Demised Premises shall be free and clear of all liens and encumbrances that would have priority over this Lease except for any mortgages granted to secure repayment of loans used to acquire, develop, construct, furnish, or operate the Demised Premises and as may otherwise be herein expressly set forth.

§ 14. Proposed Transfer of Title

§§ 14.1. In the event title to the Demised Premises may be transferred from Lessor to any third party, or Lessor seeks to assign its rights under this lease to any third party, Lessor shall provide written notice of such anticipated transfer to the State no later than 120 days prior to the date of such transfer. The Lessor is required to submit to the State for its review in evaluating, any and all requests for transfer (including any sale, conveyance or assignment), and a completed disclosure statement in a form prescribed by DPMC for the third party.

§§ 14.2. In the event the State receives notice from the Lessor of a proposed transfer or assignment of rights under the lease from Lessor to any third party, and the State determines the proposed transferee, or principals thereof, is or known a moral or financial disrepute or is a party suspended or debarred from doing business with the State of New Jersey, the State agrees to give the Lessor thirty (30) days notice to effect a cure to the full satisfaction of the State. In the event the Lessor fails to effect said cure, the State may immediately thereafter terminate the lease without liability and without Lessor being afforded any further opportunity to cure.

§ 15. Disclosure by Lessor

§§ 15.1. No later than thirty (30) days after the anniversary date of the Commencement Date of the Lease Term and on an annual basis thereafter, Lessor agrees to provide an updated and completed disclosure statement in a form prescribed by DPMC (hereinafter referred to as "Schedule D") and which shall, each year thereafter, be incorporated by reference into the Lease as Schedule D.

§§ 15.2. Upon the occurrence of any change in ownership of or interest in the Building of which the Demised Premises are a part, including but not limited to the Mortgagee's (if any) interest in the Building, the Lessor shall provide the State a new disclosure statement. Such disclosure statement shall be filed within thirty (30) days of any change in ownership or interest in the Building. Should Lessor fail to provide such disclosure statement, the State agrees to give the Lessor thirty (30) days notice to effect a cure to the full satisfaction of the State. In the event the Lessor fails to effect said cure, the State may immediately thereafter terminate the Lease without

liability and without Lessor being afforded any further opportunity to cure.

§§ 15.3. In the event the State receives notice from the Lessor of a change in ownership or interest, and the State determines that the change in ownership or interest, requires the State to continue to do business with the principals of an ownership or interest who is of known moral or financial disrepute or is a party suspended or debarred from doing business with the State of New Jersey, the State agrees to give the Lessor thirty (30) days notice to effect a cure to the full satisfaction of the State. In the event the Lessor fails to effect said cure, the State may immediately thereafter terminate the Lease without liability and without Lessor being afforded any further opportunity to cure.

§ 16. Certificate as to Taxes

The Lessor shall pay all taxes on a timely basis, and in conjunction with this provision. The Lessor agrees to provide, on an annual basis, a certificate certifying that payments are current for the taxes, assessments or other municipal liens or charges, levied or assessed against the property wherein the Demised Premises is contained in accordance with the provisions of Tax Sale Law, N.J.S.A. 54:5-1 et seq.

§ 17. Subordination of Mortgage Agreement

§§ 17.1. The State and the Lessor hereby agree that the Lease and all of the provisions, covenants, terms, and conditions thereof and all of the State's right, title, and interest under the Lease are and shall be subject and subordinate to:

§§§ 17.1.1. the lien of any first Mortgage now against said Demised Premises or which may hereinafter be placed against the Demised Premises, insofar as it affects the real property of which the Demised Premises form a part, and

§§§ 17.1.2. to all renewals, modifications, consolidation, replacements and extensions thereof, to the full extent of the principal sum secured thereby and interest thereon.

§§ 17.2. This subordination is subject to the provision that the proceeds of any insurance on the real property of which the Demised Premises form a part, payable by reason of fire or other casualty so insured, may be applied first, in payment of the cost of restoring the Demised Premises after such injury before any part of the proceeds or award may be applied on account of any part of the mortgage debt.

§ 18. Attornment of Mortgage Agreement

The Lessor has represented that at the time of execution of this Lease, there is no mortgage placed on the Demised Premises. In the event a mortgage is placed on the Demised Premises, the parties agree to execute the State's standard Subordination, Non-Disturbance and Attornment Agreement provided herein as Schedule M.

§ 19. Non-disturbance by Mortgagee

The Lessor has represented that at the time of execution of this Lease, there is no mortgage placed on the Demised Premises. In the event a mortgage is placed on the Demised Premises, the parties agree to execute the State's standard Subordination, Non-Disturbance and Attornment Agreement provided herein as Schedule M.

§ 20. Conflict of Interest and Brokers' Fees

§§ 20.1. The Lessor hereby warrants that the provisions of N.J.S.A. 52:34-15 and 52:34-19 have been complied with in that no person or selling agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except bona fide brokers who have a license to conduct business in the State of New Jersey, employed by the Lessor for the purpose of negotiating this Lease.

§§ 20.2. The Lessor hereby agrees to abide by the prohibitions contained in this section on activities between the Lessor and any State officer or employee. Any violation of these prohibitions shall render the Lessor liable to debarment in the public interest, pursuant to the procedures established by Executive Order No. 34 (1976), Executive Order No. 189 (1988), and N.J.A.C. 17:19-3, as amended and supplemented.

§§ 20.3. The Lessor hereby warrants that it has not paid, and shall not pay, offer to pay, or agree to pay, either directly or indirectly, any fee, commission, compensation, gift, gratuity, or other thing of value of any kind to any State officer or employee or special State officer or employee, as defined by N.J.S.A. 52:13D-13b, and to any member of the Department of the Treasury or any other agency with which such vendor transacts or offers or proposes to transact business, or to any member of the immediate family, as defined by N.J.S.A. 52:13D-13f, of any such officer or employee, or any partnership, firm, or corporation with which they are employed or associated, or in which such officer or employee has an interest within the meaning of N.J.S.A. 52:13D-13g.

§§ 20.4. The Lessor hereby warrants that the solicitation of any fee, commission, compensation, gift, gratuity or other thing of value by any State officer or employee or special State officer or employee from any State vendor shall be reported in writing forthwith by the Lessor to the Attorney General and the Executive Commission on Ethical Standards.

§§ 20.5. The Lessor hereby warrants that it shall not undertake directly or indirectly any private business, commercial or entrepreneurial relationship with, whether or not pursuant to employment, contract or other agreement, expressed or implied, or sell any interest in such vendor to, any State officer or employee or special State officer or employee having any duties or responsibilities in connection with the purchase, acquisition or sale of any property or services by or to any State agency or any instrumentality thereof, or with any person, firm or entity with which he or she is employed or associated or in which he or she has an interest within the meaning of N.J.S.A. 52:13D-13g. The Lessor hereby warrants that any relationships subject to this provision shall be reported in writing forthwith to the Executive Commission on Ethical Standards, which may grant a waiver of this restriction upon application of the State officer or

employee or special State officer or employee upon a finding that the present or proposed relationship does not present the potential, actuality or appearance of a conflict of interest.

§§ 20.6. The Lessor hereby warrants that it shall not influence, or attempt to influence or cause to be influenced, any State officer or employee or special State officer or employee in his or her official capacity in any manner which might tend to impair the objectivity or independence of judgment of said officer or employee.

§§ 20.7. The Lessor hereby warrants that Schedule D annexed and attached hereto is a full and complete disclosure of the names and business addresses of any and all persons or agencies employed or retained, directly or indirectly, to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage or contingent fee of any kind, and the Lessor further warrants that it has provided, in advance of the execution of this Lease, a true and complete copy of any such agreement or understanding to the State.

§§ 20.8. The parties hereby agree that, in the event of a breach or violation of the warranties contained in this paragraph, the State shall have the right to annul this Lease without liability or in its discretion to deduct from the rent or consideration provided herein the full amount of such commission, percentage, brokerage or contingent fee.

§ 21. Compliance with Affirmative Action and Anti-Discrimination Laws

§§ 21.1. The parties of this Lease do hereby agree that the provisions of N.J.A.C. 17:27, as amended and supplemented, prohibiting discrimination in employment or public contracts, are hereby incorporated into and made a part of this Lease and are binding upon them.

§§ 21.2. The Lessor agrees to comply and to require its contractors and subcontractors to comply with all provisions of the following: The Lessor or its contractors and subcontractors, where applicable, shall not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. The Lessor or its contractors and subcontractors shall take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

§§ 21.3. The Lessor or its contractors and subcontractors agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Public Agency Compliance Officer setting forth provisions of this nondiscrimination clause. The Lessor or its contractors and subcontractors, where applicable, shall state, in all solicitations or advertisements for employees placed by or on behalf of the contractors and subcontractors, that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. The

Lessor or its contractors and subcontractors, where applicable, shall send to each labor union or representative or workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's or subcontractor's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Lessor or its contractors and subcontractors, where applicable, agrees to comply with P.L. 1975, c.127, as amended and supplemented, the rules promulgated by the Treasurer pursuant thereto, including N.J.A.C. 17:27, as amended and supplemented, and the Americans with Disabilities Act.

§§ 21.4. The Lessor or its contractors and subcontractors agrees to attempt in good faith to employ minority and female workers consistent with the applicable county employment goals prescribed by N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, c.127, as amended and supplemented from time to time, or in accordance with a binding determination of the applicable county employment goals determined by the Affirmative Action Office pursuant to N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, c.127, as amended and supplemented from time to time. The Lessor or its contractors and subcontractors agrees to inform in writing appropriate recruitment agencies in the area, including employment agencies, placement bureaus, colleges, universities, and labor unions, that it does not discriminate on the basis of age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and that it shall discipline the use of any recruitment agency which engages in direct or indirect discriminatory practices.

§§ 21.5. The Lessor or its contractors and subcontractors agrees to revise any of its testing procedures, if necessary, to assure that all personnel testing conforms to the principles of job-related testing, as established by Federal and New Jersey law. The Lessor or its contractors and subcontractors agrees to review all procedures relating to transfer, upgrading, downgrading and layoff to ensure that all such actions are taken without regard to age, creed, color, national origin, ancestry, marital status, sex, or affectional or sexual orientation, and conform with the applicable employment goals, consistent with Federal and New Jersey law.

§§ 21.6. The Lessor or its contractors and subcontractors shall furnish such reports or other documents to the Affirmative Action Office as may be requested by the office from time to time in order to carry out the purposes of this provision and applicable law. Public agencies shall furnish such information as the Affirmative Action Office may request for conducting a compliance investigation pursuant N.J.A.C. 17:27-10.

§§ 21.7. In the event of a breach or violation of the warranties contained in this section by the Lessor, the State shall have the right to cancel this Lease without liability.

§§ 21.8. In the event of a breach or violation of the warranties contained in this section by the Lessor's contractors or subcontractors, the Lessor agrees to provide proof that the violation has been abated to the satisfaction of the agency enforcing said violation (hereinafter referred to as the "Enforcing Agency"). In the event the Lessor fails to provide said proof of the abatement of the violation within thirty (30) days of notice of said violation, the State shall have the right to

terminate this Lease without further liability.

§ 22. Equal Opportunity for Individuals with Disabilities

§§ 22.1. The Lessor and the State do hereby agree that the provisions of Title II of the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 *et seq.*, which prohibits discrimination on the basis of disability by public entities in all services, programs, and activities provided or made available by public entities, and the rules and regulations promulgated pursuant thereto (hereinafter referred to collectively as the ADA), are incorporated into and made a part of this Lease.

§§ 22.2. In providing any aid, benefit, or service on behalf of the State pursuant to this Lease, the Lessor agrees that the performance shall be in strict compliance with the ADA on the Commencement Date of the Lease Term.

§§ 22.3. In the event that the Lessor, its agents, servants, employees or subcontractors violate or are alleged to have violated the ADA during the performance of this Lease, the Lessor shall defend the State in any action or administrative proceeding commenced pursuant to the ADA. The Lessor shall indemnify, protect, and save harmless the State, its agents, servants, and employees from and against any and all suits, claims, losses, demands, or damages of whatever kind or nature arising out of or claimed to arise out of the alleged violation. The Lessor, at its own expense, shall appear, defend, and pay any and all charges for legal services and any and all costs and other expenses arising from such action or administrative proceeding or incurred in connection therewith. In any and all complaints brought pursuant to the State's grievance procedure, the Lessor agrees to abide by any decision of the State rendered pursuant to said grievance procedure. If any action or administrative proceeding results in an award of damages against the State or if the State incurs any expense to cure a violation of the ADA which has been brought pursuant to its grievance procedure, the Lessor shall satisfy and discharge the same at its own expense.

§§ 22.4. As soon as practicable after the making of a claim against the State, the State shall give written notice thereof to the Lessor along with full and complete particulars of the claim. If any action or administrative proceeding is brought against the State or any of its agents, servants, and employees, the State shall expeditiously forward or have forwarded to the Lessor every demand, complaint, notice, summons, pleading or other process received by the State or its representatives.

§§ 22.5. It is expressly agreed and understood that any approval by the State of the services provided by the Lessor pursuant to this Lease shall not relieve the Lessor of the obligation to comply with the ADA and to defend, indemnify, protect, and save harmless the State pursuant to this section.

§§ 22.6. It is expressly agreed and understood that the State assumes no obligation to indemnify or save harmless the Lessor, its agents, servants, employees and subcontractors, for any claim which may arise out of their performance of this Lease. Moreover, the Lessor expressly

understands and agrees that this section shall not limit the Lessor's obligation under this Lease, shall not be construed to relieve the Lessor from any liability, and shall not preclude the State from taking any other actions available to it under this Lease or at law.

§§ 22.7. It is expressly understood that any claims against the State, its employees, etc., arising out of the use of the Demised Premises or the actions of State employees while performing their duties on behalf of the State shall be made to the Attorney General, Division of Law, Claims Service Section, Richard J. Hughes Justice Complex, 25 Market Street, PO Box 112, Trenton, NJ 08625-0112.

§ 23. Prevailing Wage

§§ 23.1. The Lessor and the State hereby agree that the New Jersey Prevailing Wage Act ("NJPWA"), N.J.S.A. 34:11-56.26 et seq., and the Public Works Contractor Registration Act ("PWCRA"), N.J.S.A. 34:11-56.48 et seq., are incorporated and made a part of every contract entered into on behalf of the State of New Jersey through the DPMC.

§§ 23.2. The Lessor's signature on this Lease is a guarantee that neither the Lessor nor any contractors or subcontractors the Lessor may employ to perform work required under this Lease has been suspended or debarred by the Commissioner, Department of Labor for violation of the NJPWA or the Public Works Contractor Registration Act. In the event of a breach or violation of the warranties contained in this paragraph, the State shall have the right to cancel this Lease without liability.

§ 24. Lessor's Right of Entry

The Lessor, its employees and agents shall have the right to enter the Demised Premises for the purpose of examining and inspecting same, allowing to prospective purchasers or mortgagees, provided that reasonable prior notice, emergencies excepted, is provided to the State and the State shall have the right to monitor said inspection or participate in said inspection.

§ 25. The Lessor's Obligations

§§ 25.1. During the Lease Term, the Lessor shall provide and maintain in a constant state of repair the roof, windows, doors, floor, floor coverings, stairways, hallways, entrances and exits and all facilities and equipment within the Demised Premises and the common areas, including such exterior repairs or interior repairs to the common areas, whether structural or otherwise, as may be required to maintain the Demised Premises in substantially the same condition as exists on the Commencement Date of the Lease Term and in such condition so that it may be occupied by the State for the purpose of conducting business and for the safety and preservation of the Building and Demised Premises, including the maintenance and repair of any or all of same associated with elective renovations performed during the course of the State's tenancy unless otherwise agreed to in writing with the DPMC. Reimbursement by the State for the cost of all such maintenance and repair shall be governed by the escalation provisions of this Lease.

