



BAYSHORE REGIONAL SEWERAGE AUTHORITY

100 Oak Street, Union Beach, NJ 07735
732-739-1095 OFFICE 732-739-2459 FAX

Robert C. Fischer
EXECUTIVE DIRECTOR

MINUTES REGULAR MEETING MONDAY, APRIL 18, 2016

At 7:00 P.M. on Monday, April 18, 2016 Chairman Pisano called the meeting of the Bayshore Regional Sewerage Authority to order and makes the following announcement:

I hereby announce that pursuant to Section 5 of the Open Public Meetings Act, that adequate notice of this meeting has been sent to the Asbury Park Press and is on the BRSA Official Website. Notice has also been sent to the Clerks of Aberdeen, Hazlet, Holmdel, Keansburg, Keyport, Matawan, Union Beach and Marlboro and the Western Monmouth Utilities Authority. This notice is also posted in the lobby of the Bayshore Regional Sewerage Authority Administration Building.

Chairman Pisano asked all in attendance to stand for the Pledge of Allegiance and a Moment of Silence for the safety of US Troops all over the world.

Chairman Pisano requested a roll call of attendance:

PRESENT: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

ABSENT: Commissioner Khachaturian

Also in Attendance: Robert C. Fischer, Executive Director
Pete Canal, BRSA Staff Engineer
J. Michael Broyles, BRSA Superintendent
Manuel Ponte, Consulting Engineer
John Napolitano, BRSA Attorney
Susan DuBey, Admin. Assistant
John Draikiwicz, Bond Counsel

Reports

Executive Directors Report, BRSA Projects, Special Reports & Connection Applications

Presentation by Mike Avalone from Conner Strong Insurance - Mr. Fischer explained that an update every other year of our Risk Management Control Program under the Public Official and Employment Practice Liability line is recommended by the NJUAJIF official as a way for everyone to stay current on the subject of Public Officials and Employment Practice Liability. In addition, the JIF provides incentives by lowering our deductibles from \$100,000 to \$20,000 and lowering our co-pay on any claim to 20% capped at \$50,000 versus 20% co-pay with no cap. To qualify the Authority has to have seven specific components including training for Managers &

Committed to a Clean Environment for Today, Tomorrow and Generations to Come

BRSA staff, November 2006

Supervisors (which was held last week) and training for the Commissioners. The training for the Commissioners would entitle the Authority to a \$250 credit per person against the premium.

Mr. Fischer introduced Mr. Mike Avalone from Conner Strong Buckelew Insurance to administer the training.

Mike Avalone handed out financial reports explaining position of the New Jersey Utility Authority Fund (NJUA), the Municipal Excess Liability (MEL) and the Environmental Risk Management Fund (EJIF). He explained that Mr. Fischer is a member of the Executive Committee and sees the process of reviewing claims.

Mike reviewed the necessary employment practices that need to be revised/reviewed every two years Including:

1. Personnel Policies & Procedures update
2. Letter to all employees concerning "Whistle Blower" & Complaint Procedure
3. Training of Management & Supervisors
4. Anti-Harassment training to all employees
5. Having an Attorney experienced in employment matters
6. Employee Handbook update
7. Offer training to all Personnel

Projects During the month of March the following Contractors Completed:

Disaster Recovery Update

Mr. Fischer reported that as of March 31, 2016, \$14,711,082.35 in payments have been made in Phase I projects with 92% in Construction costs, 7.5% in Engineering costs and .05% in Administration costs. We have submitted \$8,849,333 or 60% for FEMA reimbursement. The NIRO project is at 75% completion, the Pump Stations are at 50% completion and the Various Authority Buildings are at 75% completion.

Mr. Fischer was happy to inform the Board that all the work that was done to convince the USEPA that BRSA is a special case with regards to the Mact SSI rules were effective, the USEPA announced that 2 authorities in the US will be granted an extension of the March 22, 2016 deadline on new emissions, one being an authority in Louisiana hit by Katrina and the other is Bayshore Regional Sewerage Authority. The new deadline date is March 22, 2017.

Phase II – Combined Blower Building and Power Distribution System will be awarded soon. As in Phase I these projects will be financed in short term notes by NJEIT.

Presentation from John Draikiwicz – BRSA Bond Counsel

John said this program was spearheaded by Mr. Fischer and the Authority. First phase went along smoothly and plan on permanent financing to occur in 2018 with low interest loans after FEMA forgiveness. Phase II will be similar to Phase I. In June there will be a dry closing, authorization and NJEIT Principal signing by Authority. Funds will be drawn down as needed. This note is for a not to exceed amount of \$20,000,000 and is higher than what is anticipated. It easier to have more than what is needed then to come back and do all the paperwork again for additional funding.

Staff Engineer Report

Pete Canal Reported:

Patrick Westhoven of PS&S-Contract 73S - Pump Station Project – presented Change Order #2 Upgrade & Modifications for Contract 73S in the amount of \$192,949 to include: Additional painting, return sludge bldg. valve replacement (approx. 30 valves), PLC&OIT software programming for new MCC and additional pump repair cost in return sludge building of 7 pumps. All 4 items on the change order are going to be submitted for FEMA reimbursement.

Chairman Pisano asked if FEMA is going to accept these Change Orders. Mr. Fischer said they fit the criteria.

Pete explained the contractor for 73-S-Remsco- is planning on starting up Pumps 1 & 3 which recently had their MCC's lifted 4 feet above the floor. He also stated that this is temporary to see how they run the rest of the week and on the weekend. If all goes well we will switch over and the next set of MCC's will be raised up.

Pete reported that Contract85- West Keansburg Force Main Project submitted Change Order #1 in an amount not exceed \$13,352.51 for the purpose of purchasing extra pipe. The pipe is an odd size and is good to have in stock in case of a break. There was an additional cost for Police traffic control, additional TGA and a credit of unused allowance items.

Ash Removal Contract expires in June 2016. Allows for 1 two year extension Spectraserv agrees to extend for the same price and conditions of present contract, which was never utilized due to lack of ash to remove.

Monarch Point – 17 Single Family Homes, Marlboro – Developers Agreement – requested to enter into a Developers Agreement in the amount of \$136,646 and sign the TWA consent form.

Oak Hill Estates – 17 Single Family Homes, Marlboro – paid in full, looking to approve project and sign the TWA consent form.

Reserve @ Holmdel currently has a Developers Agreement. They are making a payment and want to reduce the amount of bond.

Power Distribution Improvement & Mitigation – still need some permits and would like to advertise for bids contingent upon approval from NJDEP.

Consulting Engineer – R3M

Manuel Ponte Reported:

Various Plant Buildings almost 75% complete and on schedule.

Three Standby Generators – called the manufacturer in the UK regarding the delivery of the new radiators, shipment should have been here and have not returned my calls. One of three generators is completed, two more are scheduled for rebuild of radiators and numerous other components.

Requesting a fee increase for the Various Plant Building Project. When first calculated we anticipated 16 tasks. Two tasks we have exceeded our estimated amount.

Task 4 - Shop Drawing Review – estimated review of 67 drawing, to date we have reviewed 108.

R3M is asking for an additional \$24,000 for Task 4-Shop Drawings Review.

Pete explained that he reviewed the Schedule of Value (SOV) and this was the first one of this size and had to be submitted to the State and FEMA.

Task 9 – Change Orders – we estimated 98 hours, however, we spent 248 hours due to non-anticipated changes.

Task 1 - Administrative Engineering Services - requesting an additional \$2,000 due to the increase in the work in Tasks 4 & 9.

Pete stated that next month we will see a Change Order for a \$37,000 credit from the contractor for some of the additional engineering work performed by R3M.

Superintendent's Report

Mike Broyles Reported:

Daily Flow for March averaged 7.5 mgd. The effluent quality has improved, we're back to single digits with 97% removal.

All sludge removal was done by the Dorr Oliver however we had a number of odor complaints due to equipment failure. Tower #4 which serves the Sludge Dewatering Room control had a mechanism that failed and took several weeks to receive and install. In the meantime, the operators were manually adjusting chemical feed to resolve the odor.

Dorr Oliver had one scheduled shut-down to put the CEMS cabinet in and we had one fuel system shut-down that was repaired in that day. Otherwise it ran the entire month.

Mr. Fischer reported that he reached out to the #2 attorney that was interviewed, John Bonello, Esq., to serve as the Authority's Conflict Attorney. He is interested and his proposal is in your package.

Chairman Pisano-called for a **MOTION** to accept the Treasurers Report

7. TREASURER'S REPORT

(by Commissioner Sutton – Section 7)

TREASURER'S REPORT

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS

TD BANK	Balance
TRUSTEE ACCOUNTS	March 31, 2016
<u>2010 NJEIT BONDS</u>	
Revenue	\$ 0.00
Construction	\$ 1,357,435.44
Bond Service	\$.05
Total 2010 Accounts	\$ 1,357,435.49
TD BANK	
NJEIT Project Fund	\$ 2,176,464.32
Incoming Revenue Account	\$ 504.34
Operating Regular Account	\$ 272,522.53
Operating Reserve Account	\$ 9,702,871.92
Operating Payroll Account	\$ 188,519.94
TOTAL AUTHORITY ACCOUNTS	\$12,340,883.05
TOTAL	\$13,698,318.54

Detail of the Trustee accounts, receipts and disbursements, including investment activity, are on file in the Administrative Office of the Bayshore Regional Sewerage Authority.