§§ 25.2. The parties hereby agree that the Lessor is obligated to maintain the Demised Premises in conformance with all requirements and specifications of any public body or authority having jurisdiction over the same during the Lease Term. The Lessor further agrees to maintain the Demised Premises in compliance with the State of New Jersey Standard Specifications for Rented Premises for State Departments and Agencies (unless otherwise specified herein or otherwise agreed to in writing), as well as all governmental building codes and regulations. The cost of all such compliance shall not be reimbursable as an escalated operating expense.

§§ 25.3. The Lessor hereby agrees to ensure, at its own cost and expense, that during the Lease Term, the Demised Premises are accessible to the disabled in accordance with the ADA. The removal of architectural and communications barriers and alternations for this purpose shall be made through compliance with the ADA. A barrier free building may include, but is not limited to, exterior curb cuts, entrance ramps and accessible elevator controls, bathrooms, telephones and drinking fountains. The cost of such compliance shall not be reimbursable as an escalated operating expense.

§§ 25.4. The Lessor shall ensure, at its own cost and expense, that during the Lease Term, all hardware and software products, individually and in combination, which are used to supply services to the State by the Lessor under this Lease are designed to be not time/date sensitive. The cost of such compliance shall not be reimbursable as an escalated operating expense.

§§ 25.5. Pursuant to N.J.S.A. 19:44A-20, 19:44A-21, 19:44A-22, 19:44A-23, 19:44A-24, 19:44A-25 (formerly known as Governor McGreevey's Executive Order No. 134 (2007)) if the Lessor fits within the definition of a business entity (as hereinafter defined in Schedule H) it is required, on a continuing basis, to report any contributions (as hereinafter defined in Schedule H) made during the term of this Lease, and any extension(s) thereof, at the time the contribution is made. If the Lessor has a reporting obligation pursuant to the foregoing, it is to complete and submit to DPMC, Schedule K of this Lease. A separate Schedule K is required for each person or organization defined as a business entity.

§ 26. Provision of Facilities and Maintenance of Equipment

§§ 26.1. During the Lease Term, the Lessor agrees that it shall provide the following facilities and shall maintain all equipment necessary to meet the requirements more specifically described in Schedules B and G.

- Facilities for hot and cold potable running water;
- Electric current for lighting, including all necessary replacement of fluorescent tubes, starters, incandescent bulbs and ballasts for lighting;
- Separate toilet and lavatory accommodations for men and women;
- Facilities for transmitting electric current for operation of the State's standard office machines; and
- Heat and air conditioning equipment for the Demised Premises in accordance with the specifications in Schedule B.

§§ 26.2. The State hereby agrees that the cost and expense of the maintenance of the facilities

described in this section of the Lease shall be reimbursable by the State in accordance with the escalation provisions of this Lease.

§§ 26.3. With respect to any of the facilities and/or equipment provided by the Lessor pursuant to this section of this Lease after the Rental Commencement Date, if the DPMC finds the Lessor's cost excessive, or is unable to reach an agreement, the State shall be entitled to engage its own provider or contractor to provide the facility or equipment upon thirty (30) days prior written notice to the Lessor and the State shall be entitled to reduce the rent payable to the Lessor by the amount of the State's cost for such facility or equipment.

§ 27. Services Provided and Paid For by the Lessor directly to the Service Provider

§§ 27.1. During the Lease Term, the Lessor agrees to pay directly to the service provider for the following:

- All necessary snow plowing and snow removal services;
- Recycling removal;
- Trash removal;
- Landscaping and lawn maintenance services to meet the requirements more specifically described in Schedules B and G;
- Pest Control Services as required by the State with a contractor utilizing an Integrated Pest Management (IPM) Program;
- All necessary janitorial and porter services more specifically described in Schedules B and G, including the furnishing of all necessary soap, toilet tissue and paper towels (or electric hand dryers);
- Common Area electric, heating and cooling, and
- Water and Sewer.

§§ 27.2. The cost and expense of said facilities and their maintenance shall be reimbursable by the State in accordance with the escalation provisions of this Lease.

§§ 27.3. In the event that, with respect to, any of the facilities and/or equipment provided by the Lessor, DPMC finds the Lessor's cost excessive, or is unable to reach an agreement, the State shall then be entitled to have the right to engage its own provider or contractor to provide the facility or equipment upon thirty (30) days prior written notice to the Lessor and the State shall be entitled to reduce the rent payable to the Lessor by the base year costs for that item and reduce the base year costs by the same amount.

§ 28. Services Paid For by the State Directly to Service Provider

§§ 28.1. During the Lease Term, the State hereby agrees to pay for the following services for the Demised Premises directly to the service provider:

- Electricity; and
- Gas.

§§ 28.2. In the event that any utility or service is not separately metered for said service, then in the alternative, the State shall reimburse the Lessor directly as required upon submission of all documentation as requested by the State.

§ 29. Interruption of Tenancy

§§ 29.1. It is agreed by and between the parties that in the event the Demised Premises, or the Building of which the Demised Premises are a part, shall be destroyed or so damaged in part or in whole by fire or other elements, or by any other cause, to an extent which in the reasonable opinion of the State shall render the Demised Premises untenable or unfit for occupancy for the purpose of doing business, the State shall pay the accrued rent to the time of such destruction, as aforesaid, and not thereafter, and this agreement shall, at the option of the State, terminate and be of no further effect. The State shall have no other liability to the Lessor beyond the payment of rent due to the date of destruction.

§§ 29.2. If, however, the State's occupancy for the purpose of doing business of the Demised Premises is merely interrupted for an interim period due to destruction or damage or rendered untenable or unfit for occupancy for the purposes of conducting business and the damage or cause of unfitness is repaired or corrected, the obligation to pay rent shall resume as of the date of the State's resumed occupancy for the purpose of doing business.

§§ 29.3. If the Demised Premises shall be partially damaged or deemed unfit or untenable, in the reasonable opinion of the State, the damage or cause shall be repaired by the Lessor with all reasonable speed, and the rent for the period not usable by the State shall be apportioned and abated for the term beginning with the date the area is rendered damaged or unfit and ending when such damage or cause of unfitness shall have been repaired and such portions of the Demised Premises again made usable to the State.

§ 30. Recycling

Lessor shall be responsible for compliance with all State statutes and local governmental plans for recycling of materials. The State acknowledges that if source separation is required by statute and/or regulation, the State shall be responsible for said source separation.

§ 31. Condemnation

§§ 31.1. If the Demised Premises or the building or any material part of either shall be condemned for public use, then and in that event, upon vesting of title to the same for such public use, this Lease shall terminate at the State's sole discretion, anything herein contained to the contrary notwithstanding. The State shall have no right to any part of any condemnation award or award in lieu of condemnation relating to its leasehold estate or otherwise, except that the State shall have the right to prove and collect the value of the trade fixtures installed by it, including moving expenses. In the event of such termination of this Lease, all rent paid in advance shall be apportioned as of the date of such termination.

§§ 31.2. Notwithstanding the foregoing, if only a part of the Demised Premises shall be so taken and the part not so taken shall be appropriate and sufficient for the operation of the State's business as determined by the State in its reasonable discretion, the State shall retain the part not so taken and there shall be a proportional reduction in the rent.

§ 32. Repainting

§§ 32.1. The Lessor, at its own cost and expense, hereby agrees to repaint every thirty-six (36) months all painted surfaces within the Demised Premises in colors and finishes to be selected by DPMC in accordance with Schedule B. The Lessor is hereby obligated to bear the cost and expense of the painting, and all other associated costs, including but not limited to furniture movement, and such cost and expense shall not be reimbursable by the State under the escalation provisions of this Lease.

§§ 32.2. Should more frequent repainting be required as determined by the State, the Lessor hereby agrees to repaint when requested in writing by DPMC, the cost of which shall be the responsibility of the State.

§§ 32.3. All painting or repainting shall be performed on a schedule not to interfere with the normal working hours of the employees located at the Demised Premises.

§ 33. Re-carpeting

§§ 33.1. The Lessor, at its own cost and expense hereby agrees to re-carpet all high traffic areas, meeting and waiting areas within the Demised Premises one (1) time after the fifth year and one (1) time after the fifteenth year of the Commencement Date of the Lease Term. Immediately upon the completion of the tenth year following the Commencement Date of the Lease Term the State has the option, useable at its sole discretion and upon its written request to require the Lessor at the Lessor's own cost and expense to re-carpet the entire Demised Premises. Following the Commencement Date of the Lease Term the re-carpet option will renew every ten (10) years during the Lease Term and any renewals thereof. The cost and expense of carpeting, padding, if any, and installation shall not be reimbursable by the State under the escalation provisions of this Lease.

§§ 33.2. All replacement carpeting shall conform to the standards specified in Schedule B. It is understood that all carpet replacement shall be performed on a schedule not to interfere with the normal working hours of the employees located at the Demised Premises. The State shall be responsible for the costs of moving its personal property during any carpet replacement.

§§ 33.3. Should more frequent carpet replacement be required as determined by the State, the Lessor hereby agrees to re-carpet when requested in writing by DPMC, the cost of which shall be the responsibility of the State.

§ 34. Common Areas

§§ 34.1. The parties hereby agree that the common areas associated with the building of which the Demised Premises are a part, shall at all times be subject to the control and management of the Lessor. The Lessor shall have the right to establish, modify and enforce reasonable rules and regulations with respect to the common areas and to do and perform such other acts in and to said areas and improvements which, in the exercise of good business judgment, the Lessor shall determine to be advisable with a view to the improvement of the convenience and use thereof by the tenants, their officers, agents, employees, and customers.

§§ 34.2. The Lessor shall operate and maintain the common areas that may be provided pursuant to this Section in accordance with the attached Schedule G. The Lessor reserves the right to change, rearrange, alter, modify, reduce, or supplement any or all of the common areas so long as comparable facilities in common are made available to the State. The Lessor shall guarantee access to all common areas to the disabled through compliance with the ADA provisions of this Lease.

§ 35. Default by the Lessor affecting life, safety, or habitability

§§ 35.1. At any time after the Rental Commencement Date, in the event the Lessor fails to provide any facilities or services required of it, or to perform in accordance with the provisions, conditions, and obligations as specified in this lease, and such failures affect life, safety, or habitability for all or any portion of the Demised Premises, then the State shall give written notice to the Lessor specifying such failure.

§§ 35.2. In the event the Lessor fails to cure or, upon notice, to cure such failure within five (5) calendar days following the State's notice, the parties hereby agree that the State may choose between the following two (2) alternatives:

§§§ 35.2.1. The State shall have the right to furnish or provide the said facilities or services and to deduct the cost and expense thereof from the monthly installments payable to the Lessor under the terms of this Lease. The right of the State to recoup costs and expenses through reduction of rental shall in no way serve to waive, limit, or set aside any other available legal or statutory rights or remedies.

§§§ 35.2.2. In the alternative, the State may choose to consider the failure to provide said facilities or services a constructive eviction. In the event the State chooses this alternative, the State shall give thirty (30) days' written notice of its intent to vacate the Demised Premises, this Lease shall terminate with no liability to the State, and the Lessor shall be responsible for any costs incurred by the State, including but not limited to legal fees, additional rental, and relocation costs.

§§ 35.3. Notwithstanding the foregoing, if, in the sole opinion of DPMC, Lessor's default in performing its obligations timely affects the life, safety, or habitability for all or any portion of the Demised Premises to an extent that such default creates a hazardous situation or a situation in which the State's ability to conduct business is substantially impaired, the State hereby reserves

the right to give telephone notice to the Lessor of said default, describing the nature of the default and setting a reasonable deadline for the Lessor to remedy its default, followed by a similar written notice as soon as practicable. If the Lessor fails to remedy said default by the deadline specified by DPMC, the State shall have the right to remedy the situation timely and abate the cost of such remedy from the monthly payments made to the Lessor. (By way of example, should the Lessor fail to perform its snow removal obligation timely, and such failure creates a hazardous situation, the State may choose to give the Lessor four (4) hours telephone notice. Should the Lessor fail to remove the snow after the four hour deadline shall constitute a default for which the State can then provide a remedy and abate payments to the Lessor for the cost of said remedy.

§ 36. Default by the Lessor not affecting life, safety, or habitability

§§ 36.1. At any time after the Rental Commencement Date, in the event the Lessor fails to provide any facilities or services required of it or perform in accordance with its obligations as specified in this Lease, and such failures do not affect life, safety, or habitability for all or any portion of the Demised Premises, the State shall be entitled to give written notice to the Lessor specifying such failure, and notifying the Lessor that, in the event the Lessor fails to cure or commence to cure such failure within thirty (30) days following the State's notice, the State shall have the right to furnish or provide the said facilities or services and to deduct the cost and expense thereof from the monthly installments payable to the Lessor.

§§ 36.2. In the event the State exercises its right to furnish or provide the said facilities or services to cure said failures, the State shall have the right to delay payment of the monthly installments payable to the Lessor until such time as the costs to cure have been established and appropriate deductions can be made.

§ 37. Liability of Lessor and Lessor's Insurance

§§ 37.1. The Lessor and the State shall each be individually responsible for liabilities resulting from their own respective negligence or willful misconduct.

§§ 37.2. The Lessor shall secure and maintain in force, for the term of the lease, general liability insurance as specified below and shall be responsible for all costs and expenses associated with such insurance.

§§ 37.3. The Lessor shall provide the State of New Jersey with current certificates of insurance for all coverages and renewals thereof which must contain the provision that the insurance provided in the certificate shall not be canceled for any reason except after thirty (30) days written notice to the insureds and the State of New Jersey. The Lessor shall provide such certificates to the State on an annual basis; due upon the anniversary date of this Lease.

§§ 37.4. The insurance to be provided by the Lessor shall be in the form of a general liability policy as broad as the standard coverage forms currently in use in the State of New Jersey and

shall not be circumscribed by any endorsements limiting the breadth of coverage.

§§ 37.5. The policy limits shall be endorsed to include Broad Form Comprehensive Liability, Premises, Contractual Liability; Fire; Boiler and Machinery, Flood, Workers Compensation, and Hired Auto, and shall name the State of New Jersey as an additional insured.

§§ 37.6. The limits for bodily injury and property damage shall not be less than \$1 million per occurrence as a combined single limit.

§§ 37.7. If the policy contains a deductible, the Lessor shall be responsible for the deductible as if there were no deductible.

§ 38. Liability of the State

§§ 38.1. The liability of the State and its employees shall be subject to all the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq.: ("Act"), the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. and the availability of appropriations.

§§ 38.2. The State does not carry public liability insurance but the liability of the State and the obligation of the State to be responsible for tort claims against the State or its employees are covered under the terms and provisions of the Act. The Act also creates a special self-insurance fund and provides for payment of claims under the Act against the State or against its employees, for whom the State is obligated to indemnify, against tort claims which arise out of the performance of their duties.

§§ 38.3. Any claims against the State, its employees, etc., arising out of the use of the Demised Premises shall be made to the Attorney General, Division of Law, Claims Service Section, Richard J. Hughes Justice Complex, 25 Market Street, PO Box 112, Trenton, NJ 08625-0112.

§ 39. Quiet Enjoyment

The Lessor agrees that upon paying the rent and observing and performing all terms, covenants and conditions as required of the State by the lease, the State shall peaceably and quietly have, hold and enjoy the Demised Premises.

§ 40. State's Obligations

The State agrees to take good and reasonable care of the Demised Premises and surrender same upon termination of this lease in a condition as reasonable use and wear thereof will permit, insurable casualty excepted.

§ 41. Assignment and Subletting

The State agrees that it shall neither assign its rights nor sublet the whole or any part of the Demised Premises without the consent in writing of Lessor first having been obtained, which

consent shall not be unreasonably withheld. It is understood and agreed that the State, in its sole discretion, may allocate or reallocate all or any portion of the Demised Premises to other departments, divisions, agencies, boards, or commissions of the State Government.