SCHEDULE OF ACCOUNTS RECEIVABLE

SERVICE CHARGES:	Balance
<u>SERVICE CHARGES:</u>	March 31, 2016
Hazlet Township Sewerage Utility	\$ 0.00
Township of Holmdel	\$ 0.00
Borough of Union Beach	\$ 0.00
Borough of Keyport	\$ 0.00
Borough of Keansburg	\$ -201,364.50
Borough of Matawan	\$ 0.00
Western Monmouth Utilities Authority	\$ 0.00
Township of Aberdeen	\$ 0.00
TOTAL	\$ -201,364.50

OUTFALL AUTHORITY CHARGES

Hazlet Township Sewerage Authority	\$	0.00
Township of Holmdel	\$	0.00
Borough of Union Beach	\$	0.00
Borough of Keyport	\$	0.00
Borough of Keansburg	\$	-21,053.07
Borough of Matawan	\$	0.00
Western Monmouth Utilities Authority	\$	0.00
Township of Aberdeen	\$	0.00
TOTAL	\$	<u>-21,053.07</u>

Balance of Rent Reserve Accounts as of March 31, 2016

Hazlet Township Sewerage Utility	\$	752,713.17
Township of Holmdel	\$	318,391.43
Borough of Union Beach	\$	194,446.46
Borough of Keyport	\$	322,935.13
Borough of Keansburg	\$	303,023.91
Borough of Matawan	\$	322,781.76
Western Monmouth Utilities Authority	\$	95,464.95
Township of Aberdeen	\$	<u>482,773.36</u>
TOTAL	\$	<u>2,792,530.17</u>

OFFERED BY: Commissioner Sutton, SECONDED BY: Commissioner McMullen , and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

8. PAYMENT OF BILLS

Chairman Pisano calls for a MOTION for payment of the following:

Operating Fund Req. No.P184 (Payroll)	\$	210,286.89
Operating Fund Req. No. 534 (Regular)	\$	457,940.04
NJEIT Project Fund Req. #PF-11	\$	588,052.56
Wire Transfer FEMA Funds to NJEIT #WT007	\$	1,166,998.18

OFFERED BY: Commissioner McMullen, SECONDED BY: Commissioner Steiner, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

9. APPROVAL OF MINUTES

Chairman Pisano calls for a **MOTION** to approve the following Minutes:

Reorganization/Regular Meeting Minutes of February 22, 2016
Regular Meeting of March 21, 2016
Closed Session Minutes of February 22, 2016
Closed Session Minutes of March 21, 2016

OFFERED BY: Commissioner Steiner, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

Public Portion

ANNOUNCEMENT (by the Chairman): This portion of the meeting is now open to the public for comments or questions related to Agenda items only. **The public is reminded; only questions or comments specific to the scope of the Agenda items are to be addressed at this time.** As a courtesy to all, please be mindful of limiting your comments to 3 minutes.

Charles Hoffman questioned Resolution 52/16 to extend Spectraserv's Recycling and Disposal of Ash. He asked if anyone thought about a cost reduction due to the lower prices of fuel. Pete said he reviewed past history and felt the extension was reasonable, the current contract was never used due to the lack of ash volume.

Resolutions

RESOLUTION (50/16): To Approve Sanitary Sewer Connection and Treatment Works Approval Application for Monarch Pointe, LLC Developer for Monarch Pointe of Marlboro Township

WHEREAS, Monarch Pointe, LLC (Developer), is the project developer of Monarch Pointe, located off Texas Road, further designated as Block 119, Lot 23, 25 & 26 in Township of Marlboro, a 17 unit single family development, and

WHEREAS, the Developer has indicated it has received all local approvals and have submitted an application to Western Monmouth Utilities Authority (WMUA) for local sanitary sewer approval and has received the necessary signatures on the NJDEP Treatment Works Application (TWA), and

WHEREAS, the project is expected to generate 5,100 gallons per day of wastewater, and

WHEREAS, the Bayshore Regional Sewerage Authority ("Authority") Engineer has reviewed the Developers application and is recommending sanitary sewer connection approval and the signing of the TWA Consent forms, and

WHEREAS, the Developer has paid the review fees of \$1,433.91 and will execute a Developer's Agreement, pay all attorney fees, provide the Authority's Attorney with acceptable guarantees and submit the initial payment of connection fees under the terms and conditions of the Developer's Agreement, and

guarantees and submit the initial payment of connection fees under the terms and conditions of the Developer's Agreement, and

NOW THEREFORE BE IT RESOLVED by the Commissioners of the Bayshore Regional Sewerage Authority that Monarch Pointe, LLC is hereby approves sanitary sewer connection for the above referenced project, contingent upon the above requirements and receiving approval from the NJDEP and WMUA, the execution of the aforementioned Developer's Agreement and the payment of the first installment of connection fees being \$45,548.67.

BE IT FURTHER RESOLVED the Executive Director is hereby authorized to execute the Statement of Consent documents and return the Treatment Works Approval application to the applicant for processing by the New Jersey Department of Environmental Protection upon execution of the Developer's Agreement and payment of all aforementioned fees; and

BE IT FURTHER RESOLVED, the Developer must properly maintain its sanitary sewer system in accordance with the Bayshore Regional Sewerage Authority Rules and Regulations; and

BE IT FURTHER RESOLVED, that this approval is good for a one year period.

OFFERED BY: Commissioner McMullen, SECONDED BY: Commissioner Sutton, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (51/16): To Approve Monarch Pointe, LLC Developer Agreement for Monarch Pointe of Marlboro Township

WHEREAS, Monarch Pointe, LLC (Developer) has requested to be allowed to enter into a Developer's Agreement with Bayshore Regional Sewerage Authority (the "Authority") to provide sanitary sewer service to Monarch Pointe of Marlboro Township, located off Texas Road, further designated as Block 119, Lots 23,25, & 26 in Township of Marlboro, a 17 unit single family development; and

WHEREAS, the Developer is requesting payment for connection fees in a phased manner; and

WHEREAS, the Authority Attorney has prepared a Developer's Agreement that is acceptable to the Developer and the Authority Board of Commissioners; and

WHEREAS, the Commissioners of the Authority deem it is in the best interest of the Authority to enter into said Developers Agreement; and

WHEREAS, Monarch Pointe, LLC execute the Developers Agreement, provide the Authority's Attorney with acceptable guarantees and submit the initial payment of connection fees under the terms and conditions of the Developer's Agreement; and

NOW THEREFORE BE IT RESOLVED, that the Commissioners of the Bayshore Regional Sewerage Authority hereby authorize the execution of the Developer's Agreement with Monarch Pointe, LLC contingent upon satisfaction of the above mentioned terms and conditions.

BE IT FURTHER RESOLVED, upon satisfaction of the above terms and conditions, the Chairmen, Secretary and Executive Director are hereby directed to execute the Agreement and to file it with the Monmouth County Clerk's Office; and

BE IT FURTHER RESOLVED, that this approval is good for a one year period.

OFFERED BY: Commissioner Steiner, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (52/16): To Extend the Contract with Spectraserv, Inc. for the Recycling and/or Disposal of Ash for One 2 Year Extension

WHEREAS, in accordance with Local Public Contracts Law at 2:00 P.M. on Tuesday, June 3rd, 2014 the Bayshore Regional Sewerage Authority (Authority”) received bids for the Recycling and/or Disposal of Ash for a two (2) year period with the option for one two year extension, and

WHEREAS, on June 16, 2014 the Authority awarded the contract to the lowest responsible bidder being Spectraserv, Inc. of Kearny, N.J. Resolution No. 74/14, and

WHEREAS, on June 15, 2016 the contract is scheduled to expire and the Authority and Spectraserv, Inc. were mutually agreeable to extend the original Contract under the same terms and with the same price for a single one-time two year extension, and

WHEREAS, the original contract provides by mutual agreement and, the Local Public contracts law allow for single one-time two year contract extension, and

WHEREAS, extension of the original Contract will require authorization from the Commissioners and the completion of contract extension documents, and

WHEREAS, the Staff Engineer and Qualified Purchasing Agent have reviewed the correspondence from Spectraserv, Inc. accepting a single one-time two year extension in accordance with the same product, price, terms and conditions as the original contract.

WHEREAS funds are available for this purpose.

NOW THEREFORE BE IT RESOLVED by the Commissioners of the Bayshore Regional Sewerage Authority that Spectraserv Inc. is hereby awarded a single one-time two year extension of the contract for the Recycling and/or Disposal of Ash in accordance with the terms and conditions of the original bid and contract documents for the total contract price of not exceed \$159,000 at \$159.00 per ton.

BE IT FURTHER RESOLVED that the Chairman and Secretary of the Authority execute any and all necessary documents for the Contract extension.

OFFERED BY: Commissioner Sutton, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (53/16): To Award Contract to R3M for Odor Control Evaluation and Recommendation – TABLED

RESOLUTION (54/16): To Appoint a Conflict Attorney

WHEREAS, the Bayshore Regional Sewerage Authority has a need to contract for a conflict attorney to provide legal counsel services whenever a conflict of interest arises with the Authority General Counsel, and

WHEREAS, these services are to be provided as a non-fair and open contract pursuant to the provisions of NJSA 19:44A-20.5; and

WHEREAS, the anticipated term of this contract is one (1) year;

WHEREAS, Manna and Bonello of Long Branch, NJ has submitted a proposal indicting John Bonello will provide Legal Counsel services as a Conflict Attorney at \$160.00 per hour; and

WHEREAS, funds are available for this purpose, in accordance with NJAC 5:30-5.4, and **NOW THEREFORE BE IT RESOLVED**, by the Commissioners of the Bayshore Regional Sewerage Authority the Chairman is authorized to enter into a contract with Manna and Bonello as described more specifically in their proposal dated April 15, 2016, and

BE IT FURTHER RESOLVED that the Contract with Manna and Bonello shall not exceed \$5,000 without prior authorization of the Commissioners, and

BE IT FURTHER RESOLVED notice of this award will be publicly advertised within ten (10) days of this award.

OFFERED BY: Commissioner Steiner, SECONDED BY: Commissioner Vella, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (55/16): To Amend Construction Management Services Contract with R3M

WHEREAS, the Bayshore Regional Sewerage Authority ("Authority") awarded a contract to R3M Engineering (R3M) for Construction Management Services (CMS) of the Various Authority Buildings Project by Resolution (11/14) on September 15, 2014, and

WHEREAS, due to the nature of the disaster recovery project there have been unanticipated change orders, additional shop drawing reviews as well as a revised flood proofing design in the field which will yield a construction credit to the Authority, and

WHEREAS, R3M has presented the Authority with an amendment request to their CMS contract to cover the additional work required as described above and

WHEREAS, the Authority has negotiated a fair and reasonable price for the additional work, and

WHEREAS, the unanticipated change orders, additional shop drawing reviews and flood proofing redesign result in a need to increase the CMS contract for R3M by \$43,239 bringing their total contract value to \$259,478, and

WHEREAS, the Amendment Request dated April 7, 2016 for a total not to exceed cost of \$46,239 has been found fair and reasonable by the Authority Engineer, and

WHEREAS, funds are available for this purpose, in accordance with NJAC 5:30-5.4

NOW THEREFORE BE IT RESOLVED, the Commissioners of the Authority authorize an amendment to the CMS contract with R3M for the Various Authority Buildings project to include the additional Change Order work, shop drawing review and revised flood proofing design in the field by an amount not to exceed \$46,239.