§ 42. The State's Share of Occupancy

§§ 42.1. The parties agree that the actual measurement of the Demised Premises based on the measurement standards specified in Schedule B exceeds 39,000 square feet. The parties agree that despite the foregoing the rent payments specified in Section 7 shall remain as provided therein, however, the State's pro rata share of the occupancy of the Building will be adjusted as provided herein. The Lessor and the State hereby agree that the State's pro rata share of occupancy of the Demised Premises is 84% percent of the office space and inside common area and 84% percent of the entire complex, meaning the building and outside grounds and common area, of which the Demised Premises are a part. Said percentage is based upon a numerator of 46,355 square feet of Demised Premises divided by 54,878 square feet of total building space. In the event there is any change which will affect the State's percentages of occupancy, the Lessor hereby agrees to notify DPMC immediately in writing, and the parties hereby agree to renegotiate this section in good faith.

§§ 42.2. In the event the State's percentages of occupancy has not been determined at the time of the execution of this Lease, the parties hereby agree to verify said percentages in a Clarification of Lease Terms.

§ 43. Escalations for Taxes

§§ 43.1. The Lessor and the State hereby acknowledge that the rent specified above does not provide for increases over the Lessor's base rent costs for taxes for the Demised Premises. Therefore, in addition to rent, but not as additional rent, the State shall pay the Lessor its pro rata share of such increases based on the State's share of occupancy as specified above.

§§ 43.2. In the event of any changes in the method of real estate taxation or assessment in effect as of Commencement Date of the Lease Term, the parties hereby agree to renegotiate this section.

§§ 43.3. The Lessor hereby agrees to provide the State with notice of the annual tax assessment within ten (10) days of the Lessor's receipt thereof. In any tax year in which the tax assessment of the Demised Premises exceeds the assessment of the prior tax year by 10% or more, the State may request the Lessor contest such assessment, and the Lessor hereby agrees to contest the same, provided that reasonable legal expenses and costs of such proceedings shall be borne by the State.

§§ 43.4. Notwithstanding §§43.1 and §§43.2 above, and without regard to the amount of any change in the assessment value of the Demised Premises, upon prior written notice to the Lessor, the State may unilaterally institute an action to contest the tax assessment on the improvements

or land. The Lessor hereby agrees to cooperate reasonably with the State to execute any documents or pleadings or participate in any proceedings required for such purpose.

§§ 43.5. In the event the Lessor disputes, in good faith, any reimbursement due to the State pursuant this section of the Lease, the Lessor may withhold payment of the particular amount in dispute and shall not be deemed to be in default of this Lease by reason of withholding such amount unless and until such dispute is determined adversely to the Lessor and the Lessor shall have failed to pay the withheld amount, or the portion thereof as shall be determined to be payable to the State, within thirty (30) days of the resolution of such dispute.

§ 44. Operating Expense Payments

§§ 44.1. The Lessor and the State hereby acknowledge that the rent specified above does not provide for increases over the Lessor's base year costs for Operating Expenses for the Demised Premises. Therefore, for each year during the term of this Lease following the establishment of a base year as provided herein, in addition to rent, but not as additional rent, the State shall pay the Lessor an annual increase of 2.5% (Years 2-5), 3% (Years 6-15) and 3.5% (Years 16-20) over the base year Operating Expenses for the Demised Premises, as provided below for payments of escalation reimbursement. The Lessor is to be paid these annual payments as calculated herein in lieu of escalation payments for Operating Expenses. These annual increases, as described herein, are the only payments the State will make to the Lessor for Operating Expenses, unless otherwise specifically agreed to in writing by the State.

§ 45. Escalations for Utility Expenses

§§ 45.1. The Lessor and the State each acknowledge that the rent specified above does not provide for increases over the Lessor's base year costs for utility expenses for the Demised Premises and the common areas for the complex of which the Demised Premises are a part. Therefore, in addition to rent, but not as additional rent, the State shall pay the Lessor its pro rata share of such increases as provided below.

§§ 45.2. The "utility expenses" shall include the following expenses of Lessor for the operation of the Demised Premises and the complex and grounds of which the Demised Premises are a part:

- Electricity;
- Common Area heating and cooling;
- Water; and
- Sewerage.

§§ 45.3. All expenses to be taken into account pursuant to this escalation shall be reduced by the amount of reimbursement, recoupment, payment, discount or allowance received or receivable by Lessor in connection with expenses, from utilities or from any tenant in the Building as a reimbursement for utilities attributable to that tenant. All other utility expenses are to be paid by the State directly to the service provider.

§ 46. Escalation Reimbursement to the Lessor or to the State

§§ 46.1. Within ninety (90) days after the end of the base year the Lessor hereby agrees to deliver to the State, a statement setting forth the base year costs for taxes, operating expenses, and utility expenses. Within ninety (90) days after the end of every claiming year during the term of this Lease, the Lessor hereby also agrees to deliver to the State, a statement setting forth the claiming year costs for taxes and utility expenses. Each claiming year statement is also to include the calculation of such claiming years Operating Expense increase.

§§ 46.2. The Lessor hereby agrees to furnish copies of all appropriate bills and any back-up documentation for taxes and utility expenses subject to reimbursement and as requested to verify base year expenses for taxes, Operating Expenses and utility expenses.

§§ 46.3. If the taxes or utility expenses for any claiming year exceed the base year costs for taxes or utility expenses, the State hereby agrees to pay, in addition to rent, but not as additional rent, an amount equal to the difference between the base year costs and the claiming year costs on a pro rata basis according to the State's share of occupancy as specified in this Lease.

§§ 46.4. The Lessor shall submit a completed and signed "State of New Jersey Payment Voucher" Form with any request for reimbursement including for the payment of the specified increase in the Operating Expense.

§§ 46.5. In the event the real estate taxes or utility expenses for any claiming year shall be less than the base year costs, then the State shall be entitled to reimbursement for the decrease in an amount equal to the difference between base year costs and the claiming year costs.

§§ 46.6. Upon the Lessor's submission of a request for reimbursement, the State shall be allowed a reasonable time to investigate the request and shall provide in writing the basis of any dispute as to the Lessor's right to reimbursement.

§§ 46.7. The State or any authorized agent of the State shall have the right upon thirty days' (30) prior written notice, to audit the Lessor's financial records pertaining to said expenses at any time but not more than once annually.

§§ 46.8. Subject to resolution of any dispute, the State shall pay any reimbursement due within sixty (60) days of receiving:

- the statement described in §§46.1 above, and
- any requested documentation described in §46, and
- the State of New Jersey Payment Voucher Form.

§§ 46.9. The Lessor hereby agrees to pay any reimbursement due to the State pursuant to this section of the Lease within sixty (60) days of the resolution of the amounts to be reimbursed.

§§ 46.10. If the State shall dispute, in good faith, any reimbursement item or other sum claimed

by the Lessor, the State may withhold payment of the particular amount in dispute and shall not be deemed to be in default of this Lease by reason of withholding such amount unless and until such dispute is determined adversely to the State and the State shall have failed to pay the withheld amount, or the portion thereof as shall be determined to be payable to the Lessor, within sixty (60) days of the resolution of such dispute.

§§ 46.11. Notwithstanding the provisions for reimbursement, the Lessor hereby agrees that the Lessor's failure to request reimbursement for any amounts which may be due to Lessor under the provisions, covenants, terms, and conditions of this Lease within ninety (90) days after any claiming year, then the State shall have no liability or obligation to make such payment.

§ 47. Alterations During The Lease Term by State

§§ 47.1. The State shall have the right, option and privilege of renovating or modifying the Demised Premises at its own cost and expense when in the State's judgment, same may be deemed necessary for its purpose. Such renovations and modifications may include, but shall not be limited to, standard office partitions, railings, doors, gates, counters, lighting fixtures, signs and such other equipment necessary to the State's occupancy of the Demised Premises for the purpose of doing business.

§§ 47.2. The State shall make no alterations, additions, or improvements to the Demised Premises without the consent of the Lessor, and with consent the Lessor shall not withhold unreasonably.

§ 48. Alterations During The Lease Term by the Lessor

§§ 48.1. All costs, expenditures and fees associated with alterations, additions or improvements performed by the Lessor's employees or sub-contractors shall be subject to review and written approval by DPMC prior to commencement of any work, which written approval shall not be unreasonably withheld. The State shall not be responsible for the cost of any work performed without the written approval of DPMC.

§§ 48.2. In the event that with respect to alterations, additions or improvements, other than tenant finish or tenant work letter terms, DPMC finds the Lessor's cost excessive, or is unable to reach an agreement, the State shall have the right to engage its own contractor to perform the work.

§§ 48.3. If the Lessor's employees or sub-contractors are to perform alterations, additions, or improvements at the expense of the State, the Lessor shall be entitled to reimbursement for such work performed. If alterations, additions or improvements are to be performed by the Lessor's employees or sub-contractors at the expense of the State, the Lessor shall warrant and ensure that all construction work which is undertaken shall comply with the applicable requirements of the NJUCC, be solely responsible for preparing plans and specifications as required, obtaining permits, requesting inspections, and obtaining such certificates of occupancy or approval as

might be required by the NJUCC.

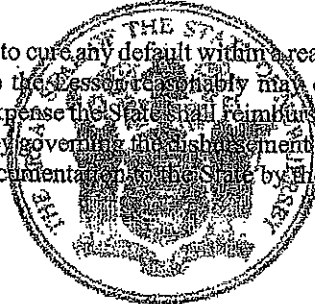
§§ 48.4. Any contractor hired directly by the State shall be subject to the same requirements specified above for the Lessor's employees and subcontractors.

§§ 48.5. The Lessor shall provide all records for its review and audit, of construction material and labor costs, plus subsequent operating and maintenance expense (such as costs, expenditures, fees, etc.). Further, the Lessor agrees to prepare, maintain and have available for the State's inspection and review at any time during, or upon completion of, the project, face copies of any change order approved for payment, and details of original invoices and subcontractor's submissions. The Lessor shall make subcontractors' original invoices available to the State.

§ 49. Default by the State

§§ 49.1. The parties hereby agree that in the event the State defaults in the performance of any terms, covenants and conditions of this Lease, the Lessor shall give written notice of such default to the State and the State shall cure any such default in respect to which it has been given written notice without delay.

§§ 49.2. Should the State fail to cure any default within a reasonable time after the Lessor serves the State with written notice the Lessor reasonably may cure the same at its own cost and expense for which cost and expense the State shall reimburse the Lessor in accordance with the laws of the State of New Jersey governing the disbursement of public funds upon submission of a voucher and appropriate documentation to the State by the Lessor.



§ 50. Parking

§§ 50.1. The Lessor shall provide one hundred sixty (160) parking spaces for the sole and exclusive use of the State, its employees, agents, and visitors. The State shall pay in addition to rent but not as additional rent, \$ 134,400.00 annually, \$11,200.00 per month to be included with the State's monthly rental payment to the Lessor. Said amount is based on \$ 840.00 per space, per year for one hundred sixty (160) parking spaces. Said parking spaces shall conform to the specifications detailed in the attached Schedule B.

§§ 50.2. The Lessor shall be responsible for all maintenance and services associated with the parking spaces required by Section 50.1 above.

§§ 50.3. It is the Lessor's obligation and responsibility to ensure that all parking spaces provided under this Lease are available at all times for the State's use.

§ 51. Security

§§ 51.1. The rental described herein does not include any provision for electronic or manned security services to the Demised Premises.

§§ 51.2. The State, at its option, may either provide security services directly or procure security services through the Lessor as part of Lessor's overall security services for the building.

§ 52. Delivery of Premises and Construction Costs

§§ 52.1. It is understood by the parties that the State's occupancy and acceptance of the Demised Premises under the terms of this Lease is conditioned upon the Lessor's delivery of the Demised Premises in accordance with the architectural and mechanical plans submitted to and approved by the State as attached in Schedule C.

§§ 52.2. All construction costs associated with this Lease pursuant to Schedule C and delivery of the Demised Premises shall be the sole responsibility of the Lessor.

§ 53. Construction Documents and Design Services

§§ 53.1. The Lessor hereby agrees to provide architectural and engineering services for the purpose of developing all necessary planning, construction, and interior design documents for the Demised Premises, the cost of which shall be considered a part of the construction allowance specified above.

§§ 53.2. The Lessor hereby agrees to complete all plans in accordance with Schedule B, the tenant agency's requirements, and all applicable governmental laws, codes, and policies.

§ 54. Submission and Approval of Plans

§§ 54.1. DPMC hereby designates the following as its representative to provide the necessary input to complete all construction documents:

Chief, Bureau of Leased Property Evaluation and Development
Division of Property Management and Construction
Department of Treasury
Mary Roebling Building
20 West State Street, Third Floor
P. O. Box 231
Trenton, New Jersey 08625-0231

Telephone: (609) 984-6563
Fax: (609) 984-6913

§§ 54.2. The Lessor shall submit, in phased sequences, proposed final construction plans to DPMC, for review and approval, which approval shall not be unreasonably withheld.

§§ 54.3. If the proposed final construction plans are not acceptable to the State in whole or in part by reason of their failure to comport with the specifications contained in Schedule B, any

scope of work approved in writing by DPMC during negotiations, or any applicable laws, codes or governmental requirements, the State shall notify the Lessor of its disapproval of the plans within ten (10) working days of its receipt, specifying the basis for such disapproval in writing.

§§ 54.4. The Lessor shall submit revised proposed final construction plans within five (5) working days of receipt of the State's written notice of disapproval, as necessary, provided that the nature of the changes required reasonably does not require more than five (5) working days for redesign and preparation of revised plans, in which event the Lessor shall submit revised plans with all reasonable diligence.

§§ 54.5. In the event the Lessor fails to respond to, cure, or resolve the State's good faith objections to the proposed final construction plans following a third submission of revised proposed plans by the Lessor, the Lessor hereby agrees that the State shall be entitled to give the Lessor final written notice of a "Failure to Provide Satisfactory Construction Plans". In the event the Lessor fails to cure or commence to cure such failure(s) within thirty (30) days following the Failure to Provide Satisfactory Construction Plans notice, the Lessor's failure to respond to, cure, or resolve the State's good faith objections within the thirty (30) day period established by the written notice shall entitle the State to terminate this Lease without any liability.

§§ 54.6. When approved by the State, the final construction plans shall be attached to and incorporated into this Lease, and hereinafter shall be referred to as Schedule C. In the event of conflicts between Schedule C and Schedule B, the contents of Schedule C shall prevail.

§ 55. Construction Schedule

§§ 55.1. The Lessor shall submit a schedule for completion of construction for approval by the Division of Property Management and Construction. Upon the State's approval of the construction schedule, (hereinafter defined as the "Approved Construction Schedule"), it shall be attached and incorporated into this Lease (hereinafter referred to as "Schedule L").

§§ 55.2. In the event the Demised Premises are not ready for acceptance in accordance with Schedule L due to any fault of the Lessor, the State shall be entitled to cancel the Lease upon ten (10) days' prior written notice to the Lessor.

§§ 55.3. Unless the Lessor's failure to provide the Demised Premises in accordance with Schedule L is excused by reason of force majeure (hereinafter defined in Schedule H), the Lessor shall be liable for the State's damages and injuries stemming from the delay, including, but not limited to, the following:

- The amount, if any, by which the State's rental obligations for the State agencies or other governmental entities awaiting entry into the Demised Premises exceeds the base rent and additional amounts payable under this Lease; and
- Other out-of-pocket costs, such as storage fees and holdover penalties, if any, actually incurred by the State by reason of failure of the State agencies or other governmental entities

awaiting entry into the Demised Premises to vacate their then-occupied premises.