OFFERED BY: Commissioner McMullen, SECONDED BY: Commissioner Vella, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (56/16): To Advertise for Bids, Contingent upon Authorization from NJEIT, for the Power Distribution System Elevation Project 81S

WHEREAS, Hurricane Sandy damaged the Bayshore Regional Sewerage Authority (“Authority”) 15KV Power Distribution System on October 29, 2012, requiring engineering services to design the mitigation of this process, and

WHEREAS, HDR Engineering of Mahwah, NJ was awarded the design of the project on October 19, 2015 via Resolution No. 107/15 and

WHEREAS, the Federal Emergency Management Agency (FEMA) is currently reviewing a Hazard Mitigation Plan for the project for funding reimbursement to mitigate the Power Distribution System , and

WHEREAS, the Authority has applied to the New Jersey Environmental Infrastructure Trust for short term funding of the project while awaiting FEMA reimbursement and to fund the non-reimbursable portion, and

WHEREAS, HDR has completed the design of the project and is awaiting approval from the NJDEP for authorization to advertise, and

WHEREAS, the project will be publicly bid through a fair and open process in accordance with New Jersey Local Pubic Contracts Law and in accordance with the requirements of the NJEIT and NJDEP.

NOW THEREFORE BE IT RESOLVED, the Commissioners of the Bayshore Regional Sewerage Authority that the Authority Staff and HDR are authorized to publically advertise for bids for the Power Distribution System, subject to receiving authorization to advertise from the NJDEP.

OFFERED BY: Commissioner Sutton, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (57/16): To award Final Quantities Change Order No. 1 in the amount of \$13,352.51 for West Keansburg Force Main Rehabilitation Project, Contract No. 85

WHEREAS, the Bayshore Regional Sewerage Authority (“Authority”) has a need to repair the force main for the West Keansburg Pump Station, and

WHEREAS, in accordance with Local Public Contract Law, Cruz Contractors, LLC was awarded Contract No. 85, West Keansburg Force Main Rehabilitation Project in the amount of \$264,500 by Resolution No. 112/15, and

WHEREAS, during the reconstruction work Authority’s construction management firm, Gannett Fleming, identified additional repairs and credits necessary for the completion of the project, including \$9,167.95 for the purchase of additional pipe materials, \$5,405.66 for Police Traffic Control reimbursement, \$1,346.91 for additional DGA backfill material and a credit of \$2,568.01 for unused allowance items, which netted an increase to the contract of \$13,352.51, and

WHEREAS, Gannett Fleming and the Authority staff have reviewed Change Order No.1 and find it to be fair and reasonable, and

NOW THEREFORE BE IT RESOLVED by the Commissioners to the Bayshore Regional Sewerage Authority hereby approve Final Quantities Change Order No.1 for Cruz Contractors, LLC, in amount of \$13,352.51, increasing the contract amount from \$264,500 to \$277,852.51.

BE IT FURTHER RESOLVED, the Executive Director is hereby authorized to execute any necessary documents to approve this Change Order.

OFFERED BY: Commissioner Steiner, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

**RESOLUTION (58/16): To Approve Sanitary Sewer Connection and Treatment Works Approval
Application for Captiva Holdings, LLC Developer for Oak Hill Estates of Marlboro Township**

WHEREAS, Captiva Holdings, LLC (Developer), is the project developer of Oak Hill Estates, located off Nolan Road and Ramsgate Drive, further designated as Block 143, Lot 11.01 in Township of Marlboro, a 17 unit single family development, and

WHEREAS, the Developer has indicated it has received all local approvals and have submitted an application to Western Monmouth Utilities Authority (WMUA) for local sanitary sewer approval and has received the necessary signatures on the NJDEP Treatment Works Application (TWA), and

WHEREAS, the project is expected to generate 5,100 gallons per day of wastewater, and

WHEREAS, the Bayshore Regional Sewerage Authority ("Authority") Engineer has reviewed the Developers application and is recommending sanitary sewer connection approval and the signing of the TWA Consent forms, and

WHEREAS, Captiva Holdings, LLC has paid the review fees of \$625.00 and the connection fees of \$136,646, and

NOW THEREFORE BE IT RESOLVED by the commissioners of the Bayshore Regional Sewerage Authority that Captiva Holdings, LLC is hereby approves sanitary sewer connection for the above referenced project, contingent upon receiving approval from WMUA.

BE IT FURTHER RESOLVED the Executive Director is hereby authorized to execute the Statement of Consent documents and return the Treatment Works Approval application to the applicant for processing by the New Jersey Department of Environmental Protection.

BE IT FURTHER RESOLVED, the Developer must properly maintain its sanitary sewer system in accordance with the Bayshore Regional Sewerage Authority Rules and Regulations; and

BE IT FURTHER RESOLVED, that this approval is good for a one year period.

OFFERED BY: Commissioner McMullen, SECONDED BY: Commissioner Sutton, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (59/16): To Reduce the Payment Bond for Toll NJ IX, L.P., Developer for Reserve @ Holmdel

WHEREAS, Toll NJ IX, L.P. (Developer), is the project developer of Reserve @ Holmdel, located at corner of Crawfords Corner Road and Roberts Road, further designated as Block 11, Lot 38A in Township of Holmdel, a 40 (forty) single family building lots, and

WHEREAS, Toll NJ IX, L.P. has entered into a Developers Agreement with the Bayshore Regional Sewerage Authority (“Authority”) and provided a payment Bond to cover the outstanding connection fee balance, and

WHEREAS, in accordance with the Developers Agreement, a payment of \$89,386, representing Phase 2 connection fees has been made, bringing the balance due to \$97,512, and

WHEREAS, the Authority finds it appropriate to reduce the amount of Bond No.PB00057900046 to \$97,512, and

NOW THEREFORE BE IT RESOLVED by the Commissioners of the Bayshore Regional Sewerage Authority that Toll NJ IX, L.P. is hereby granted a Bond reduction in the amount of \$89,386 requiring a current payment bond balance of \$97,512.

OFFERED BY: Commissioner McMullen, SECONDED BY: Commissioner Steiner, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

RESOLUTION (60/16): Authorizing the Issuance of Project Notes of the Bayshore Regional Sewerage Authority in Connection with the Statewide Assistance Infrastructure Loan Program of the New Jersey Environmental Infrastructure Trust - ADOPTED APRIL 18, 2016

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**1. RESOLUTION AUTHORIZING THE ISSUANCE OF PROJECT NOTES OF THE
BAYSHORE REGIONAL SEWERAGE AUTHORITY IN CONNECTION WITH THE
STATEWIDE ASSISTANCE INFRASTRUCTURE LOAN PROGRAM OF THE NEW
JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

(1) **WHEREAS**, the Bayshore Regional Sewerage Authority (the “Authority”) has been duly created as a public body corporate and politic under the provisions of the Sewerage Authorities Law (N.J.S.A. 40:14A-1 *et seq.*), constituting Chapter 138 of the Pamphlet Laws of 1946 of the State of New Jersey (the “State”), and the acts amendatory thereof and supplemental thereto (the “Act”); and

(2) **WHEREAS**, pursuant to the terms of the Act, the Authority is authorized and empowered to issue bonds and other obligations for the purpose of raising funds to pay the cost of any part of its sewerage system (as defined in the Act); and

WHEREAS, the Authority desires to authorize the issuance of bonds and/or other forms of indebtedness to finance projects relating to various sewer improvements caused by damage from Super Storm Sandy, including the blower building project and the elevation of the power distribution system; and

WHEREAS, the Authority has determined that there exists a need to acquire, construct, renovate or install a project consisting of the Initial Project (as hereinafter defined), and it is the desire of the Authority to obtain financing for such Initial Project through participation in the Statewide Assistance Infrastructure Loan Program (the “Statewide Assistance Infrastructure Loan Program”) of the New Jersey Environmental Infrastructure Trust (the “Trust”); and

WHEREAS, the Authority has determined to temporarily finance the acquisition, construction, renovation or installation of the Initial Project through the Statewide Assistance Infrastructure Loan Program, and to undertake such temporary financing with the proceeds of an interim loan to be made by the Trust (the “Interim Loan”) to the Authority, pursuant to the Statewide Assistance Infrastructure Loan Program of the Trust (the “Interim Financing Program”); and

WHEREAS, in order to (i) evidence and secure the repayment obligation of the Authority to the Trust with respect to the Interim Loan and (ii) satisfy the requirements of the Statewide Assistance Infrastructure Loan Program, it is the desire of the Authority to issue and sell to the Trust one or more “Notes Relating to the Statewide Assistance Infrastructure Loan Program of the New Jersey Environmental Infrastructure Trust” in an aggregate principal amount of up to \$20,000,000 (the “Initial Project Notes”); and

WHEREAS, it is the desire of the Authority to authorize, execute, attest and deliver the Initial Project Note to the Trust pursuant to the terms of the Act; and

WHEREAS, Section 12 of the Act and N.J.S.A. 58:11B-9 each allow for the sale of the Initial Project Note to the Trust, without any public offering, all pursuant to the terms and conditions set forth therein; and

WHEREAS, the Authority desires to, among other things, specify and determine the terms and conditions with respect to the Initial Project Notes to be authorized for issuance hereunder.

NOW, THEREFORE, BE IT RESOLVED BY THE BAYSHORE REGIONAL SEWERAGE AUTHORITY, as follows:

ARTICLE II

Definitions and Interpretations

Section 201 Short Title. This resolution may hereafter be cited by the Authority, and is hereinafter sometimes referred to as the "Project Note Resolution".