§ 56. Construction Plan Modifications

§§ 56.1. Should the using agency request additional plan modifications beyond the final approved scope of work as set forth in Schedule C during the course of construction and such modifications increase costs, the Lessor agrees to perform the necessary work upon receipt of authorization from DPMC in writing. The cost said plan modifications shall be the responsibility of the State. In the event said modifications delay the delivery of the Demised Premises and such delay is due to no fault of the Lessor, the Approved Construction Schedule (Schedule L) shall be modified accordingly.

§§ 56.2. The Lessor shall submit to DPMC a complete cost proposal for additional plan modifications, and if requested, copies of competitive bids, material lists, wage rates, or other documentation needed to evaluate the proposal, which shall be subject to review and approval of DPMC, which approval shall not be unreasonably withheld.

§§ 56.3. Upon DPMC's approval of additional plan modifications, the approved modification plans shall be attached to this Lease, incorporated herein, and shall be deemed to constitute part of Schedule C as if originally set forth therein.

§§ 56.4. The State hereby agrees that reimbursement for additional plan modifications requested pursuant to this section of the Lease shall be by lump sum payment or amortized at prevailing interest rates subject to negotiation over the lease term at the option of the State.

§§ 56.5. The State shall have the right to withhold payment of any amount due for Construction Plan Modifications until the Lessor submits the appropriately completed New Jersey Payment Voucher and required supporting documentation from its contractors or subcontractors.

§§ 56.6. The State shall have the right to withhold payment of any amount due for Construction Plan Modifications until the Lessor completes, to the satisfaction of the State, all items on the State's Final Punch-list.

§ 57. Final Punch-List

§§ 57.1. Within thirty (30) days of the Commencement Date of the Lease Term, the State hereby agrees to give the Lessor a written list ("Final Punch-list") of all instances in which the State contends that the Lessor's construction work is defective and of all instances in which the State contends that Lessor's work constitutes a variance from Schedule C.

§§ 57.2. The Lessor shall correct all items on the Final Punch-list that constitute valid defects or variances within sixty (60) days after the Lessor's receipt of the final punch-list, except that if the nature of a particular defect or variance is such that a longer period of time reasonably is required for its repair or correction, the Lessor shall exercise due diligence in repairing or correcting that particular defect or variance at the earliest possible date and with a minimum of interference with

the operations of the State and the using agencies.

§§ 57.3. Any disagreement that may arise between the Lessor and the State with respect to whether an item on the Final Punch-list constitutes a valid defect or variance shall be conclusively resolved by the decision of an independent architect mutually agreed to by the Lessor and the State who shall share equally any expense for the independent architect.

§§ 57.4. In the event the Lessor fails to resolve the above-mentioned Final Punch-list issues timely, the State shall be entitled to apply the default provisions of the Lease.

§ 58. Review of Records

§§ 58.1. At the State's request, the Lessor shall provide and make available for the State's inspection and audit all records of construction material and labor costs, plus subsequent operating and maintenance expenses such as costs, expenditures, fees and the like.

§§ 58.2. At any time during the construction of the project or upon completion, the Lessor agrees to prepare, maintain and have available for the State's inspection and review, face copies of any change orders approved for payment and details of original invoices and subcontractor's submissions supporting the costs for such changes.

§§ 58.3. In the event the Lessor subcontracted any portion of the construction of the Demised Premises, the Lessor shall arrange with said subcontractors to make available, at the State's request, the original subcontractor's invoices.

§§ 58.4. The Lessor shall retain records described in this section for at least three (3) years after completion of the construction.

§ 59. Environmental Conditions

Lessor shall indemnify, defend and hold the State harmless from and against any and all Losses (hereinafter defined in Schedule H) arising out of or related to any Environmental Conditions (hereinafter defined in Schedule H) on, at or emanating from the Demised Premises whether due to the activities of the Lessor or another tenant or a prior tenant of the Lessor.

§ 60. Integration and Nonwaiver

§§. 60.1. The parties recognize that this agreement and the attachments hereto embody the entire agreement and understanding between the parties, and supercede all prior agreements and understandings, contemporaneous understandings and warranties, representations, and covenants, express or implied, both written and oral, between the parties, relating to the subject matter herein. All such agreements, understandings, warranties, representations, and covenants shall be deemed merged and no other understandings, warranties, representations, and covenants shall survive or be admissible to contradict the provisions of this Lease, unless expressly contained herein. All modifications, waivers, and amendments hereto must be made in writing and signed.

by the parties.

§§ 60.2. The failure of the State to seek redress for violation of, or insist upon the strict performance of any covenant or condition of this Lease shall not prevent a subsequent act which would have originally constituted a violation from having all the force and effect of the original violation. The payment of rent by the State with knowledge of a breach of any of the covenants of this Lease shall not be deemed a waiver of such a breach and no provisions of this Lease shall be deemed to be waived by the State unless such waiver be in writing and signed by the State.

§ 61. Jurisdiction

Jurisdiction of any action hereunder shall lie in a court of competent jurisdiction in the State of New Jersey and shall be construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in the State of New Jersey.

§ 62. Construction of Agreement

§§ 62.1. Whenever possible, each provision of this agreement shall be interpreted in such a manner as to be effective and valid under the applicable law, but, if any provision of this agreement shall be held to be prohibited or invalid, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this agreement.

§§ 62.2. The captions of individual sections or paragraphs hereof are for the convenience of reference only and shall be given no effect in the construction of this instrument.

§§ 62.3. Nothing in this Lease shall be construed in such a manner as to give up or waive any sovereign rights of the State.

§ 63. Execution of this Agreement.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one agreement.

The remainder of this page is left blank intentionally.

FOR THE LESSOR

ATTESTED BY:

[Signature]

Date signed: 5/14/07

Stand Up for Salem

[Signature] Vice President
Name/Title

Date signed: 5/14/07

I, certify that I am the Secretary of the corporation named as Lessor in this Lease; that Samas Waddington, who signed this Lease on behalf of the Lessor, was then Vice-President, an officer of said corporation on the date this Lease was signed, that he was duly authorized to sign this Lease for and on behalf of said corporation by authority of its governing body, and that this Lease is within the scope of its corporate powers.

Corporate Seal

[Signature]
Date signed: 5/14/07
Zach Zehner

FOR THE STATE OF NEW JERSEY

ATTESTED BY:

Lori Benedetto

Date signed: 6/14/07

ATTESTED BY:

Anita Dzygachowski

Date signed: 6/18/07

[Signature]

Edmund F. Jenkins, Director
Division of Property Management and Construction

Date signed: 6-19-07

[Signature]

Debra Bell, Assistant State Treasurer

Date signed: 6/18/07

APPROVED AS TO FORM:
STUART RABNER
ATTORNEY GENERAL OF NEW JERSEY

By: *[Signature]*

Thomas Edenbaum
Deputy Attorney General



Date signed: 6/17/07

STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

LEASE AMENDMENT I

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STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

LEASE AMENDMENT I

DATE OF EXECUTION: _____

12/11/12

Lease No 4537

THIS AGREEMENT (the "Amendment") is made and entered into this date by and between **Stand Up for Salem** whose address is **181 East Broadway, Salem, New Jersey** (hereinafter referred to as the "Lessor and the Director, Division of Property Management and Construction, (hereinafter referred to as "DPMC") on behalf of the State of New Jersey (hereinafter referred to as the "State").

WITNESSETH:

WHEREAS, the parties have entered into a certain Lease No. 4537 dated June 18, 2007 (the "Lease"), for the rental of an amount of space not to exceed 39,000 square feet of space in the Building commonly known as Finlaw Building, 195 East Broadway, Salem, New Jersey for a twenty (20) year term commencing on April 1, 2009 through March 31, 2029; and

WHEREAS, the Lessor and the State have agreed to certain amendments to the Lease, which are specifically described within this Amendment and generally are as follows: the State vacating 482 square feet on the first floor of the Building (this space has been occupied by the Office of Legislative Services as a legislative office for the Third District pursuant to a lease dated March 30th, 2009), adding an option for the State, which if exercised will allow it to occupy up to 482 square feet in the lower level of the Building (this lower level/basement space is presently occupied by the Salem County Improvement Authority ("SCIA") pursuant to a lease agreement between it and Lessor), the State agreeing upon vacancy of the first floor space to re-occupy it and bringing the Lease into compliance with current laws and regulations; and

WHEREAS, the parties have reached a verbal agreement upon the provisions, covenants, terms, and conditions necessary to achieve the above-mentioned changes and modifications to the existing Lease and wish to memorialize said agreement in writing; and

NOW, THEREFORE, the parties covenant and agree as follows:

1. Incorporation.

All of the above recitals are incorporated as if set forth herein.

2. Capitalized Terms

All capitalized terms not defined in this Amendment shall have the same meaning as ascribed to them in the Lease.

3. Lease Amendments

The parties agree that the "Effective Date of this Amendment" is February 24, 2012. Unless otherwise specified each of the following modifications to the Lease made herein shall be effective as of the Effective Date of this Amendment.

A. Demised Premises

Section 2 of the Lease is hereby modified by adding to the end thereof the following:

Notwithstanding the foregoing, the parties hereby agree as follows:

On February 24, 2012 the State per the request of the Lessor vacated 482 square feet of space on the first floor of the Building, which space is described in Exhibit "B" attached hereto. Such space has been accepted back by the Lessor and except as specified herein the State has no further responsibility regarding the same.

Further, the State has been granted an option by the Lessor to occupy up to 482 square feet on the lower level of the Building, subject to the SCIA Memorandum dated July 30, 2012 and attached hereto as Exhibit "C" to which the State hereby consents and agrees to. In the event the State exercises this option it may complete any necessary renovations it desires to the lower level space so as to prepare this space for the State's occupancy. After any desired renovations have been completed the State will then occupy this lower level space and its rent will be adjusted to reflect the addition of this space. Rent for this space will be calculated using the regular rate per square foot as provided in this Lease.

If at any time during the balance of this Lease Term, the State's former space on the first floor of the Building becomes vacant the State will if requested by the Lessor move back into this space and vacate any occupied space on the lower level and return the same to the Lessor. Upon re-taking occupancy of the former first floor space the State's monthly rent will be adjusted to reflect the return of the lower level space, if necessary, and the addition of first floor space. All moving costs associated with the State's move(s) between the spaces will be paid by the State. Any renovations of the lower level space for the State's benefit are to be borne by the State. If the Lessor asks the State to re-occupy the vacated first floor space the Lessor will pay for all reasonable renovations required by the State.

B. Schedules and Exhibits

Section 5 of the Lease, is hereby modified by adding the following to the end thereof:

§§ 5.15. Exhibit B Diagram showing first floor space Lessor requested back from the State

C. Rent.

Section 7.2 of the Lease is hereby modified by adding to the end thereof the following:

Notwithstanding the foregoing, the parties hereby agree to reduce the monthly rent by \$803.33 (or a per diem rate of \$26.33). Applying the foregoing reduction means for February 2012 the State overpaid rent by \$105.32 because the State paid the Lessor the standard monthly rent of \$65,000.00. The State has continued to overpay rent during 2012 for the months of March, April, May and June 2012 by the aforementioned \$803.33. Within 30 days of the Lessor's execution of this Amendment it agrees it will refund to the State the full amount of the State's overpayment of rent.

The parties agree that the State's percentage of occupancy as set forth in Section 42.1 of the Lease will not be modified based upon Amendment I of the Lease.

D. Wages.

Section 23 of the Lease entitled "Prevailing Wage" is deleted and replaced with the following:

§§ 23.1. The New Jersey Prevailing Wage Act ("NJPA"), N.J.S.A. 34:11-56.25 et seq. is hereby made a part of every contract entered into on behalf of the State of New Jersey through DPMC, except those contracts which are not within the contemplation of the NJPA.

§§ 23.2. The Lessor's execution of this Lease is a warranty that neither the Lessor nor any contractors or subcontractors the Lessor may employ to perform work required pursuant to this Lease has been suspended or debarred by the Commissioner, Department of Labor for violation of the NJPA and/or the Public Works Contractor Registration Act ("PWCRA"), N.J.S.A. 34:11-56.48 et seq. The Lessor's execution of this Lease is also a guarantee that the Lessor and any contractors or subcontractors the Lessor may employ to perform work required pursuant to this Lease will comply with the provisions of the NJPA and the PWCRA, where required.

§§ 23.3. The PWCRA requires all contractors, subcontractors and lower tier subcontractors who bid on or engage in any contract for "public work" as defined in N.J.S.A. 34:11-56.26 are first registered with the New Jersey Department of Labor and Workforce Development. Any questions regarding the registration process should be directed to the Division of Wage and Hour Compliance at 609 292-9464 or <http://www.nj.gov/labor/lssc/lspubcon.html>.

§§ 23.4. If Demised Premises is "leased by the State," as defined in N.J.S.A. 34:11-56.59 of the State Building Service Contracts Act N.J.S.A. 34:11-56.58 et seq. ("SBSCA"), If

otherwise applicable, then in accordance with Governor Corzine's Executive Order No. 86 (2007) ("Corzine EO 86"), if said Order was applicable under the original Lease, the following terms and conditions will apply (all of the definitions set forth in SBSCA shall apply to this Section):

§§§ 23.4.1. The Lessor is required to ascertain from the Commissioner of Labor and Workforce Development the prevailing wage rates for the performance of building services and to specify in all contracts for the performance of building services in the Demised Premises what the prevailing wage rate in the locality is for each worker employed in the performance of such contracts;

§§§ 23.4.2. The Lessor is required to include in all contracts for the performance of building services in the Demised Premises a stipulation that the workers performing such building services shall be paid not less than the applicable prevailing wage rates as ascertained by the Lessor from the Commissioner of Labor and Workforce Development, and that the contractor shall provide to each such worker individual written notification every six months of the prevailing wage rates for each classification involved in the contractor's performance of building services;

§§§ 23.4.3. The Lessor is required to include in all contracts for the performance of building services in the Demised Premises a statement that the contractor and any subcontractor covered under the contract shall: (i) keep accurate records showing the name, classification, and actual hourly rate of wages and any benefits paid to each worker employed by the contractor or subcontractor to perform building services in the Demised Premises; (ii) preserve those records for two years after the date of payment; and (iii) make the contracts and the records available at all reasonable hours to the inspection of the Commissioner of Labor and Workforce Development and to any other party to the Lease;

§§§ 23.4.4. The Lessor is required to include in all contracts for the performance of building services in the Demised Premises a stipulation that the contractor and any subcontractor covered under the contract shall provide to the Lessor on a biannual basis (no later than January 15 and July 15 of each year) a sworn certification, under penalty of perjury, that during the preceding six-month period the workers performing such building services were paid not less than the applicable prevailing wage rates as ascertained by the Lessor from the Commissioner of Labor and Workforce Development and that these workers were provided with individual written notification of the prevailing wage rates for each classification involved in the contractor's performance of building services;

§§§ 23.4.5. The Lessor is required to provide to the State no later than January 31 and July 31 of each year a copy of the sworn certification required pursuant to §§§ 23.4.4 above;

§§§ 23.4.6. If the State has not received a copy of the sworn certification required to be provided in accordance with §§§ 23.4.5 above within 30 days of the due date

under §§§ 23.4.5, the State has the right to withhold up to 15% of the Rent until the State receives the copy of the sworn certification and to take other action it deems appropriate to enforce Corzine EO 86; and

§§§ 23.4.7. If the Commissioner of Labor and Workforce Development determines that a contractor's certification pursuant to §§§ 23.4.4 is false and that the contractor has failed to pay its employees the prevailing wage rates required by Corzine EO 86, the Commissioner may formally request that the State leasing agency effect a Rent abatement of no less than the amount of wages due to said employees and to take other action it deems appropriate to enforce Corzine EO 86. The State leasing agency may take unilateral action without such written request in the case of a written decision by the Division of Wage and Hour Compliance finding a prevailing wage violation following the contractor's opportunity to be heard before the Director of the Division of Wage and Hour Compliance. If the contractor disagrees with the written decision of the Division of Wage and Hour Compliance, the contractor may appeal the decision to the Commissioner of Labor and Workforce Development, in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq).