Section 202 Definitions. As used or referred to in this resolution, unless a different meaning clearly appears from the context: "Act" means the Sewerage Authorities Law constituting Chapter 138 of the Pamphlet Laws of 1946 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto;

"Additional Project Notes" means any of the Project Notes of the Authority authorized and issued pursuant to Section 314 hereof, and any notes issued in lieu of or in substitution for such notes pursuant to this Project Note Resolution;

"Authority" means the Bayshore Regional Sewerage Authority, a public body corporate and politic created and existing under and by virtue of the Act;

"Authority Officer" or "Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Secretary or Executive Director or such other member or employee of the Authority designated by a resolution to act on behalf of the Authority under this Project Note Resolution;

"Bond Counsel" means any nationally recognized law firm of recognized standing selected by the Authority;

"Book-Entry Note" means any Project Notes which is issued in book-entry form as evidenced by a single certificate which is registered and delivered to a Securities Depository;

"Certificate of Authority Officer" means any certificate which is executed by an Authority Officer who has been authorized by the Authority in order to make those determinations permitted to be determined thereby by this Project Note Resolution and which are not otherwise inconsistent with the terms of this Project Note Resolution or the terms of any Supplemental Project Note Resolution;

"Code" means the Internal Revenue Code of 1986, as the same may from time to time be amended and supplemented, including any regulations promulgated thereunder, any successor code thereto and any administrative or judicial interpretations thereof;

"Cost or Costs" means cost or costs as defined in the Act, including capitalized interest on any Project Notes;

"Debt Service Account" means the account so designated which is established and created by Section 502 hereof;

“District” means the geographic district of the Authority as it exists from time to time in accordance with the Act;

“Fiduciary” means the Paying Agent or Registrar;

“Initial Project” means the project to be financed by the Initial Project Notes, consisting of various sewer improvements caused by damage from Super Storm Sandy, including the blower building project and the elevation of the power distribution system;

“Initial Project Notes” means any of the Project Notes authorized herein which may be issued pursuant to Section 301 hereof, in one or more series, and any notes issued in lieu of or in substitution for such notes pursuant to this Project Note Resolution;

“Investment Obligations” shall mean, to the extent permitted by law, (a) any direct and general obligation of or any obligation fully and unconditionally guaranteed by the United States of America including obligations that do not pay current interest; (b) any bond, debenture, note, participation certificate or other evidence of indebtedness issued or guaranteed by any of the following agencies: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Federal Land Banks, Federal National Mortgage Association, Government National Mortgage Association, Farmers Home Administration and Student Loan Marketing Association; (c) negotiable or nonnegotiable certificates of deposit issued by any bank, savings and loan association, trust company or national banking association (which may include any Fiduciary), and which certificates of deposit, except in the case of certificates of deposit issued by a bank, savings and loan association, trust company or national banking association (which may include any Fiduciary) either located in the State and eligible to accept deposits pursuant to the New Jersey Governmental Unit Deposit Protection Act or having capital stock and surplus of more than \$100,000,000, shall be continuously secured by obligations described in clauses (a), (b) or (d) of this definition, that shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Paying Agent by the bank, the savings and loan association, the trust company or the national banking association (which may include any Fiduciary) issuing such certificates of deposit; (d) full faith and credit obligations of the State or of any political subdivision thereof or revenue obligations of the State or of any political subdivision thereof rated in any of the three highest applicable rating categories by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business and Moody’s Investors Services, Inc., respectively, if such rating agency then has an outstanding rating on the Project Notes or, if neither of such rating agencies then has an outstanding rating on the Project Notes, by any nationally recognized rating agency; (e) deposits in interest bearing accounts in any bank, savings and loan association, trust company or national banking association (which may include any Fiduciary) either located in the State and eligible to accept deposits pursuant to the New Jersey Governmental Unit Deposit Protection Act or having capital stock and surplus of more than \$100,000,000; (f) shares or beneficial interests in an investment fund or trust (including any money market fund or mutual fund customarily utilized by the Paying Agent) and whose assets consist solely of obligations described in clauses (a) or (b) of this definition; (g) interests in the State of New Jersey Cash Management Fund; (h) any investment agreement with any bank, trust company or national banking association (which may include any Fiduciary) having a capital stock and surplus of more than \$100,000,000 or with any government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York or Philadelphia for the purchase of securities described in clause (a) or (b) above, provided such investment agreements shall be continuously secured by obligations described in clauses (a) or (b) of this definition having a market value at all times at least equal to the

principal amount invested in such investment agreement, and provided further that the investment agreement shall have been approved by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and Moody's Investors Service, Inc., respectively, if it then has an outstanding rating on the Project Notes; or (i) certificates that evidence direct ownership of the right to payments of principal or interest on obligations described in clause (a) hereof, provided that such obligations shall be held by the Paying Agent or in trust for the benefit of the Paying Agent by a bank, trust company or national banking association having a capital stock and surplus of more than \$200,000,000. The capital stock and surplus of any banking institution shall be determined by reference to its latest published financial statements. If the Project Notes are rated by Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, then the obligations described in clauses (a), (b) or (f) of this definition and the debt of any bank, savings and loan association, trust company or national banking association referenced in clause (c) or clause (e) of this definition must have an investment grade rating from such rating agency.

As of the date of adoption of this Project Note Resolution, the following investments are currently permitted investments for sewerage authorities under the laws of the State of New Jersey;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Interests in an investment company or investment trust (a "Government Money Market Mutual Fund"): (a) which is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7, (b) the portfolio of which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) hereof (a "Qualified Portfolio"), and (c) which is rated by a nationally recognized statistical rating organization;

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

(4) Bonds or other obligations of the Authority or bonds or other obligations of school districts of which the Authority is a part;

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

(6) Interests in an investment pool (a "Local Government Investment Pool"): (a) which is managed in accordance with 17 C.F.R. 270.2a-7, (b) which is rated in the highest category by a nationally recognized statistical rating organization, (c) which is limited to a Qualified Portfolio, (d) which is in compliance with the rules adopted by the New Jersey Local Finance Board, (e) which does not permit investments in instruments that are subject to high price volatility with changing market conditions, cannot readily be expected, at the time of interest rate adjustment, to have a market price value that approximates their par value, or utilize an index that does not support a stable net asset value; and (f) which purchases

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

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to N.J.S.A. 52:18A-90.4;

(8) Agreements for the repurchase of fully collateralized securities if: (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) hereof, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository as defined in N.J.S.A. 17:9-41, and (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

(9) Deposits in a public depository pursuant to N.J.S.A. 17:9-44.

As of the date of adoption of this resolution, certain additional restrictions apply to investments and deposits of Authority funds under the laws of the State, including the following:

(a) Investments and deposits shall be made pursuant to a cash management plan to be approved annually by the Authority pursuant to N.J.S.A. 40A:5-14;

(b) The registered principal of any security brokerage firm selling securities to the Authority shall be provided with, and shall sign an acknowledgement that the principal has seen and reviewed the Authority's cash management plan;

(c) When an investment in bonds maturing in more than one year is authorized, the maturity of these bonds shall approximate the prospective use of the funds invested;

(d) Any investment instruments in which the security is not physically held by the Authority shall be covered by a third party custodial agreement which shall provide for the designation of such instruments in the name of the Authority and prevent unauthorized use of such investments;

(e) Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the Authority or a third party custodian prior to or upon the release of the Authority's funds; and

(f) Any investments not purchased and redeemed directly from the issuer, Government Money Market Mutual Fund, Local Government Investment Pool, or the State of New Jersey Cash Management Fund shall be purchased and redeemed through the use of a Qualified Entity.

"Paying Agent" means any paying agent for Project Notes appointed by or pursuant to Section 701, and its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this Project Note Resolution; provided, however, if the Holder of the

Project Notes is the Trust, this Paying Agent shall be the Authority and the qualifications of the Paying Agent set forth herein shall not be applicable;

“Pledged Property” means the amounts held in accordance with Section 501 hereof;

“Project Account” means the account so designated which is established and created by Section 504 hereof;

“Project Notes” means any of the Project Notes of the Authority authenticated and delivered under and pursuant to this Project Note Resolution and issued in anticipation of the issuance of bonds, including the Initial Project Notes and any Additional Project Notes;

“Project Note Resolution” means this Project Note Resolution as the same may from time to time be amended, modified or supplemented;

“Record Date” with respect to the Project Notes, means (i) the fifteenth day (whether or not a business day) of the calendar month next preceding each interest payment date, in the event that the interest payment date is the first day of a month, (ii) the first day (whether or not a business day) of the calendar month preceding each interest payment date, in the event that the interest payment date is the fifteenth day of a month or (iii) the fifteenth day (whether or not a business day) next preceding each interest payment date, in the event that the interest payment date is other than the first or the fifteenth day of a month;

“Registered Owner” means the registered owner of any of the Project Notes as reflected on the registration books of the Authority which are kept and maintained by the Registrar on behalf of the Authority;

“Registered Project Notes” means any Project Note issued by the Authority registered to the Registered Owner thereof as to both principal and interest;

“Registrar” means the registrar or bond registrar for the Project Notes appointed by the Authority pursuant to Section 701, and its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this Project Note Resolution; provided, however, if the Holder of the Project Notes is the Trust, the Registrar shall be the Authority and the requirement to authenticate the Project Notes and the qualifications of the Registrar set forth herein shall not be applicable. The Registrar shall be responsible for the registration, and transfer of any series of registered notes issued pursuant to this Project Note Resolution;

“Securities Depository” means the depository for any Book-Entry Notes which are issued hereunder and appointed by the Authority pursuant to Section 701(c) hereof, and its successor or successors, and any other bank or corporation which may be substituted in its place pursuant to the terms of this Project Note Resolution;

“Supplemental Project Note Resolution” means any resolution of the Authority amending or supplementing this Project Note Resolution.

Section 203 Articles and Sections. Articles and Sections mentioned by number only herein are the respective Articles and Sections of this Project Note Resolution so numbered.

Section 204 Certain Terms Used. As used in this Project Note Resolution, the terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, and any similar terms refer to this Project Note Resolution; the term “heretofore”, means before the time of adoption of this Project Note Resolution; and the term “hereafter” means after the time of adoption of this Project Note Resolution.

Section 205 Certain Other Words. As used in this Project Note Resolution, words importing persons include firms, associations and corporations, and words importing the singular number include the plural number and vice versa.

Section 206 Successors and Assigns. Whenever in this Project Note Resolution the Authority is named or referred to, it shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Authority contained in this Project Note Resolution shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law, or who or which is empowered to exercise or perform, any right, power or duty of the Authority, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with or perform any of the covenants, stipulations, obligations, agreements or other provisions of this Project Note Resolution or comply with or fulfill any conditions set forth in this Project Note Resolution.