4. Merger.

The parties agree that the Lease and this Amendment shall constitute the complete understanding between the parties and supersedes all prior agreements and understanding.

5. Lease in Full Force.

Except to the extent modified herein, the consideration, acts, promises, agreements and provisions to be executed and performed by each party to the Lease, as originally provided therein, or as previously amended, shall remain in full force and effect. If there is a conflict between the terms of the documents comprising the Lease then this Amendment shall control.

6. Modifications in Writing.

All modifications of the Lease including this Amendment must be made in writing and signed by the parties.

7. Laws of the State of New Jersey.

This Amendment and all documents and actions relating hereto shall be governed by the laws of the State of New Jersey, without regard to conflicts of laws. The courts of New Jersey shall have exclusive jurisdiction.

8. Counterparts.

This Amendment may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one agreement.

The remainder of this page is left blank intentionally.

IN WITNESS WHEREOF, the parties hereto, duly authorized, have executed this Lease Amendment as of the date of the last signing party, which date shall be entered on the first page of this Lease Amendment (hereinafter referred to as the "Date of Execution of Lease Amendment").

FOR THE LESSOR

ATTESTED BY:

Booth K. Bell

Date signed: 11/14/2012

Stand Up for Salem

J. Christopher Dwyer, Exec. Dir
Name/Title

Date signed: 11/14/12

FOR THE STATE OF NEW JERSEY

ATTESTED BY:

John Suffer

Date signed: 12/7/12

Steven Sutkin

Steven Sutkin, Director
Division of Property Management and Construction

Date signed: 12/7/12

ATTESTED BY:

Sham Adams

Date signed: 12/11/12

Robert A. Romano

Robert A. Romano, Deputy State Treasurer

Date signed: 12/11/12

APPROVED AS TO FORM:

JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY

By: Thomas A. Edenbaum
Thomas A. Edenbaum
Deputy Attorney General

Date signed: 1/29/12

SCIA joins in the execution of this Amendment below for the sole purpose of memorializing its consent to the option granted to the State pursuant to Section 3 (A) hereof.

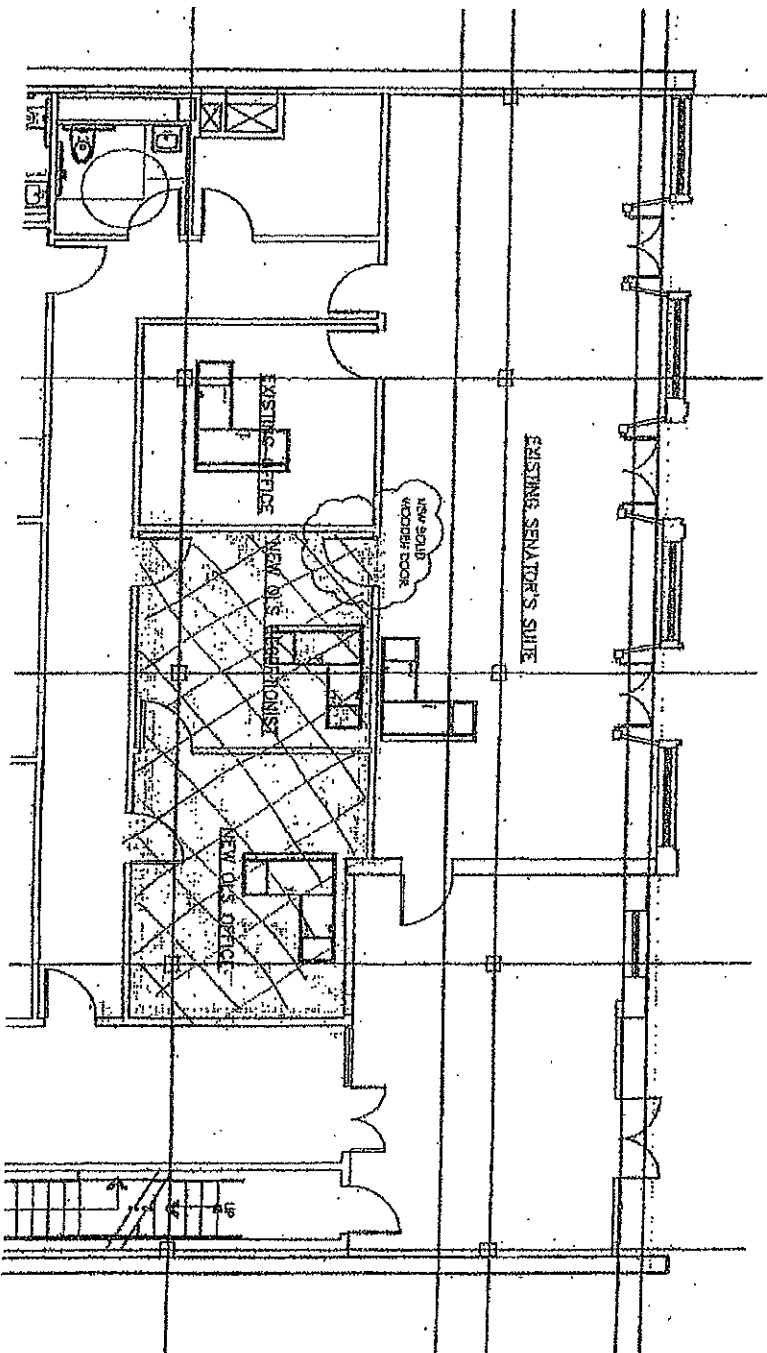
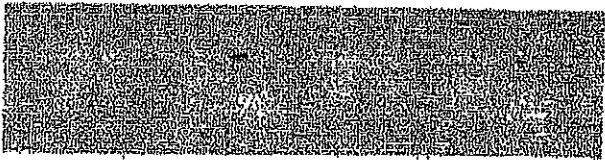
Salem County Improvement Authority

Attested by:

By:



Deborah Turner-Tax
Executive Director

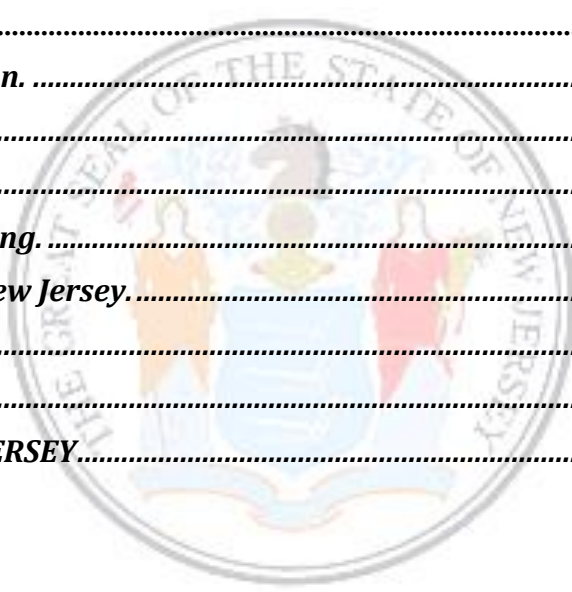



 EXISTING SENATOR'S SUITE
 TRANSFERRED FROM ~~EXISTING~~ DPMC TO OLS

**STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION**

LEASE AMENDMENT II

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**STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION**

LEASE AMENDMENT II

DATE OF EXECUTION: 2/11/2021

Lease No. 4537

THIS SECOND LEASE AMENDMENT AGREEMENT (“Lease Amendment II”) is made and entered into on the above Date of Execution by and between **Stand Up for Salem, Inc.** whose address is **181 East Broadway, Salem, New Jersey**, a New Jersey Limited Liability Company (hereinafter referred to as the “Lessor”), and the Director, Division of Property Management and Construction, (hereinafter referred to as “DPMC”) on behalf of the **State of New Jersey** (hereinafter referred to as the “State”).

WITNESSETH:

WHEREAS, the parties have entered into a certain lease identified as Lease No. 4537 dated June 18, 2007, for the rental of 38, 518 square feet of space in a building commonly known as Finlaw Building, 195 East Broadway, Salem, New Jersey (hereinafter referred to as the “Building”), for a twenty (20) year term commencing on April 1, 2009 and expiring March 31, 2029; and

WHEREAS, the Parties executed a certain Lease Addendum dated February 27, 2012 adding additional space on the first floor of the building for the Office of Legislative Services (“OLS”); and

WHEREAS, the Parties executed a certain Lease Amendment I dated December 11, 2014 vacating this additional first floor space but providing the State the option to relocate to the lower level of the building ; and

WHEREAS, the above-mentioned documents are hereinafter collectively referred to as the “Lease”; and

WHEREAS, the Lessor and the State have agreed to certain additional amendments to the Lease, which are specifically described within this Lease Amendment II, and generally are as follows: extend the Lease Term twenty (20) years and reduce rental rate effective April 1, 2021; and

WHEREAS, the State’s general requirement for advertising for a lease spaced proposal was specifically waived pursuant to P.L.2020, Chapter 97, approved September 29, 2020, Senate , No. 2021; and

WHEREAS, the New Jersey State Leasing and Space Utilization Committee approved the terms of this Lease Amendment II at its meeting held on December 14, 2020; and

WHEREAS, the parties have reached a verbal agreement upon the provisions, covenants, terms, and conditions necessary to achieve the above-mentioned changes and modifications to the existing Lease and wish to memorialize said agreement in writing;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the parties covenant and mutually agree as follows:

1. **Incorporation.**

All of the above recitals are incorporated as if set forth herein.

2. **Capitalized Terms.**

All capitalized terms not defined in this Lease Amendment II shall have the same meaning as ascribed to them in the Lease.

3. **Lease Amendments.**

The “Effective Date” of this Lease Amendment II shall be effective as of the Date of Execution of Lease Amendment II as hereinafter defined. . Unless otherwise specified, each of the following modifications to the Lease made herein shall be effective as of the Effective Date of this Lease Amendment II.

A. **Term.**

Section 6 of the Lease is modified by adding to the end thereof the following:

§§6 The State shall have and hold the Demised Premises with their appurtenances for an additional term of twenty (20) years beginning on April 1, 2029 and expiring March 31, 2048. The additional term shall be referred to herein as the “Extended Lease Term”.

B. **Rent.**

Section 7.2 of the Lease and Section 3(C) of Lease Amendment I are modified to reduce the annual rental rates for n the Demised Premises for the period effective April 1, 2021 through March 31, 2029 and then during the Extended Lease Term by adding to the end thereof the following:

§§7.2

Term:	Square Foot	Rate Per Square Foot	Monthly Rent	Annual Rent
April 1, 2021 – March 31, 2024	38,518	\$21.50	\$69,011.42	\$828,137.00
April 1, 2024 – March 31, 2029	38,518	\$23.50	\$75,431.08	\$905,173.00
April 1, 2029 – March 31, 2048	38,518	\$16.00	\$51,357.33	\$616,288.00

The rent is payable in equal monthly payments on the first (1st) day of each and every month during the balance of the Lease Term and the Extended Term in the manner provided by the laws of the State of New Jersey governing the disbursement of public funds. Said annual rental is for an amount of space not to exceed 38,518 square feet of space.

C. **Parking.**

During the balance of the Lease Term and the Extended Term the Lessor will continue to provide a total of one hundred sixty (160) parking spaces for the sole and exclusive use of the State, its employees, agents and visitors. The State will continue to pay in addition to rent but not as additional rent the sum of \$134,400.00 per annum payable at \$11,200.00 per month based on \$840.00 per space per year to be included with the State's monthly rental payment to the Lessor as more fully described in Section 50 of the Lease.

4. **Brokerage Commission.**

Lessor and State warrant and represent to the other that such party has not dealt with any broker, agent, or other party who might be deemed to be entitled to a commission or finder's fee in connection with the transaction contemplated under this Lease Amendment II. In the event a commission or finder's fee is due, Lessor shall pay, at its sole cost and expense, a commission to Lessor's Broker pursuant to a separate written agreement between Lessor and Lessor's Broker.

5. **Merger.**

The Lease and this Lease Amendment II shall constitute the complete understanding between the parties and supersedes all prior agreements and understanding.

6. **Lease in Full Force.**

Except to the extent modified herein, the consideration, acts, promises, agreements and provisions to be executed and performed by each party to the Lease, as originally provided therein, or as previously amended, shall remain in full force and effect. If there is a conflict between the terms of the documents comprising the Lease then this Lease Amendment II shall control.

7. **Modifications in Writing.**

All modifications of the Lease including this Lease Amendment II must be made in writing and signed by the parties.

8. **Laws of the State of New Jersey.**

This Lease Amendment II and all documents and actions relating hereto shall be governed by the laws of the State of New Jersey, without regard to conflicts of laws. The courts of New Jersey shall have exclusive jurisdiction.

9. **Counterparts.**

This Lease Amendment II may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one agreement. Executed copies of this Lease Amendment II delivered by facsimile or by portable document format through electronic mail (including,

without limitation, DocuSign) shall be binding upon the party executing and delivering the same as if it were an original.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK



IN WITNESS WHEREOF, the parties hereto, duly authorized, have executed this Lease Amendment II as of the date of the last signing party, which date shall be entered on the first page of this Lease Amendment II (hereinafter referred to as the "Date of Execution of Lease Amendment II").

FOR THE LESSOR

ATTESTED BY:

Stand Up for Salem, Inc

DocuSigned by:
Teri Dilks
5FE820A14B944B6
Name: Teri Dilks
Title: witness

DocuSigned by:
Zack Zehner
726F07721F404C3
Name: Zack Zehner
Title: President, Stand Up For Salem, Inc.

Date signed: 2/11/2021

Date signed: 2/11/2021

I, Zack Zehner, certify that I am the President, Stand Up For Salem, Inc. of the corporation
(Name) (Title)
named as Lessor in this Lease; that Zack Zehner who signed this Lease on behalf
(Name)
of the Lessor, was then President, Stand Up For Salem, Inc., an officer of said corporation on the date
(Title) Zack Zehner
this Lease was signed, that _____ was duly authorized to sign this Lease for
(Name)
and on behalf of said corporation by authority of its governing body, and that this Lease is within
the scope of its corporate powers.

Corporate Seal

DocuSigned by:
Zack Zehner
726F07721F404C3
Zack Zehner
President, Stand Up For Salem, Inc.
2/11/2021
Date signed: _____

FOR THE STATE OF NEW JERSEY

ATTESTED BY:

DocuSigned by:
Lori Benedetti
CD9D98897DB143C
Lori Benedetti
Executive Assistant

DocuSigned by:
Christopher Chianese
6E2675298C79495...
Christopher Chianese, Director
Division of Property Management and Construction

Date signed: 2/11/2021

Date signed: 2/11/2021

ATTESTED BY:

DocuSigned by:
Jaimie Cooper
9442338FE24E4F2...
Jaimie Cooper
Assistant

DocuSigned by:
Catherine Brennan
412A6BE335354C1
Catherine Brennan, Deputy State Treasurer

Date signed: 2/11/2021

Date signed: 2/11/2021



APPROVED AS TO FORM:
GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY

DocuSigned by:
Gary A. Kotler, DLG
87333683A6F248A...
By: Gary A. Kotler
Deputy Attorney General

Date signed: 2/11/2021

LEASE AGREEMENT

THIS LEASE AGREEMENT is made on this 2nd day of May, 2007,
by and between:

STAND UP FOR SALEM, INC., whose address is P. O. Box 453, Salem, NJ 08079 herein designated as the "Landlord"; and

THE SALEM COUNTY IMPROVEMENT AUTHORITY, whose address is 92 Market Street, Salem, NJ 08079, herein designated as the "Tenant".

1. **Premises.** The Landlord does hereby lease to the Tenant and the Tenant does hereby rent from the Landlord, the following described premises (hereinafter the "Rental Space"): The basement area of the Finlaw State Office Building (the "Building") located on [INSERT EXACT ADDRESS] East Broadway in the City of Salem, said space to consist of approximately 7,010 square feet (2,632 square feet fitted by Landlord for offices, 648 square feet common area, and 3,730 square feet of storage space).

2. **Term.** The term of this Lease is for five (5) years commencing the Commencement Date (the "Term"). The "Commencement Date" shall be the date on which the Rental Space is completed and ready for occupancy by the Tenant. The Rental Space shall be deemed "complete and ready for occupancy by Tenant upon: (1) Landlord's securing a permanent certificate of occupancy from the local municipality; (2) Tenant, its employees, agents and invitees, have ready access to the Building and Rental Space through the lobby, entranceways, elevators and hallways; (3) the decoration, fixture and equipment to be installed by Landlord are installed and in good operating order; (4) the Rental Space is ready for the installation of any equipment, furniture, fixtures or decoration that Tenant will install; (5) the following items are installed and in good operating order: (A) building lobby, (B) hallways on floor on which Rental Space is located (including walls, flooring, ceiling, lighting, etc.), (C) elevators, HVAC, utilities and plumbing serving the Rental Space, and (D) the doors and hardware; and (6) the Rental Space is broom clean. The Landlord shall give the Tenant notice of the Commencement Date as much in advance as is practical, but upon no less than thirty (30) days Notice to Tenant. The parties expect that the Commencement Date shall be between November of 2008 and February of 2009. Tenant may cancel this Lease if Landlord cannot deliver actual possession of the substantially complete Premises by December 31st, 2008.

Before the Commencement Date, the parties shall inspect the Rental Space, have all systems demonstrated, and prepare a punchlist. The punchlist shall list incomplete, minor, or insubstantial details of construction; necessary mechanical adjustments; and needed finishing touches. Landlord will complete the punchlist within thirty (30) days after the Commencement Date. Landlord will promptly correct any latent defects as they become known, if Tenant notifies Landlord of the defect within thirty (30) days after Tenant first learns of the defect.

3. **Rent.** The Tenant agrees to pay \$95,130.00 per year, as base rent, to be paid as follows: \$7,927.50 per month, due on the first day of each month (the "Rent"), commencing on the Commencement Date. The Tenant must pay a late charge of \$150.00 as additional rent for each payment that is more than ten (10) days late. This late charge is due with the monthly rent payment.

THE OBLIGATION OF THE TENANT TO MAKE ANY SUCH BASIC RENT PAYMENTS DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE TENANT, OR OF ANY OTHER AGENCY, DEPARTMENT OR POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY. THE OBLIGATION OF THE TENANT TO MAKE ANY SUCH BASIC RENT PAYMENTS DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE TENANT, OR OF ANY OTHER AGENCY, DEPARTMENT OR POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY.

4. **Possession and Use.** The Tenant may use and occupy the Rental Space for governmental offices and storage (the "Use"). The Landlord shall give possession of the Rental Space to the Tenant for the Term. The Tenant shall take possession of and use the Rental Space for the purpose stated above. The Tenant may not use the Rental Space for any other purpose without the written consent of the Landlord, which consent shall not be unreasonably withheld or unduly delayed.

The Tenant shall not allow the Rental Space to be used for any unlawful or hazardous purpose. The Tenant is satisfied that the Rental Space is zoned for the Use stated. The Landlord shall obtain any necessary certificate of occupancy or other certificate permitting the Tenant to use the Rental Space for that Use.

The Tenant shall not use the Rental Space in any manner that results in (1) an increase in the rate of fire or liability insurance or (2) cancellation of any fire or liability insurance policy on the Rental Space. The Tenant shall comply with all requirements of the insurance companies insuring the Rental Space. The Tenant shall not abandon the Rental Space during the Term of this Lease or permit it to become vacant for extended periods.

5. **No Assignment or Subletting.** The Tenant may not do any of the following without the Landlord's written consent which consent shall not be unreasonably withheld or unduly delayed: (a) assign this Lease (if the Tenant is a corporation, the sale of a majority of its shares shall be treated as an assignment), (b) sublet all or any part of the Rental Space or (c) permit any other person or business to use the Rental Space. In the event that the Tenant assigns this Lease or sublets all or any part of the Rental Space, such assignee or sublessee, as applicable, shall be: (i) a "government entity" as defined by the Internal Revenue Code of 1986, as amended ("Code"), and the regulations promulgated thereunder; (ii) an qualified 501(c)(3) organization as set forth in the Code; or (iii) any other person or business if, in the opinion of a lawyer or firm of lawyers with experience and nationally recognized expertise in the field of municipal finance, the assignment or sublease to such person or business would not and will not effect the tax-exempt status of the bonds issued to finance the Building.

6. **Rent and Additional Rent.** Tenant shall pay the Rent to the Landlord at the Landlord's address. If the Tenant fails to comply with any agreement to this Lease, the Landlord may, upon five (5) days written notice to Tenant, do so on behalf of the Tenant. The Landlord may charge the cost to comply, including reasonable attorney's fees, to the Tenant as "additional rent". The additional rent shall be due and payable as Rent with the next monthly Rent payment. Non-payment of additional rent shall give the Landlord the same rights against the Tenant as if the Tenant failed to pay the Rent.

7. **Liability Insurance.** The Tenant, at Tenant's own cost and expense, shall obtain or provide and keep in full force for the benefit of the Landlord, during the Term hereof, general public liability insurance, insuring the Landlord against any and all liability or claims of liability arising out of, occasioned by or resulting from any accident or otherwise in or about the Rental Space for injuries to any persons, for limits of not less than \$100,000.00 for property damage, \$1,000,000.00 for injuries to one person and \$1,000,000.00 for injuries to more than one person, in any one accident or occurrence. The insurance policies shall be with companies authorized to do business in the State of New Jersey and shall be delivered to the Landlord, together with proof of payment, not less than fifteen (15) days prior to the commencement of the term hereof or of the date when the Tenant shall enter in possession, whichever occurs sooner. At least fifteen (15) days prior to the expiration or termination date of any policy, the Tenant shall deliver a renewal or replacement policy with proof of the payment of the premium therefor.

8. **Unavailability of the Insurance, Rate Increases.** If, due to the Tenant's use of the Rental Space, the Landlord cannot obtain and maintain fire insurance on the Rental Space or the Building (if the Rental Space is less than the entire Building) in an amount and form reasonably acceptable to the Landlord, the Landlord may cancel this Lease on thirty (30) days notice to the Tenant. If, due to the Tenant's use of the Rental Space, the fire insurance rate is increased, the Tenant shall pay the increase in the premium to the Landlord on demand.

9. **Indemnification.** The Tenant agrees to and shall hold harmless and indemnify the Landlord from and for any and all payments, expenses, costs, attorney fees and from and for any and all claims and liability for loses or damage to property or injuries to persons occasioned wholly or in part by or resulting from any acts or omissions by the Tenant or the Tenant's agents, employees, guests, licensee, invitees, subtenants, assignees or successors. The Landlord agrees to and shall hold harmless and indemnify the Tenant from and for any and all payments, expenses, costs, attorney fees and from and for any and all claims and liability for losses or damage to property or injuries to persons occasioned wholly or in part by or resulting from any acts or omissions by the Landlord or the Landlord's agents, employees, assignees or successors.

10. **Quiet Enjoyment.** The Landlord has the right to enter into this Lease. If the Tenant

complies with this Lease, the Landlord must provide the Tenant with undisturbed possession of the Rental Space.

11. **Utilities and Services.** The Tenant shall arrange and pay for all utilities and services required for the Rental Space, including the following:

- (a) Heat
- (b) Electric
- (c) Gas

The Landlord shall pay for the following utilities and services:

- (a) Water and sewer
- (b) Common area electric, heat, cooling, lawn/landscaping service
- (c) trash/recycling removal

The Landlord is not liable for any inconvenience or harm caused by any stoppage or reduction of utilities and services beyond the control of the Landlord. This does not excuse the Tenant from paying Rent.

12. **Tenant's Repairs, Maintenance, and Compliance.** The Tenant shall:

- (a) Promptly comply with all laws, orders, rules and requirements of governmental authorities, insurance carriers, board of fire underwriters, or similar groups;
- (b) Maintain the Rental Space and all equipment and fixtures in it in good repair and appearance;
- (c) Make all necessary repairs to the Rental Space and all equipment and fixtures in it, except structural repairs;
- (d) Maintain the Rental Space in a neat, clean, safe and sanitary condition, free of all garbage;
- (e) Use all electric, plumbing and other facilities in the Rental Space safely;
- (f) Use no more electricity than the wiring or feeders to the Rental Space can safely carry;
- (g) Promptly replace all broken glass in the Rental Space;
- (h) Do nothing to destroy, deface, damage, or remove any part of the Rental Space;
- (i) Keep nothing in the Rental Space which is inflammable, dangerous or explosive or which might increase the danger of fire or other casualty;
- (j) Promptly notify the Landlord when there are conditions which need repair;
- (k) Do nothing to destroy the peace and quiet of the Landlord, other tenants, or persons in the neighborhood; and
- (l) Avoid littering in the building or on its grounds.

The Tenant shall pay any expenses involved in complying with the above.

13. **Landlord's Repairs and Maintenance.** The Landlord shall:

- (a) Make all structural repairs unless these repairs are made necessary by the act or neglect of the Tenant or the Tenant's employees.
- (b) Except for repairs and replacements that Tenant must make under Paragraph 12 herein, Landlord shall pay for and make all other repairs and replacements to the Rental Space,

common areas and Building (including Building fixtures and equipment).

Landlord shall make the repairs and replacements to maintain the Building in a condition comparable to other first class office buildings in the Philadelphia area. This maintenance shall include the roof, foundation, exterior walls, interior structural walls, all structural components, and all systems, such as mechanical, electrical, HVAC, and plumbing.

14. **No Alterations.** The Tenant may not make any changes or additions to the Rental Space without the Landlord's written consent, which consent shall not be unreasonably withheld or unduly delayed. Any changes or additions made without the Landlord's written consent shall be removed by the Tenant on demand.

All changes or additions made with the Landlord's written consent shall become the property of the Landlord when completed and paid for by the Tenant. They shall remain as part of the Rental Space at the end of the Term. The Landlord may demand that the Tenant remove any changes or additions at the end of the Term. The Tenant shall promptly pay for all costs of any permitted changes or additions. The Tenants shall not allow any mechanic's lien or other claim to be filed against the Building. If any lien or claim is filed against the Building, the Tenant shall have it promptly removed.

15. **Signs.** The Tenant shall obtain the Landlord's written consent before placing any sign on or about the Rental Space. Landlord's consent under this Paragraph shall not be unreasonably withheld or unduly delayed. Signs must conform with all applicable municipal ordinances and regulations.

16. **Access to Rental Space.** The Landlord shall have access to the Rental Space on reasonable notice to the Tenant to (a) inspect the Rental Space (b) make necessary repairs, alterations, or improvements, (c) supply services, and (d) show it to prospective buyers, mortgage lenders, contractors or insurers.

The Landlord may show the Rental Space to rental applicants at reasonable hours on notice to the Tenant within 6 months before the end of the Term.

The Landlord may enter the Rental Space at any time without notice to the Tenant in case of emergency.

17. **Fire and Other Casualty.** The Tenant shall notify the Landlord at once of any fire or other casualty in the Rental Space. If the Rental Space cannot be used because of fire or other casualty, the Tenant is not required to pay rent for the time the Rental Space is unusable. If part of the Rental Space cannot be used, the Tenant must pay Rent for the usable part. If the fire or other casualty is caused by the act or neglect of the Tenant or of Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, the Tenant shall pay for all repairs and all other damage. In that case the Tenant must pay the full Rent for the balance of the Term.

If the Rental Space is partially damaged by fire or other casualty without the act or neglect of the Tenant or the Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors the Landlord shall repair it as soon as possible. The Landlord need only repair the damaged structural parts of the Rental Space and fixtures installed by the Landlord. The Landlord is not required to repair or replace anything installed by the Tenant.

This Lease shall terminate if (1) the Rental Space is totally destroyed by fire or other casualty without the act or neglect of the Tenant or the Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, or (2) the Rental Space is so damaged by fire or other casualty without the act or neglect of the Tenant or the Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors that it cannot be repaired within ninety (90) days.

18. **Eminent Domain.** Eminent domain is the right of a government to lawfully condemn and take private property for public use. Fair value must be paid for the property. The taking occurs either by court order or by deed to the condemning party. If any part of the Rental Space is taken by eminent domain, either party may cancel this lease on thirty (30) days notice to the other. The entire payment for the taking shall belong to the Landlord. The Tenant shall make no claim for the value of this Lease for the remaining part of the Term.

19. **Subordination to Mortgage.** In a foreclosure sale all mortgages which are now or in the future affect the Building have priority over this Lease. If any mortgage is foreclosed: (i) this Lease shall continue; (ii) Tenant's quiet possession shall not be disturbed if Tenant is not in Default; (iii) Tenant will attorn to and recognize the mortgagee or purchase at foreclosure sale as Tenant's landlord for the remaining Term. The Tenant shall sign all papers needed to give any mortgage priority over this Lease.

20. **Tenant's Certificate.** At the request of the Landlord, the Tenant shall sign a certificate stating that (a) this Lease has not been amended and is in effect, (b) the Landlord has fully performed all of the Landlord's agreements in this Lease, (c) the Tenant has no rights to the Rental Space except as stated in this Lease, (d) the Tenant has paid all Rent to date, and (e) the Tenant has not paid Rent for more than one month in advance. The Certificate shall also list all the property attached to the Rental Space owned by the Tenant.

21. **Violation, Eviction, Re-entry and Damages.** The Landlord reserves a right of re-entry which allows the Landlord to end this Lease and re-enter the Rental Space if the Tenant violates any agreement in this Lease and said violation remains uncured for a period of thirty (30) days (or the additional period of time, if any, that is reasonably necessary to promptly and diligently cure said violation) after Landlord's notice of default to Tenant setting forth in reasonable detail the nature and extent of the violation and identifying the applicable Lease provision(s). This is done by eviction. Eviction is a court procedure to remove a tenant. Eviction is started by the filing of a complaint in court and the service of a summons on a tenant to appear in court. The Landlord may also evict the Tenant for any one of the other grounds of good cause provided by law. After a court order of eviction and compliance with the warrant of removal, the Landlord may re-enter and take back possession of the Rental Space. If the cause for eviction is non-payment of Rent, notice does not have to be given to the Tenant before the Landlord files a complaint. If there is any other cause to evict, the Landlord must give to the Tenant the notice required by law before the Landlord files a complaint for eviction. The Tenant is liable for all damages caused by the Tenant's violation of any agreement in this Lease. This includes reasonable attorney's fees and costs. After eviction the Tenant shall pay the Rent for the Term or until the Landlord re-rents the Rental Space, if sooner. Landlord shall mitigate its damages by making efforts to relet the Rental Space on reasonable terms. If the Landlord re-rents the Rental Space for less than the Tenant's Rent, the Tenant shall pay the difference until the end of the Term. The Tenant shall not be entitled to any excess resulting from the re-renting. The Tenant shall also pay (a) all reasonable expenses incurred by the Landlord in preparing the Rental Space for re-renting and (b) commissions paid to a broker for finding a new tenant.

22. **Landlord's Default.** Landlord's failure to perform or observe any of its Lease obligations after a period of thirty (30) business days or the additional time, if any, that is reasonably necessary to promptly and diligently cure the failure after receiving notice from Tenant is a default. The notice shall give in reasonable detail the nature and extent of the failure and identify the Lease provision(s) containing the obligation(s).