Section 207 Severability of Invalid Provisions. If any one or more of the provisions, covenants or agreements in this Project Note Resolution on the part of the Authority, the Paying Agent or Registrar to be performed should be contrary to law, then such provision or provisions, covenant or covenants, agreement or agreements, shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Project Note Resolution or of the Project Notes.

Section 208 Applicable Law. This Project Note Resolution is adopted pursuant to the statutes of the State of New Jersey, and the law of said State shall be applicable to its interpretation and construction.

ARTICLE III

Statutory Determination, Obligation of the Authority and Limitation on Amount of Financing

Section 301 Authority for Project Note Resolution. This Project Note Resolution is adopted by virtue of the Act and pursuant to its provisions. The Authority has ascertained and hereby determines that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary in order to promote, carry out and effectuate the purposes of the Authority in accordance with the Act and to carry out powers expressly given in the Act and to secure or further secure the payment of the principal of, redemption premium, if any, and interest on the Project Notes.

Section 302 Authorization for the Initial Project. The Authority has heretofore and does hereby determine to acquire the Initial Project.

Section 303 Estimated Cost of the Initial Project. (a) The aggregate estimated Costs of the Initial Project are \$20,000,000. It is hereby determined that such Costs so estimated include discounts that may be incurred upon the sale of the Initial Project Notes and reimbursement and repayment of sums heretofore or hereafter provided for by loan or advances from the United States of America, from the State of New Jersey, from the proceeds of any other obligations of the Authority or from other sources and expended or to be expended for other Costs of the Initial Project.

(b) The Authority reasonably expects to reimburse its expenditure of all or any portion of the Costs of the Initial Project paid prior to the issuance of the Initial Project Notes with proceeds of its Initial Project Notes.

(c) This resolution is intended to be and is a declaration of the Authority's official intent to reimburse the Authority for expenditure of Costs of the Initial Project by the Authority paid prior to the issuance of the Initial Project Notes with the proceeds of the Initial Project Notes, in accordance with Treasury Regulation Section 1.150-2.

(d) The maximum principal amount of Initial Project Notes expected to be issued to finance the Initial Project is \$20,000,000.

(e) The Costs of the Initial Project to be reimbursed with the proceeds if the Initial Project Notes will be "capital expenditures" in accordance with the meaning of Section 150 of the Code.

(f) No reimbursement allocation will employ an "abusive arbitrage device" under Treasury Regulations Section 1.148-10 to avoid the arbitrage restrictions or to avoid the restrictions under Sections 142 through 147, inclusive, of the Code. The proceeds of the Initial Project Notes used to reimburse the Authority for Costs, or funds corresponding to such amounts, will not be used in a manner that results in the creation of "replacement proceeds", including "sinking funds", "pledged funds" or funds subject to a "negative pledge" (as such terms are defined in Treasury Regulations Section 1.148-1), of the Initial Project Notes or another issue of debt obligations of the Authority, other than amounts deposited into a "bona fide debt service fund" (as defined in Treasury regulations Section 1.148-1).

(g) all reimbursement allocations will occur not later than 18 months after the later of (i) the date the expenditure from a source other than the Initial Project Notes is paid, or (ii) the date the Initial Project is “placed in service” (within the meaning of Treasury Regulations Section 1.150-2) or abandoned, but in no event more than 3 years after the expenditure is paid.

Section 304 Project Note Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Project Notes by those who shall hold the same from time to time, the provisions of this Project Note Resolution shall be a part of the contract of the Authority with the holders from time to time of the Project Notes. Any pledge made in this Project Note Resolution and provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of the Project Notes. All of the Project Notes, regardless of the time or times of their issuance, shall be of equal rank without preference, priority or distinction of any of the Project Notes over any other thereof except as expressly provided in or pursuant to this Project Note Resolution.

Section 305 Obligation of Project Notes. The Project Notes shall be special obligations of the Authority payable solely from the Pledged Property.

ARTICLE IV

Authorization, Terms, Execution and Issuance of the Project Notes.

Section 401 Authorization of Initial Project Notes. (i) In accordance with the Act and subject to and pursuant to the provisions of this Project Note Resolution and for the purpose of raising funds to pay a portion of the Costs of the Initial Project in anticipation of the issuance of bonds, Initial Project Notes and renewals thereof are hereby authorized to be issued in an amount not to exceed \$20,000,000. Such Initial Project Notes, including renewals thereof, shall be issued pursuant to this Project Note Resolution and (a) resolutions of the Authority adopted from time to time to supplement and implement this Project Note Resolution as hereinafter provided or (b) a Certificate of Authority Officer, as the case may be. Project Notes for which payment is provided in accordance with Section 702 hereof shall not thereafter be deemed to be outstanding under the terms of this Project Note Resolution.

(ii) The Authority hereby determines that certain terms of the Initial Project Notes shall be as follows:

- (a) the aggregate principal amount of the Initial Project Notes to be issued shall be an amount up to \$20,000,000.
- (b) the maturity of the Initial Project Notes shall be no later than June 30, 2019;
- (c) the maximum interest rate of the Initial Project Notes shall be 5% per annum;
- (d) the purchase price for the Initial Project Notes shall be par;
- (e) the Initial Project Notes shall be subject to prepayment prior to their stated maturity in accordance with the terms and conditions of the Initial Project Note;
- (f) the Initial Project Notes shall be issued in a single denomination for each series and shall be numbered "IFP-16-__";
- (g) the Initial Project Notes shall be issued in fully registered form and shall be payable to the registered owner thereof as to both principal and interest in lawful money of the United States of America; and
- (h) the Initial Project Notes shall be executed and attested in accordance with Section 303 hereof.
- (i) additional terms of each series of the Initial Project Notes shall be set forth in a Certificate of Authority Officer.

Section 402 General Terms of Project Notes. The Project Notes shall be designated "Statewide Assistance Infrastructure Program Note", together with additional designations to identify its series, shall be payable to bearer or to the Registered Owner thereof, or the successor thereof, with respect to principal, redemption premium, if any, and interest at the principal office of the Paying Agent in lawful money of the United States of America, shall be issued in either the form of a Project Note payable to bearer, without coupons attached for the several installments of interest thereon due at or prior to its maturity, or in the form of a fully Registered Project Note without coupons, each such Registered Project Note being payable to a named person or registered assigns, or in the form of a Book-Entry Note, and shall be in substantially the form provided in Section 317 hereof, with such omissions, insertions and variations as are properly required and as are specified in a Supplemental Project Note Resolution of the Authority adopted prior to their authentication and delivery. The principal of, redemption premium, if any, and interest on each Project Note which is payable to bearer shall be paid upon presentation and surrender of such Project Note at the principal office of the Paying Agent, interest on Project Notes (other than Book-Entry Notes) which are in registered form shall be paid by check and mailed to the Registered Owner of such registered Note as of the Record Date at the address listed on the registration books of the Authority which are kept and maintained by the Registrar, the principal of such Registered Project Note (other than Book-Entry Notes)

shall be payable upon presentation and surrender thereof by the Registered Owner, or his duly authorized attorney at the principal office of the Paying Agent. The provisions relating to the payment of the principal of and interest on any Book-Entry Notes shall be determined by a Certificate of Authority Officer duly executed prior to the authentication and delivery of such Book-Entry Notes upon original issuance. Each of the Project Notes shall be dated as of such date, shall mature on such date, shall bear interest payable at such times and at such rate or varying rates of interest per annum not exceeding any limitation thereon prescribed by law, and shall be of such denomination or denominations and may contain such other terms which are not inconsistent with this Project Note Resolution, as may be fixed or determined by a Certificate of Authority Officer duly executed prior to the date of authentication and delivery thereof upon original issuance. The Project Notes of each series shall be numbered consecutively from one upwards. To the extent of any conflict between the provisions hereof and the provisions of Section 301 hereof, the provisions of Section 301 shall control.

Section 403 Execution of Project Notes. The Project Notes of each series shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman, Vice-Chairman or Executive Director and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon, and such seal and Project Note shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. In case any officer of the Authority who shall have executed, sealed or attested any of the Project Notes shall cease to be such officer of the Authority before the Project Notes so executed, sealed or attested shall have been authenticated and delivered upon original issuance, such Project Notes may nevertheless be authenticated and delivered as herein provided as if the person who so executed, sealed or attested such Project Notes had not ceased to be such officer.

Section 404 Authentication of Registered Project Notes. The Registered Project Notes shall bear thereon a certificate of authentication, substantially in the form set forth in Section 317 hereof, duly executed by the Registrar. Only such Project Notes as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any right or benefit under this Project Note Resolution. No Registered Project Note shall be valid or obligatory for any purpose unless such certificate of authentication upon such Registered Project Note shall have been duly executed by the Registrar, and such certificate of authentication by the Registrar upon any Registered Project Note executed on behalf of the Authority shall be conclusive and the only evidence that the Registered Project Note so authenticated has been duly authenticated and delivered under this Project Note Resolution and that the holder thereof is entitled to the benefit of this Project Note Resolution.

Section 405 Interchangeability of Project Notes. Project Notes which are payable to bearer, upon surrender thereof at the principal office of the Registrar, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of Registered Project Notes of the same series, designation, maturity and interest rate of any authorized denomination. Registered Project Notes (other than Book-Entry Notes), upon surrender thereof at the principal office of the Registrar together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner thereof or his attorney duly authorized in writing, may, at the option of such Registered Owner, be exchanged for an equal aggregate principal amount of Project Notes which are payable to bearer of the same series, designation, maturity and interest rate of any other authorized denominations, or, of Registered Project Notes of the same series, designation, maturity and interest rate of any other authorized denomination. Provisions relating to the transfer and registration of Book-Entry Notes shall be determined by a Certificate

of Authority Officer duly executed prior to the issuance and delivery of such Book-Entry Notes upon original issuance.

Section 406 Transfer and Registry of Project Notes and Agency Therefor. The Authority shall cause the Registrar to maintain and keep books for the registration and transfer of the Project Notes (other than Book-Entry Notes), and, upon presentation thereof for such purpose at the designated office of the Registrar, together with a written instrument of transfer, satisfactory to the Registrar, duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon or to be exchanged, under such reasonable regulation as it or the Registrar may prescribe, any Project Note entitled to registration, transfer or exchange. The Registrar is hereby appointed the agent of the Authority for such registration, transfer or exchange of the Project Notes. Provisions relating to the transfer and registration of Book-Entry Notes shall be determined by a Certificate of Authority Officer duly executed prior to the authentication and delivery of such Book-Entry Notes on original issuance.