If Landlord commits a default, Tenant may pursue any remedies given in this Lease or under the law.

23. **Notices.** All notices given under this Lease must be in writing. Each party must accept and claim the notices given by the other. Unless otherwise provided by law, they may be given by (a) personal delivery, or (b) certified mail, return receipt requested. Notices shall be addressed to the Landlord at the address written at the beginning of this Lease and to the Tenant at the Rental Space.

24. **No Waiver.** Either party's failure to enforce any agreement in this Lease shall not prevent said party from enforcing the agreement for any violations occurring at a later time.

25. **Survival.** If any agreement in this Lease is contrary to law, the rest of the Lease shall remain in effect.

26. **End of Term.** At the end of the Term the Tenant shall (a) leave the Rental Space clean, (b) remove all of the Tenant's property, (c) remove all signs and restore that portion of the Rental Space on which they were placed, (d) repair all damage caused by moving and (e) return the Rental Space to the Landlord in the same condition as it was at the beginning of the Term except for normal wear

and tear.

If the Tenant leaves any property in the Rental Space, the Landlord may upon ten (10) days notice to Tenant (a) dispose of it and charge the Tenant for the cost of disposal, or (b) keep it as abandoned property.

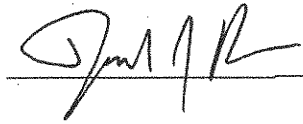
27. **Binding.** This Lease binds the Landlord and the Tenant and all parties who lawfully succeed to their rights or take their places.

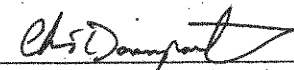
28. **Full Agreement.** The parties have read this Lease. It contains their full agreement. It may not be changed except in writing signed by the Landlord and the Tenant.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals to this Lease Agreement below.

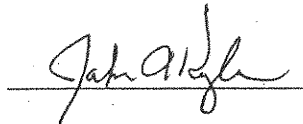
Witnessed or attested by:

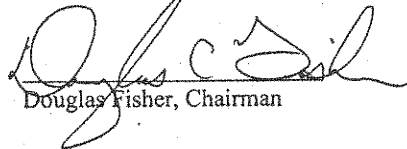
Stand Up For Salem, Inc.



By: 
Chris Davenport, Executive Director

The Salem County Improvement Authority



By: 
Douglas Fisher, Chairman

**FIRST ADDENDUM TO LEASE AGREEMENT
BETWEEN SALEM COUNTY IMPROVEMENT AUTHORITY AND
STAND UP FOR SALEM, INC.**

THIS FIRST ADDENDUM is made effective this 23rd day of March 2009 by and between **STAND UP FOR SALEM, INC.**, a non-profit corporation of the State of New Jersey with addresses at P. O. Box 453, Salem, New Jersey 08079 ("SUFS"); and the **SALEM COUNTY IMPROVEMENT AUTHORITY**, a body corporate and politic of the State of New Jersey with addresses at 52 McKillip Road, P. O. Box 890, Alloway, NJ 08001 ("SCIA");

WITNESSETH;

WHEREAS, SUFS' Finlaw Building project represents an important redevelopment project for Salem City and Salem County and was financed through bonds issued through SCIA; and SUFS and SCIA have otherwise engaged in a cooperative relationship regarding this important project; and

WHEREAS, SUFS and SCIA executed a certain Lease Agreement dated May 2nd, 2007 pursuant to which SCIA agreed to lease the basement space of the Finlaw Building commencing upon completion of the project ("the Lease"); and

WHEREAS, the rent stated in the original Lease was based upon a square foot price/debt service amortization model that was predicated upon projected construction costs; and

WHEREAS, the final construction costs for the project increased due to additional measures necessary to make the basement a viable space and accordingly the parties have agreed upon a change in terms under the Lease in order to maintain the debt service amortization model;

NOW, THEREFORE, the parties agree as follows:

1. Paragraph 2 of the Lease is hereby amended to reflect that the term of the Lease shall be for three terms (total of 20 years – "the Term") with the initial term commencing on April 1st, 2009 (the "Commencement Date") and ending on March 31st, 2014 ("the Initial Term"); and the second term commencing April 1st, 2014 and ending on March 31st, 2024 ("the Second Term"); and the third term commencing on April 1st, 2024 and ending on March 31st, 2029.
2. Paragraph 3 of the Lease is amended to read as follows: SCIA agrees to pay \$140,200.00 per year as base rent during the Initial Term; and \$154,220.00 per year as base rent during the Second Term; and \$168,240.00 per year as base rent during the Third Term. The base rent shall be paid in equal monthly installments (\$11,683.34 per month during the Initial Term; \$12,851.67 per month during the Second Term; \$14,020.00 per month during the Third Term), due on the first day of each month, commencing on the Commencement Date. It is acknowledged that the foregoing base rent is based on applying the same per square foot price being paid by the State tenant during years 1-5, 6-15 and 16-20. In the event the price per square foot used to calculate

the base rent of the State Tenant is increased, then the base rent of the SCIA Lease shall be increased by the same amount per square foot upon 30 days written notice to SCIA.

It is acknowledged that the building was completed without separate metering for electric, gas and other utilities. It is agreed that SCIA shall pay, as additional rent, a pro rata share of all electric, gas, water, sewer, cleaning/janitorial, building alarm/security services, maintenance, repairs, trash disposal, landscaping, snow removal, real estate taxes or payments in lieu thereof, insurance, management fees and costs, and all other operational and management costs, charges and expenses of the entire complex, including the common areas (inside areas and outside grounds) of the entire complex (hereinafter "the Expenses"), equal to 16% thereof during the Term (SUFS shall be responsible for 84% of the Expenses through the other tenants of the complex) so that the base rent is "net" of the Expenses.. The additional rent relating to the Expenses shall be paid on a regular monthly basis and within 10 days of the date that SUFS presents SCIA with an invoice therefore supported by copies of the bills and a calculation detail based on the 16% agreed upon pro rata share. Alternatively, SUFS may establish a regular monthly amount for the additional rent relating to the Expenses, to be included with SCIA's monthly base rent payment, based upon the prior year's actual Expenses (or good faith projections for the initial year) and projected increases ("the Estimated Additional Rent. If SUFS proceeds in this manner it shall, within 60 days of the end of each calendar year of the Term, provide SCIA with an accounting of the Expenses actually incurred for said year. If the actual Expenses exceed the Estimated Additional Rent paid for said year, SCIA shall pay the additional amount to SUFS within 30 days receipt of the accounting. If the actual expenses are less than the Estimated Additional Rent paid for said year, SUFS shall credit the excess amount against future additional rent due or refund the same within 30 days.

3. SUFS shall provide SCIA with 15 parking spaces, in the complex's garage, for the sole and exclusive use of the SCIA, its employees, agents and visitors. SCIA shall pay additional rent of \$30,000.00 annually, \$2,500.00 per month, for the spaces, to be included with SCIA's monthly base rent payment.

4. SUFS acknowledges and agrees that SCIA may permit other County agencies, authorities or boards to utilize the basement space (for offices, meeting and/or record storage space) and the parking spaces which are the subject of the Lease. SCIA shall give SUFS advance written notice of any such arrangements.

5. The parties acknowledge that the main State Tenant may need to expand its operations to include the basement space being leased by SCIA. In the event that the State agrees to lease the space SCIA agrees to accommodate same and cooperate in vacating the space whereupon the obligations of SCIA under the Lease shall end.

6. All other terms and provisions of the Lease shall remain unchanged.

IN WITNESS WHEREOF the parties have set their hands and seals effective as of the date first above written.

Witnessed or attested by:

Stand Up For Salem, Inc.

By:

Keith S. Campbell
Keith Campbell, President

Salem County Improvement Authority

By:

Jah A. Kyle

**FORM OF SECOND ADDENDUM TO LEASE AGREEMENT
BETWEEN SALEM COUNTY IMPROVEMENT AUTHORITY AND
STAND UP FOR SALEM, INC.**

THIS SECOND ADDENDUM is made effective this 1st day of April, 2021 by and between **STAND UP FOR SALEM, INC.**, a non-profit corporation of the State of New Jersey with addresses at P.O. Box 453, Salem, New Jersey 08079 ("SUFS"); and the **SALEM COUNTY IMPROVEMENT AUTHORITY**, a body corporate and politic of the State of New Jersey with addresses at 286 Welchville Road, P.O. Box 890, Alloway, New Jersey 08001 ("SCIA");

WITNESSETH;

WHEREAS, SUFS Finlaw Building project was a redevelopment project in Salem City and was financed through bonds issued through SCIA; and SUFS and SCIA have otherwise engaged in a cooperative relationship regarding this important project; and

WHEREAS, SUFS and SCIA executed a certain Lease Agreement dated May 2, 2007, as amended by a First Addendum to the Lease Agreement dated as of March 23, 2009, as pursuant to which SCIA agreed to lease the basement space of the Finlaw Building commencing upon completion of the project (the "Lease"); and

WHEREAS, the rent stated in the Lease was based upon a square foot price/debt service amortization model that was predicated upon projected construction costs; and

WHEREAS, the SCIA has agreed to undertake the financing of certain bonds of the SCIA and in connection therewith the parties have agreed upon the following change in terms under the Lease in order to maintain the debt service amortization model through March 31, 2029;

NOW, THEREFORE, the parties agree as follows:

1. Paragraph 2 of the Lease is hereby amended to reflect that the term of the Lease shall be for three terms (total of 20 years — the "Term") with the initial term commencing on April 1st, 2009 (the "Commencement Date") and ending on March 31st, 2014 (the "Initial Term"); the second term commencing April 1st, 2014 and ending on March 31st, 2021 (the "Second Term"); the third term commencing April 1st, 2021 and ending on March 31st, 2024 (the "Third Term") and the fourth and final term commencing on April 1st, 2024 and ending on March 31st, 2029 (the "Fourth Term").

2. Paragraph 3 of the Lease is amended to read as follows: SCIA agrees to pay \$140,200.00 per year as base rent during the Initial Term; \$154,220.00 per year as base rent during the Second Term; [\$150,715.00] per year as base rent during the Third Term and [\$164,735.00] per year as base rent

during the Fourth Term. The base rent shall be paid in equal monthly installments (\$11,683.34 per month during the Initial Term; \$12,851.67 per month during the Second Term; [\$12,559.58] per month during the Third Term; [\$13,727.91] per month during the Fourth Term), due on the first day of each month, commencing on the [Commencement Date]. It is acknowledged that the foregoing base rent is based on applying the same per square foot price being paid by the State tenant during years [1-5, 6-11, 12-15 and 15-20]. In the event the price per square foot used to calculate the base rent of the State Tenant is increased or decreased, then the base rent of the SCIA Lease shall be increased or decreased by the same amount per square foot upon 30 days written notice to SCIA.

3. [SUFS shall provide SCIA with 15 parking spaces, in the complex's garage, for the sole and exclusive use of the SCIA, its employees, agents and visitors. SCIA additional rent shall be reduced to and the SCIA shall pay \$12,600.00 annually, \$1,050.00 per month, or \$840 annually for each space, to be included with SCIA's monthly base rent payment.]

4. SUFS acknowledges and agrees that SCIA may permit other County agencies, authorities or boards to utilize the basement space (for offices, meeting and/or record storage space) and the parking spaces which are the subject of the Lease. [SCIA shall give SUFS advance written notice of any such arrangements. Additionally, the SUFS acknowledges and agrees that SCIA may sublease the base space to another party, provided such sublease is in compliance with the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.]

5. The parties acknowledge that the main State Tenant may need to expand its operations to include the basement space being leased by SCIA. In the event that the State agrees to lease the space SCIA agrees to accommodate same and cooperate in vacating the space whereupon the obligations of SCIA under the Lease shall end.

6. The Authority hereby covenants and agrees to enter into a Budget, Capital and Fiscal Planning, Procurement and Reimbursement Best Practices Agreement, by and between the Borrower, the City and the Authority in connection with the issuance of the Authority's City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021.

7. All other terms and provisions of the Lease shall remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this Second Addendum To Lease Agreement as of the date first above written.

[SEAL]

**THE SALEM COUNTY
IMPROVEMENT AUTHORITY**

ATTEST

Name: BARRY DAVIS
Title: Secretary

By: _____
Name: CORDY TAYLOR
Title: Chairperson

SEAL
ATTEST

STAND UP FOR SALEM, INC.

Name:
Title: Secretary

By: _____
Name:
Title: President

APPENDIX F

Proposed Form of Opinion of Bond Counsel



A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
Riverview Plaza
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July __, 2021

The Salem County Improvement Authority
Alloway, New Jersey

Re: The Salem County Improvement Authority
(Salem County, New Jersey)
\$_____ City-Guaranteed Revenue Refunding Bonds
(Finlaw State Office Building Project), Series 2021

Ladies and Gentlemen

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery by The Salem County Improvement Authority, a public body corporate and politic constituting an instrumentality of the State of New Jersey ("Authority"), of \$_____ aggregate principal amount of its City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 (the "Bonds").

The Bonds are authorized pursuant to (i) the County Improvement Authorities Law N.J.S.A. 40:37A-44 et seq., as amended and supplemented (the "Act"), and (ii) a bond resolution of the Authority adopted on August 14, 2006, as amended and supplemented, including by a supplemental resolution adopted on April 15, 2021 (collectively, the "Bond Resolution"). The Bonds are issued and secured by (i) an Indenture of Trust dated as of July 1, 2007 (the "Indenture of Trust"), as amended and supplemented by a First Supplemental Indenture of Trust dated the date of delivery of the Bonds (the "Supplemental Indenture" and together with the Indenture of Trust, the "Indenture"), by and between the Authority and the Fulton Bank, National Association (the "Trustee"), (ii) a Loan Agreement, dated as of July 1, 2007, by and between the Authority and the Borrower (as hereinafter defined), as amended and supplemented by a First Supplemental Loan Agreement dated the date of delivery of the Bonds (collectively, the "Loan Agreement") and related promissory note (the "Note"); (iii) a Mortgage and Security Agreement from the Borrower, as mortgagor, to the Authority, as mortgagee, dated the date of delivery of the Bonds, (the "Mortgage"); (iv) a Support Agreement dated the date of delivery of the Bonds, by and between the City and the Authority (the "Support Agreement"); and (v) a Guaranty Ordinance, duly and finally adopted by the Common Council of the City and published in accordance with applicable law (the "City Guaranty") and a Guaranty Agreement dated the date of delivery of the Bonds by and between the City and the Authority (the "Guaranty Agreement"). The Bonds are being underwritten by RBC Capital Markets LLC (the "Underwriter") pursuant to a Bond Purchase Contract dated July __, 2021 by and between the Underwriter, the Authority, the Borrower and the City.

The Bonds, along with certain available funds, are being issued for the purpose of (i) currently refunding all of the Authority's City-Guaranteed Revenue Bonds (Finlaw State Office

The Salem County Improvement Authority

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Building Project), Series 2007 dated July 19, 2007 currently outstanding in the amount of \$18,100,000 and maturing on August 15 in the years 202_ through and including 2038 (the "Refunded Bonds"), which Refunded Bonds were issued for the purpose of making a loan to Stand Up for Salem, Inc., a New Jersey non-profit corporation (the "Borrower"), (ii) funding a deposit to the Debt Service Reserve Fund created pursuant to the Indenture (as defined herein), as necessary, and (iii) paying the costs of issuance for the Bonds (collectively, the "Refunding Project").

The Authority, the Borrower and the Trustee have executed the Authority Assignment, dated as of July __, 2021 (the "Authority Assignment"), pursuant to which the Authority has assigned to the Trustee, as security for the payment of the principal of and interest on the Bonds, certain of its rights under the Loan Agreement, the Note, the Mortgage, the Support Agreement, the City Guaranty and the other documents executed by the Borrower. The Borrower and the Trustee have also executed the Assignment of Rents, Leases and Parking Revenues, dated as of July __, 2021 (the "Assignment of Leases and Rents"), pursuant to which the Borrower has assigned to the Trustee, as additional security for the payment of the principal of and interest on the Bonds, certain of its rights to rents and parking revenues received and leases executed in connection with the operation and use of the original project.

The Bonds are dated their date of delivery, mature on August 15 in each of the years and the respective principal amounts set opposite each such year in the table below and bear interest at the rates per annum below, payable initially on August 15, 202_ and interest on the bonds payable semi-annually thereafter on August 15 and February 15 in each year until maturity or earlier redemption, commencing _____ 15, 202_.

Maturity Date (August 15)	Principal Amount	Interest Rate
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
	\$ _____	% Term Bond Due August 15, 203_
	\$ _____	% Term Bond Due August 15, 204_
	\$ _____	% Term Bond Due August 15, 204_

The Bonds are issued in fully registered book-entry-only form without coupons. The Bonds are subject to optional, extraordinary optional and [mandatory sinking fund] redemption prior to maturity on the terms and conditions set forth therein.

As the basis for the opinion expressed below, we have examined such matters of law as we have deemed necessary including, without limitation, the Act and the Internal Revenue Code of 1986, as amended ("Code"). We have also examined and relied upon such documents, instruments and certifications as we have deemed necessary including, without limitation, original counterparts or certified copies of the Bond Resolution, the Indenture, the Loan Agreement, the Note, the Mortgage, the Authority Assignment, the Assignment of Leases and Rents, the Guaranty Ordinance, the Guaranty Agreement, and such other documents, instruments and certifications including, inter alia, the Joint Tax Certificate entered into by and between the Authority and the Borrower ("Joint Tax Certificate") and the opinions of counsel to the Borrower, counsel to the Trustee, and counsel to the Authority as to various matters. Capitalized terms, not otherwise defined, shall have the meanings ascribed thereto in the Indenture unless the context clearly requires otherwise.

In rendering the opinions set forth below, we have relied upon the authenticity, truthfulness and completeness of all matters set forth in the documents, instruments and certifications examined, and on the opinions referenced above, as to all matters of fact and law set forth therein.

Based upon and subject to the foregoing and the further assumptions and qualifications set forth below, it is our opinion that:

1. The Authority is a public body corporate and politic and an instrumentality of the State of New Jersey, duly and legally organized and validly existing under the Act, and has full right and lawful authority to issue the Bonds for the purpose of financing the Refunding Project.

2. The Bonds have been duly authorized, executed and delivered by the Authority, are the legal, valid and binding special, limited obligations of the Authority, enforceable in accordance with their terms and payable as to principal, interest and all other obligations thereunder solely from, and enforceable only against, amounts payable by the Borrower under the Indenture and the other revenues, funds and rights assigned or pledged to the Trustee pursuant to the Indenture, the Authority Assignment and the Assignment of Leases and Rents as security for the Bonds.

3. The Authority has the power to enter into and perform its obligations under the Indenture, the Loan Agreement, the Bonds, the Guaranty Agreement and the Authority Assignment, and assuming the due authorization, execution and delivery of said documents by the other parties thereto, constitute legal, valid and binding obligations of the Authority, enforceable in accordance with their terms except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the rights of creditors or principles of equity generally.

4. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Authority and the Borrower have covenanted in the Joint Tax Certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Authority and the Borrower with the aforementioned covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

In rendering this opinion, we have relied on the opinion of Adam I. Telsey, Esquire, Borrower's Counsel, with respect to the recognition by the Internal Revenue Service of the Borrower as a Section 501(c)(3) tax-exempt charitable organization which combats community deterioration and relieves government of some of its burdens, with respect to the Refunding Project as exclusively serving this recognized Section 501(c)(3) tax-exempt, charitable purpose, and with respect to the Borrower's continued compliance with all filing and other requirements, including the restriction not to engage in unrelated trade or business, in order to maintain its Section 501(c)(3) tax-exempt status.

We call your attention to the fact that the Bonds are special, limited obligations of the Authority payable solely from and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with its terms and the provisions of the Indenture. The Bonds do not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision of the State other than the Authority (which has only a special and limited obligation to pay such Bonds out of the Trust Estate and the Revenues pursuant to the Indenture) or constitute a pledge of the faith and credit or taxing power of the State or of any political subdivision thereof, other than for the City (to the extent required under the City Guaranty). The Authority has no taxing power.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law 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 herein.

The Salem County Improvement Authority

July __, 2021

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This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX G

Form of Continuing Disclosure Agreements

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement" or "Agreement") is made on this ____ day of July, 2021 by and between Stand Up For Salem, Inc., a New Jersey non-profit corporation ("SUFS"), and Phoenix Advisors, LLC ("Dissemination Agent"), in connection with the issuance and sale by The Salem County Improvement Authority ("Authority") of its \$_____ aggregate principal amount of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 ("Bonds").

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 Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture of Trust, dated as of July 1, 2007, as amended and supplemented by the First Supplemental Indenture of Trust dated as of _____, 2021 (collectively, the "Indenture"), with the Authority, 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 SUFS's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The SUFS or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"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.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the SUFS.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

"Tax-Exempt", when used with respect to the Bonds, shall mean that interest on the Bonds is excluded from the gross income of the Bondholders for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

SECTION 3. Provision of Annual Report.

(a) SUFS shall, not later than 270 days after the end of its fiscal year (currently December 31) for each fiscal year until termination of SUFS's reporting obligations under this Agreement pursuant to the provisions of Section 6 hereof, provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of SUFS (commencing for the fiscal year ending December 31, 2020). Each Annual Report provided to the Dissemination Agent by SUFS 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 EMMA.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from SUFS, shall submit each Annual Report received by it to EMMA and thereafter shall file a written report with SUFS certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided to EMMA.

(c) If SUFS 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 SUFS advising of such failure. Whether or not such notice is given or received, if SUFS 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 to EMMA in substantially the form attached as Exhibit "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) the general financial information and operating data of SUFS consistent with the information in the Official Statement of the Authority, dated July __, 2021, prepared in connection with the public offering and sale of the Bonds ("Official Statement"); and (ii) SUFS's annual financial statements, audited by an independent certified public accountant, provided that the annual audited financial statements of SUFS may be

submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of SUFS are included in the Annual Report. Each annual audited financial statements will conform to generally accepted accounting principles, as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

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 with respect to the Bonds ("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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Bond calls (excluding mandatory sinking fund redemptions), if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes; and
- (12) Bankruptcy, insolvency, receivership or similar event of the SUFS;
Note to Section 5(a)(12): For the purposes of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the SUFS 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 SUFS, 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 SUFS;
- (13) The consummation of a merger, consolidation, or acquisition involving the SUFS or the sale of all or substantially all of the assets of the SUFS, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
 - (15) Incurrence of a Financial Obligation of SUFS, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of SUFS person, any of which affect security holders, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of SUFS, any of which reflect financial difficulties.

(b) SUFS shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, SUFS may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by SUFS to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to SUFS, but in no event shall such Listed Event be reported to EMMA later than ten (10) business days after the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligations. The reporting obligations of SUFS and the Dissemination Agent under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when SUFS is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, SUFS and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an Opinion of Counsel) is: (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of SUFS, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of Bondholders, as

determined either by parties unaffiliated with SUFS or as approved by a vote of the beneficial owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment. SUFS shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with EMMA.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent SUFS 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 SUFS 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. Prior Compliance with the Rule. Within the five years immediately preceding the date of this Official Statement, the SUFS previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information, as required, for the fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019; and (ii) operating data, as required, for the fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019. Additionally, the SUFS previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information and (ii) operating data, as described above. Such notices of events and late filings have since been filed with EMMA.

SECTION 10. Default and Remedies. In the event of a failure of SUFS to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding Bonds, and after provision of satisfactory indemnification in accordance with the Indenture, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause SUFS to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of SUFS to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of SUFS, 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 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 SUFS:

Stand Up For Salem, Inc.
219 E. Broadway
P.O. Box 33
Salem, New Jersey 08079
Attention: Executive Director

(ii) If to the Dissemination Agent:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505

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 for the giving of notice.

SECTION 13. Compensation. The Authority shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable 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.

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 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 15. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of SUFS 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 16. 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 17. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

STAND UP FOR SALEM, INC.

By: _____

Name:

Title:

PHOENIX ADVISORS, LLC
as Dissemination Agent

By: _____

Name:

Title:

—
EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: The Salem County Improvement Authority

Name of Bond Issue Affected: The Salem County Improvement Authority - City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021

Date of Issuance
of Affected Bond Issue: July __, 2021

NOTICE IS HEREBY GIVEN that Stand Up Form Salem, Inc., a New Jersey non-profit corporation ("SUFS") 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 July __, 2021, between SUFS and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE — SUFS anticipates that such Annual Report will be filed by_____.]

Dated: PHOENIX ADVISORS, LLC,
as Dissemination Agent

cc: Stand Up For Salem, Inc.
Phoenix Advisors, LLC

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement" or "Agreement") is made on this ____ day of July, 2021 by and between The Salem County Improvement Authority ("Authority"), and Phoenix Advisors, LLC ("Dissemination Agent"), in connection with the issuance and sale by the Authority of its \$ _____ aggregate principal amount of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 ("Bonds").

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 Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture of Trust, dated as of July 1, 2007, as amended and supplemented by the First Supplemental Indenture of Trust dated as of _____, 2021 (collectively, the "Indenture"), with the Authority, 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:

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The Authority or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the Authority.

"State" shall mean the State of New Jersey.

"Tax-Exempt", when used with respect to the Bonds, shall mean that interest on the Bonds is excluded from the gross income of the Bondholders for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

SECTION 3. Reporting of Significant Events.

(a) This Section 3 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds ("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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Bond calls (excluding mandatory sinking fund redemptions), if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes; and
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority;
Note to Section 5(a)(12): For the purposes of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Authority 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 Authority, 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 Authority;

- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) The Authority shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 3. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 3, the Authority may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the Authority, but in no event shall such Listed Event be reported to EMMA later than ten (10) business days after the occurrence of such Listed Event.

SECTION 4. Termination of Reporting Obligations. The reporting obligations of the Authority and the Dissemination Agent under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Authority is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 5. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an Opinion of Counsel) is: (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of Bondholders, as determined either by parties unaffiliated with the

Authority or as approved by a vote of the beneficial owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment. The Authority shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with EMMA.

SECTION 6. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent 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 notice or occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any 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 notice of occurrence of a Listed Event.

SECTION 7. Prior Compliance with 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 of the Authority for the fiscal year ending December 31, 2015; (ii) audited financial information of the County of Salem, as required under certain filing requirements, for the fiscal years ending December 31, 2017; (iii) certain operating data of the County of Salem, as required under certain filing requirements for the fiscal years ending in December 31, 2015, 2016 and 2017; and (iv) operating data of the Authority for the fiscal year ending December 31, 2015. Additionally, the Authority previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data of the County of Salem; and (iii) operating data of the Authority, as described above. Such notices of events and late filings have since been filed with EMMA. The Authority appointed Phoenix Advisors, LLC in February of 2020 to serve as continuing disclosure agent.

SECTION 8. Default and Remedies. In the event of a failure of 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 25% aggregate principal amount of Outstanding Bonds, and after provision of satisfactory indemnification in accordance with the Indenture, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 9. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of 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 10. 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 Authority:

The Salem County Improvement Authority
286 Welchville Road; PO Box 890
Alloway, New Jersey 08001
Attention: Executive Director

(ii) If to the Dissemination Agent:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505

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 for the giving of notice.

SECTION 11. Compensation. The Authority shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable 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.

SECTION 12. 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 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 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of 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 14. 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 15. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

**THE SALEM COUNTY IMPROVEMENT
AUTHORITY**

By: _____
Name:
Title:

**PHOENIX ADVISORS, LLC
as Dissemination Agent**

By: _____
Name:
Title:

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement" or "Agreement") is made on this ____ day of July, 2021 by and between the City of Salem, in the County of Salem, State of New Jersey ("City") and Acacia Financial Group, Inc. ("Dissemination Agent"), in connection with the issuance and sale by The Salem County Improvement Authority ("Authority") of its \$_____ aggregate principal amount of City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021 ("Bonds").

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 Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture of Trust, dated as of July 1, 2007, as amended and supplemented by the First Supplemental Indenture of Trust dated as of _____, 2021 (collectively, the "Indenture"), with the Authority, 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 City's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The City or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"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.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the City.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

"Tax-Exempt", when used with respect to the Bonds, shall mean that interest on the Bonds is excluded from the gross income of the Bondholders for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

SECTION 3. Provision of Annual Report.

(a) The City shall, not later than 270 days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the City's reporting obligations under this 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 City (commencing for the fiscal year ending December 31, 2020). Each Annual Report provided to the Dissemination Agent by the City 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 EMMA.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the City, shall submit each Annual Report received by it to EMMA and thereafter shall file a written report with the City certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided to EMMA.

(c) If the City 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 City advising of such failure. Whether or not such notice is given or received, if the City 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 to EMMA in substantially the form attached as Exhibit "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) certain financial information and operating data of the City consisting of (a) City

and overlapping indebtedness, including a schedule of outstanding debt issued by the City; (b) property valuation information; and (c) tax rate and levy data; and (ii) the City's annual financial statements, audited by an independent certified public accountant, provided that the annual audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the City are included in the Annual Report. Each audited annual financial statements will conform to accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than generally accepted accounting principles, as such principles, standards and requirements exist at the time of the filing of the particular annual financial statements.

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 with respect to the Bonds ("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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Bond calls (excluding mandatory sinking fund redemptions), if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City; Note to Section 5(a)(12): For the purposes of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City;

- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) The City shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the City may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the City, but in no event shall such Listed Event be reported to EMMA later than ten (10) business days after the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligations. The reporting obligations of the City and the Dissemination Agent under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the City is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an Opinion of Counsel) is: (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of Bondholders. The City shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with EMMA.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City 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 City 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. Prior Compliance with the Rule. In connection with the issuance of the City's previously issued bonds, the City failed to timely file its audited financial statements for the year ended December 31, 2018. The City has appointed Acacia Financial Group, Inc., to serve as continuing disclosure agent to assist in the timely filing of the City's annual financial and operating information.

SECTION 10. Default and Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least 25% aggregate principal amount of Outstanding Bonds, and after provision of satisfactory indemnification in accordance with the Indenture, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, 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 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 City:

City of Salem
17 New Market Street
Salem, New Jersey 08079
Attention: Chief Financial Officer

(ii) If to the Dissemination Agent:

Acacia Financial Group, Inc.
6000 Midlantic Drive, Suite 410 North
Mount Laurel, New Jersey 08054

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 for the giving of notice.

SECTION 13. Compensation. The Authority shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable 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.

SECTION 14. 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 15. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City 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 16. 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 17. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

CITY OF SALEM

By: _____
Name:
Title:

**ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent**

By: _____
Name:
Title:

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: The Salem County Improvement Authority

Name of Bond Issue Affected: The Salem County Improvement Authority - City-Guaranteed Revenue Refunding Bonds (Finlaw State Office Building Project), Series 2021

Date of Issuance
of Affected Bond Issue: July __, 2021

NOTICE IS HEREBY GIVEN that the City of Salem, in the County of Salem, State of New Jersey ("City") 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 July __, 2021, between the City and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The City anticipates that such Annual Report will be filed by

Dated: ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent

cc: City of Salem, New Jersey
Acacia Financial Group, Inc.

APPENDIX H

Specimen Financial Guaranty Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100