Section 407 Negotiability, Transfer and Registration of Project Notes Payable to Bearer. Project Notes which are payable to bearer, unless at the time registered as to principal, redemption premium, if any, and interest other than to bearer in the manner provided in this Section, shall be negotiable instruments and title to any such Project Note, unless at the time so registered, shall pass by delivery. Any Project Note which is payable to bearer may be registered as to principal, redemption premium, if any, and interest on the registration books of the Authority at the designated office of the Registrar, upon presentation thereof at said designated office and such registration shall be noted on such Project Note. After registration in this manner, no transfer of such Project Note shall be valid unless made on said books by the Registered Owner thereof in person or by his attorney duly authorized in writing, and similarly noted on such Project Note, but such Project Note may be discharged from registration by being in like manner transferred to bearer, after which it shall again become transferable by delivery. Thereafter such Project Note may again, from time to time, be registered or discharged from registration in the same manner.

Section 408 Transfer of Registered Project Notes. Each Registered Project Note (other than Book-Entry Notes) shall be transferable only upon the books of the Authority at the designated office of the Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or such duly authorized attorney. Upon the transfer of such Registered Project Note the Authority shall execute, and the Registrar shall authenticate and deliver, a new Project Note or Project Notes registered in the name of the transferee or, at the option of the transferee, to the extent permitted by law, a Project Note which is payable to bearer, of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Project Note. Provisions relating to the transfer of Book-Entry Notes shall be determined by a Certificate of Authority Officer duly executed prior to the authentication and delivery of such Book-Entry Notes on original issuance.

Section 409 Ownership of Project Notes and Effect of Registration. The Authority and any Fiduciary may treat and consider the bearer of any Project Note as the holder and absolute owner thereof, whether such Project Note shall be overdue or not, for the purpose of receiving payment of the principal thereof and interest thereon and for all other purposes whatsoever. The Authority and any Fiduciary may treat and consider the person in whose name any Project Note which is payable to bearer which for the time being shall be registered as to principal and interest upon the registration books of the Authority as the holder and absolute owner thereof, whether such Project Note shall be overdue or not, for the purpose of

receiving payment of the principal thereof, redemption premium, if any, and interest thereon and for all other purposes whatsoever and payment of, or on account of, the principal of, redemption premium, if any, and interest on such Project Note shall be made only to, or upon the order of, such Registered Owner thereof. However, such registration may thereafter be changed or discharged as herein provided. As of the Record Date, the Authority and any Fiduciary may treat and consider the person in whose name any Project Note which is in registered form as the holder and absolute owner thereof, whether such Project Note shall be overdue or not, for the purpose of receiving payment of the principal thereof, redemption premium, if any, interest thereon and for all other purposes whatsoever, and payment of, or on account of, the principal of, redemption premium, if any, or interest on such registered Note shall be made only to, or upon the order of, such Registered Owner thereof, but such registration may be changed or discharged as herein provided. All payments made as in this Section provided shall be valid and effective to satisfy and discharge the liability upon the several Project Notes to the extent of the sum or sums so paid.

Section 410 Reissuance of Mutilated, Destroyed, Stolen or Lost Project Notes. In case any outstanding Project Note shall become mutilated or be destroyed, stolen, or lost, the Authority or in the case of Registered Notes, the Registrar, shall authenticate and deliver a new Project Note of like tenor, number and amount as the Project Note so mutilated, destroyed, stolen or lost, in exchange of and in substitution for such mutilated Project Note or in lieu of and in substitution for the Project Note destroyed, stolen or lost upon filing with the Authority or Registrar of evidence, satisfactory to the Authority and the Authority or the Registrar, that such Project Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Registrar with indemnity satisfactory to them and upon complying with such other reasonable regulations, as the Authority and the Registrar may prescribe and upon payment of such expenses as the Authority and Registrar may incur in connection therewith. In lieu of reissuing a mutilated, destroyed, lost or stolen Project Note which is due and payable, the Authority may pay the amount due on such Project Note to the owner or holder thereof, provided that all of the other requirements of this Section have been met.

Section 411 Regulations with Respect to Registrations, Exchanges and Transfers. In all cases in which the privilege of exchanging Project Notes or transferring Registered Project Notes is exercised, the Authority shall execute and the Registrar shall authenticate Project Notes in accordance with the provisions of this Project Note Resolution. For every registration, exchange or transfer of Project Notes, the Authority or the Registrar may charge a sum sufficient to reimburse them for any tax, or other governmental charge required to be paid, which sum, if not otherwise provided for, shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of effecting such registration, exchange or transfer. The Registrar shall, not less often than quarterly, deliver to the Authority a statement of all Project Notes issued in lieu of or in substitution for other Project Notes pursuant to this Article, including a report of the description and disposition of such other Project Notes.

Section 412 No Recourse On Project Notes. No recourse shall be had for the payment of the principal of, redemption premium, if any, or interest on the Project Notes or for any claim based thereon or on this Project Note Resolution against any member or officer of the Authority or any person executing the Project Notes. The Authority is obligated to pay the principal or redemption premium of, or interest thereon, solely from the Pledged Property. The Project Notes are not a debt or liability of the State of New Jersey or any political subdivision thereof (other than the Authority) and shall not create or constitute any indebtedness, liability or obligation of the State of New Jersey or of any political subdivision thereof (other than the Authority). Neither the faith and credit nor the taxing power of the State of New Jersey nor any

political subdivision thereof is pledged to the payment of principal or redemption premium of, or interest on, the Project Notes. The Authority has no taxing power.

Section 413 Application of Proceeds of Project Notes. The proceeds of the Project Notes hereafter issued pursuant to this Project Note Resolution from time to time shall be paid to or upon the order of the Authority. The Authority shall deposit the amount (if any) of the accrued interest received with respect to such Project Notes in the Debt Service Account and, if such Project Notes were issued for the purpose of paying at or prior to maturity the principal of, redemption premium, if any, or interest on any Project Notes, an amount sufficient to pay such principal, redemption premium, if any, or interest, shall be similarly deposited. If such Project Notes were issued for the purpose of paying or providing for the payment of any other indebtedness of the Authority incurred with respect to the Initial Project, an amount sufficient for such purpose shall be so applied. Any remainder of the proceeds of such Project Notes shall be deposited by the Authority into the Project Account for application to payment of the Costs of the Initial Project.

Section 414 Authorization of Additional Project Notes. (a) After the execution, authentication and delivery of the Initial Project Notes, Additional Project Notes of the Authority may be authorized to be issued pursuant to and in accordance with the Act either (i) for the purpose of raising funds to pay the Cost of acquisition or construction of part or parts of the Initial Project, including extensions, renewals, replacements, equipment, alterations, improvements or betterments and of all or any property, rights, easements and franchises deemed by the Authority, to be necessary or useful and convenient therefor, (ii) for the purpose of refunding any Initial Project Notes or Additional Project Notes, or (iii) to raise funds to complete any work for which Additional Project Notes were issued for which the Initial Project Notes were issued.

(b) Any Additional Project Notes shall be issued only after authorization thereof by a Supplemental Project Note Resolution of the Authority adopted prior to their authentication and delivery stating the purpose or purposes for which such Additional Project Notes are being issued, directing the application of the proceeds thereof to such purpose or purposes, directing the execution and authentication thereof, and fixing and determining the date, principal amount, denominations, designation and numbers thereof, the rate or rates of interest or maximum rate of interest to be borne thereby, the place or places of payment thereof, the redemption privileges of the Authority, if any, with respect thereto, and other provisions thereof in accordance with the terms of this Project Note Resolution. Upon such authorization, such Additional Project Notes may, upon initial issuance, at one time, or from time to time, be executed by or on behalf of the Authority.

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

(d) After their execution and delivery by the Authority, all Additional Project Notes shall for all purposes hereof be deemed to constitute Notes and shall be entitled to the pledge provided by this Project Note Resolution and shall have equal rank with respect to such pledge with the Initial Project Notes, all Additional Project Notes previously authenticated and delivered shall be entitled to the security and benefit of such pledge and of the provisions of this Project Note Resolution. Notwithstanding anything herein which may be to the contrary, any moneys held under this Project Note Resolution in respect of the defeasance of Project Notes shall be applied solely to the payment of the particular Project Notes defeased.

Section 415 Conditions Precedent to the Issuance of Project Notes. The Project Notes shall be issued only upon delivery to the purchaser thereof of:

- (a) The approving opinion of bond counsel to the Authority, as to the validity of the Project Notes; and
- (b) Such other documents as the Authority or the purchaser of the Project Notes may reasonably require.

Section 416 Redemption of Project Notes. The Project Notes shall be subject to redemption by the Authority prior to the stated maturity date in accordance with the provisions of Article VI hereof and upon the terms and conditions set forth in a Supplemental Project Note Resolution of the Authority duly adopted prior to the issuance and delivery of the Project Notes upon original issuance, or as shall be determined by a Certificate of Authority Officer, as the case may be.

Section 417 Form of Project Notes. Each Project Note shall be substantially in the following form, with such omission, insertions, endorsements or variations as to recitals of fact, as may be required by the circumstances or as may be necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

[FORM OF REGISTERED NOTE]

\$ _____, 2016 IFP-16

**BAYSHORE REGIONAL SEWERAGE AUTHORITY
NOTE**

RELATING TO:

**THE STATEWIDE ASSISTANCE INFRASTRUCTURE LOAN PROGRAM
OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

THE BAYSHORE REGIONAL SEWERAGE AUTHORITY (hereinafter called the "Authority"), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey, hereby acknowledges itself indebted and for value received promises to pay to the order of the **NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**, a public body corporate and politic with corporate succession, duly created and validly existing under and by virtue of the Authority Enabling Act (as hereinafter defined) (the "Trust"), the Principal (as hereinafter defined), together with unpaid accrued Interest (as hereinafter defined), fees, late charges and other sums due hereunder, if any, in lawful money of the United States of America, on the Maturity Date (as hereinafter defined) or the date of any optional prepayment or acceleration in accordance with the provisions of this note (the "Note" or "Notes").

This Note is one of a duly authorized issue of notes, each designated as "Statewide Assistant Infrastructure Loan Program Note," of the Authority, limited to the aggregate principal amount of \$ _____ and authorized and issued under and pursuant to the Authority Enabling Act (as hereinafter defined), and under and in accordance with a resolution of the Authority adopted April 18, 2016, and entitled: "Resolution Authorizing the Issuance of Project Notes of the Bayshore Regional Sewerage Authority in Connection with The Statewide Assistant Infrastructure Loan Program of the New Jersey Environmental Infrastructure Trust", as supplemented (the "Project Note Resolution"). Copies of this Project Note Resolution are on file in the office of the Authority in Union Beach, New Jersey. Words and terms which are assigned herein as defined terms shall, unless otherwise defined herein, have the meanings which are assigned to such terms in this Project Note Resolution.

This Note is a special obligation of the Authority issued in anticipation of the issuance of permanent bonds by the Authority; provided however, that the power and the obligation of the Authority to cause application of funds to the payment of the principal of, redemption premium, if any, or the interest on the Note is subject to the terms and conditions set forth in this Project Note Resolution.

Reference to this Project Note Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof and to the act is made for a description of the nature and the extent of the security for the Notes, the funds pledged, the nature, manner and extent of the enforcement of such pledge, the rights and remedies of the holders of the Notes with respect thereto, the terms and the conditions upon which the Notes are issued and may be issued thereunder and a statement of the rights, duties, immunities and obligations of the Authority.

To the extent and in the respects permitted by this Project Note Resolution, the provisions of this Project Note Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action on behalf of the Authority taken in the manner and subject to the conditions and

exceptions prescribed in this Project Note Resolution. The pledge and other obligations of the Authority under this Project Note Resolution may be discharged at or prior to the maturity of the Notes upon the making of provision for the payment thereof on the terms and conditions set forth in this Project Note Resolution.

This Note is transferable, as provided in the Resolution, only upon the registration books of the Authority kept for that purpose at the principal corporate trust office of _____ (the "Registrar"), as registrar under this Project Note Resolution, or its successor as Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Authority shall issue in the name of the transferee a new registered Note or Notes of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered note as provided in the Resolution and upon payment of the charges therein prescribed. The Authority, the Registrar and any paying agent of the Authority may treat and consider the person in whose name this Note is registered as the holder and absolute owner of this Note for the purpose of receiving payment of the principal of, redemption premium, if any, and interest on this Note and for all other purposes whatsoever.

SECTION 1. Definitions. As used in this Note, unless the context requires otherwise, the following terms shall have the following meanings:

"Act" means the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 *et seq.*), as the same may from time to time be amended and supplemented.

"Administrative Fee" means a fee of up to four-tenths of one percent (.40%) of that portion of the Principal identified in clause (i) of the definition thereof (as set forth in this Section 1), or such lesser amount, if any, as the Trust may determine from time to time. As of the date of this Note, the Trust has determined to not charge an Administrative Fee.

"Anticipated Financing Program" means the financing program of the Trust, pursuant to which the Trust will issue its Trust Bonds for the purpose of financing, on a long term basis, all or a portion of the Initial Project and other projects of certain qualifying borrowers.

"Anticipated Long Term Loan" means the long term loan made by the Trust to the Authority from the proceeds of its Trust Bonds, as part of the Anticipated Financing Program.

"Authority Project Note Resolution" means the resolution of the Authority entitled "Resolution Authorizing the Issuance of Project Notes of the Bayshore Regional Sewerage Authority in connection with the Statewide Assistance Infrastructure Loan Program of the New Jersey Environmental Infrastructure Trust", adopted on April 18, 2016, as amended and supplemented from time to time, pursuant to which this Note has been issued.

"Authority Enabling Act" means the "Sewerage Authorities Law", constituting Chapter 138 of the Pamphlet Laws of 1946 of the State (codified at N.J.S.A. 40:15A-1 *et seq.*, as the same may from time to time be amended and supplemented).

“Authorized Officer” means any person authorized by the Authority or the Trust, as the case may be, to perform any act or execute any document relating to the Loan or this Note.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday or a day on which banking institutions in the city in which the office of the Trust is located, are closed, or (ii) a day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as the same may from time to time be amended and supplemented, including any regulations promulgated thereunder, any successor code thereto and any administrative or judicial interpretations thereof.

“Cost” means those costs that are allocable to the Initial Project, as shall be determined on a project-specific basis in accordance with the Regulations, and as further set forth in Exhibit B hereto, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an Authorized Officer of the Trust.

“Environmental Infrastructure Facilities” means Wastewater Treatment Facilities, Stormwater Management Facilities or Water Supply Facilities (as such terms are defined in the Regulations).

“Environmental Infrastructure System” means the Environmental Infrastructure Facilities of the Authority, including the Initial Project, for which the Authority is receiving the Loan.

“Event of Default” means any occurrence or event specified in Section 6 hereof.

“Fund Portion” means, on any date, an amount equal to _____ percent (___%) of the Principal of the Loan on such date, which Fund Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Authority by the State, acting by and through the New Jersey Department of Environmental Protection.

“Initial Project” means the Environmental Infrastructure Facilities of the Authority which constitutes a project for which the Trust is making the Loan to the Authority, as further described in Exhibit A-1 hereto.

“Interest” means the interest charged on the Loan at a rate of (a) with respect to the Trust Portion of the Principal, _____% and (b) with respect to the Fund Portion of the Principal, 0.00% and payable by the Authority to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Loan” means the loan of the Principal, made by the Trust to the Authority to finance or refinance a portion of the Cost of the Initial Project, as evidenced by this Note.

“Loan Disbursement Requisition” means the requisition, to be executed by an Authorized Officer of the Authority and approved by the New Jersey Department of Environmental Protection, in a form to be determined by the Trust and the New Jersey Department of Environmental Protection.

“Local Authority Fiscal Control Law” means the “Local Authorities Fiscal Control Law”, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State (codified at N.J.S.A. 40A:5A-1 et seq.), as the same may from time to time be amended and supplemented.

“Maturity Date” means _____, 201____, or such earlier or later date to be determined by the Trust in its sole discretion, which date shall be determined by the Trust to be the date of the closing for the Anticipated Financing Program.

“MOU” means that certain Memorandum of Agreement, by and between the Authority and the Trust, dated as of _____, 20____, the representations, warranties and obligations of the Authority pursuant to which are incorporated by reference herein.

“Pledged Property” means the “Pledged Property” as defined in the Authority Project Note Resolution.

“Principal” means the principal amount of the Loan, at any time being the lesser of (i) _____ Dollars (\$_____), or (ii) the amount set forth in clause (i) of this definition, minus any amounts in respect of the principal amount of the loan prepaid by the Authority, which Principal shall be payable by the Authority to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated pursuant to N.J.A.C. 7:22-3 et seq., 7:22-4 et seq., 7:22-5 et seq., 7:22-6 et seq., 7:22-7 et seq., 7:22-8 et seq., 7:22-9 et seq. and 7:22-10 et seq., as the same may from time to time be amended and supplemented.

“State” means the State of New Jersey.

“Trust Bonds” means the revenue bonds of the Trust to be issued, as part of the Anticipated Financing Program.

“Trust Portion” means, on any date, an amount equal to _____ percent (____%) of the Principal of the Loan on such date, which Trust Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Authority by the Trust.

SECTION 2. Representations of the Authority. The Authority represents and warrants to the Trust:

(a) **Organization.** The Authority: (i) is a sewerage authority acting as a public body corporate and politic with corporate succession, duly created and validly existing under and pursuant to the Constitution and laws of the State, including, without limitation, the Authority Enabling Act, and is subject to the Local Authorities Fiscal Control Law; (ii) has full legal right and authority to execute, attest and deliver this Note, to authorize the authentication of this Note, to sell this Note to the Trust, and to perform its obligations hereunder, and (iii) has duly authorized, approved and consented to all necessary action to be taken by the Authority for: (A) the issuance of this Note, the authentication of this Note, the sale thereof to the Trust and the due performance of its obligations hereunder and (B) the execution, delivery and due

performance of all certificates and other instruments that may be required to be executed, delivered and performed by the Authority in order to carry out and give effect to this Note.

(b) Authority. This Note has been duly authorized by the Authority, duly executed, attested and delivered by Authorized Officers of the Authority, and duly authenticated by the trustee or the paying agent pursuant to the Authority Project Note Resolution. This Note has been duly sold by the Authority to the Trust and duly issued by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Authority, threatened against or affecting the Authority that, if adversely determined, would adversely affect (i) the condition (financial or otherwise) of the Authority, (ii) the adoption of the Authority Project Note Resolution, (iii) the ability of the Authority to satisfy all of its Loan repayment obligations hereunder, (iv) the authorization, execution, attestation, authentication or delivery of this Note, (v) the issuance of this Note and the sale thereof to the Trust, and (vi) the Authority's ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Note.

(d) Compliance with Existing Laws and Agreements; Governmental Consent. (i) The authorization, execution, attestation and delivery of this Note by the Authority, (ii) the authentication of this Note by the trustee or paying agent pursuant to the Authority Project Note Resolution, (iii) the adoption of the Authority Project Note Resolution, (iv) the sale of this Note to the Trust, (v) the observation and performance by the Authority of its duties, covenants, obligations and agreements hereunder, including, without limitation, the repayment of the Loan and all other amounts due hereunder, and (vi) the undertaking and completion of the Initial Project, will not (A) other than the lien, charge or encumbrance created by this Note and by any other outstanding debt obligations of the Authority that are at parity with this Note as to lien on, and source and security for payment thereon from, the Pledged Property of the Authority's Environmental Infrastructure System, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Authority pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Authority is a party or by which the Authority, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Authority was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Authority, its Environmental Infrastructure System or its properties or operations are subject. The Authority has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation, authentication and delivery of this Note, for the sale of this Note to the Trust, for the making, observance and performance by the Authority of its duties, covenants, obligations and agreements under this Note, and for the undertaking and completion of the Initial Project.

(e) FEMA Reimbursement.

(i) The Authority expects that a portion of the costs of the Initial Project will be reimbursed to the Authority by the United States Federal Emergency Management Agency, to be applied for purposes of prepaying or repaying all or a portion of the Loan obligation of the Authority hereunder in accordance with the terms and provisions of this Note and the MOU.

(i) The Authority represents that the representative of the Authority responsible for the administration of the account into which reimbursements from the United States Federal Emergency Management Agency will be paid is the individual designated under the heading "Notices" in the MOU. To the extent that another individual becomes responsible for the administration of such account, the Authority will so notify the Trust in writing.

(f) Reliance. The Authority hereby acknowledges that the Trust is making the Loan to the Authority pursuant to the terms hereof in reliance upon each of the representations of the Authority set forth in this Section 2.

SECTION 3. Covenants of the Authority.

(a) Participation in the Anticipated Financing Program. The Authority covenants and agrees that it shall undertake and complete in a timely manner all conditions precedent identified by the Trust relating to (i) the participation by the Authority in the Anticipated Financing Program and (ii) the qualification by the Authority for receipt of the Anticipated Long Term Loan.

(b) Full Faith and Credit Pledge. The Authority irrevocably pledges the Pledged Property in accordance with the terms of, and to the extent provided in, the Authority Project Note Resolution, for the punctual payment of any and all obligations and amounts due under this Note. The Authority acknowledges that, to assure the continued operation and solvency of the Trust, the Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Authority fails or is unable to pay promptly to the Trust in full any Loan repayments, any Interest or any other amounts due pursuant to this Note, an amount sufficient to satisfy such deficiency shall be paid by the State Treasurer to the Trust from State-aid otherwise payable to any municipality or county to which the Authority provides services pursuant to a contractual arrangement.

(c) Disposition of Environmental Infrastructure System. The Authority covenants and agrees that it shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System without the express written consent of the Trust, which consent may or may not be granted by the Trust in its sole discretion.

(d) Financing With Tax Exempt Bonds. The Authority acknowledges, covenants and agrees that it is the intention of the Authority to finance the Initial Project on a long term basis with proceeds of Trust Bonds now or hereinafter issued, the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103(a) of the Code ("tax exempt bonds"). In furtherance of such long term financing with tax exempt bonds, the Authority covenants that, except to the extent expressly permitted in writing by the Trust, the Authority will not take any action or permit any action to be taken which would result in any of the proceeds of the Loan being used (directly or indirectly) (i) in any "private business use" within the meaning of Section 141(b)(6) of the Code, (ii) to make or finance loans to persons other than the Authority, or (iii) to acquire any "nongovernmental output property" within the

meaning of Section 141(d)(2) of the Code. In addition, the Authority covenants and agrees that no portion of the Project will be investment property, within the meaning of Section 148(b) of the Code. The Authority covenants and agrees that any Costs of the Authority's Initial Project to be paid or reimbursed with proceeds of the Loan will result in the expenditure of proceeds under Treasury Regulations §1.148 6(d) and Treasury Regulations §1.150-2.

(e) Operation and Maintenance of Environmental Infrastructure System. The Authority covenants and agrees that it shall maintain its Environmental Infrastructure System in good repair, working order and operating condition, and make all necessary and proper repairs and improvements with respect thereto.

(f) Records and Accounts; Inspections. The Authority covenants and agrees that it shall keep accurate records and accounts for its Environmental Infrastructure System, separate and distinct from its other records and accounts, which shall be audited annually by an independent registered municipal accountant and shall be made available for inspection by the Trust upon prior written notice. The Authority shall permit the Trust to inspect the Environmental Infrastructure System.

(g) Insurance. The Authority covenants and agrees that it shall maintain insurance policies providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System, in an amount that will satisfy all applicable regulatory requirements. The Authority covenants and agrees that it shall include, or cause to be included, the Trust as an additional "named insured" on any certificate of liability insurance procured by the Authority and by any contractor or subcontractor for the Initial Project.

(h) Application of FEMA Reimbursement. The Authority covenants and agrees that it shall cause all amounts payable to the Authority by the United States Federal Emergency Management Agency with respect to the Initial Project, that relate to costs financed through the Statewide Assistance Infrastructure Loan Program of the Trust with proceeds of this Note, to be applied to the prepayment or repayment of all or a portion of the Loan obligation of the Authority hereunder, as follows:

(i) Within three (3) Business Days of the receipt of each payment from the United States Federal Emergency Management Agency, the Authority shall make a determination as to the amount of such monies that relates to costs financed through the Statewide Assistance Infrastructure Loan Program of the Trust with proceeds of this Note (the "Trust Amount"), and shall submit such determination in writing to the Trust. Immediately upon such determination, but no later than three (3) Business Days thereafter, the Authority shall pay the Trust Amount to the Trust in repayment of this Note by electronic transfer of funds.

(ii) If the determination required pursuant to paragraph (h)(i) above cannot be made by the Authority within three (3) Business Days of the receipt of a payment from the United States Federal Emergency Management Agency, the Authority shall so notify the Trust in writing, and the Authority shall not disburse any portion of such payment to any recipient until an inquiry is completed, as expeditiously as practicable, to determine, to the satisfaction of the Trust and the Authority, the Trust Amount of such payment, which, when so determined, shall be remitted to the Trust in accordance with paragraph (h)(i) above.

(i) **Reliance.** The Authority hereby acknowledges that the Trust is making the Loan to the Authority pursuant to the terms hereof in reliance upon each of the covenants of the Authority set forth in this Section 3.

SECTION 4. Disbursement of the Loan Proceeds; Amounts Payable; Prepayment; and Late Fee. The Trust shall effectuate the Loan to the Authority by making one or more disbursements to the Authority promptly after receipt by the Trust of a Loan Disbursement Requisition and the approval of such Loan Disbursement Requisition by an Authorized Officer of the Trust or the designee thereof, each such disbursement and the date thereof to be recorded by an Authorized Officer of the Trust on the table attached as Exhibit A-2 hereto. It is expected that the proceeds of the Loan will be disbursed to the Authority in accordance with Exhibit C hereto. On the Maturity Date, the Authority shall repay the Loan to the Trust in an amount equal to: (i) the Principal; (ii) the Interest; (iii) the Administrative Fee, if any; and (iv) any other amounts due and owing pursuant to the provisions of this Note. Any earnings accrued on the undrawn Trust Portion of the Principal of the Loan shall be credited against the Authority's repayment obligations hereunder. The Authority (i) may prepay the Loan obligations hereunder, in whole or in part, upon receipt of the prior written consent of an Authorized Officer of the Trust and (ii) shall prepay all or a portion of the Loan obligation hereunder upon the disbursement to the Custodian by the United States Federal Emergency Management Agency (which disbursement may be accomplished through the New Jersey Office of Emergency Management) of any amounts with respect to the Project that are reimbursed to the Authority, in accordance with the terms and provisions of the Custodial Agreement. [This Note may be tendered by the Trust and the Authority in accordance with Section 8 hereof]. Each payment made to the Trust shall be applied to the payment of, *first*, the Interest then due and payable, *second*, the Principal, *third*, the Administrative Fee, if any, *fourth*, any late charges, and *finally*, any other amount due pursuant to the provisions of this Note. In the event that the repayment obligation set forth in this Note is received by the Trust later than the Maturity Date, a late fee shall be payable to the Trust in an amount equal to the greater of twelve percent (12%) per annum or the prime rate as published in the *Wall Street Journal* on the Maturity Date plus one half of one percent per annum on such late payment from the Maturity Date to the date it is actually paid; provided, however, that any late payment charges incurred hereunder shall not exceed the maximum interest rate permitted by law.

SECTION 5. Unconditional Obligations. The obligation of the Authority to make the Loan repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner whatsoever while any Loan repayments, or any other payments due hereunder, remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Initial Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust to perform and observe any agreement or any duty, liability or obligation arising out of this Note, or any rights of set-off, recoupment, abatement or counterclaim that the Authority might have against the Trust or any other party; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

SECTION 6. Events of Default. The following events shall constitute an “Event of Default” hereunder: (i) failure by the Authority to pay, when due, any and all of its Loan repayment obligations hereunder, and any other payment obligations due hereunder; (ii) failure by the Authority to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed pursuant to the terms of this Note, including, without limitation, Section 3(h) hereof; (iii) any representation made by the Authority contained in this Note or in any instrument furnished in compliance with or with reference to this Note is false or misleading in any material respect; and (iv) a petition is filed by or against the Authority under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Note or thereafter enacted, unless in the case of any such petition filed against the Authority such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal, or the Authority shall become insolvent or bankrupt or shall make an assignment for the benefit of its creditors, or a custodian of the Authority or any of its property shall be appointed by court order or take possession of the Authority or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days.

SECTION 7. Remedies upon Event of Default. Whenever an Event of Default shall have occurred and be continuing pursuant to the terms hereof, the Authority hereby acknowledges and agrees to the rights of the Trust to take any action permitted or required at law or in equity to collect the amounts then due and thereafter to become due hereunder or to enforce the observance and performance of any duty, covenant, obligation or agreement of the Authority hereunder. If an Event of Default shall have occurred, the Authority hereby acknowledges and agrees that the Trust shall have the right to (i) immediately cease disbursements of the proceeds of the Loan, and/or (ii) declare all Loan repayments and all other amounts due hereunder to be due and payable immediately without further notice or demand. The Authority hereby acknowledges and agrees that no remedy herein is intended to be exclusive, and every remedy shall be cumulative and in addition to every other remedy given under this Note or now or hereafter existing at law or in equity. The Authority hereby further acknowledges and agrees that no delay or omission by the Trust to exercise any remedy or right accruing upon any Event of Default shall impair any such remedy or right or shall be construed to be a waiver thereof, but any such remedy or right may be exercised as often as may be deemed expedient. The Authority hereby further acknowledges and agrees that, pursuant to the “Second Amended and Restated New Jersey Environmental Infrastructure Trust Credit Policy”, adopted by the Board of Directors of the Trust on June 12, 2014 (the “Credit Policy”), during such time as an Event of Default has occurred and is continuing hereunder, the Authority shall be ineligible for additional financial assistance from the Trust, in addition to certain other consequences set forth in the Credit Policy. The Authority hereby agrees that upon demand it shall pay to the Trust the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred in the collection of Loan repayments or any sum due hereunder or in the enforcement of the observation or performance of any obligations or agreements of the Authority upon an Event of Default. Any moneys collected by the Trust pursuant to this Section 7 shall be applied first to pay any attorneys’ fees or other fees and expenses owed by the Authority.

SECTION 8. Certain Miscellaneous Provisions. The Authority hereby agrees as follows: (a) all notices hereunder shall be deemed given when hand delivered or when mailed by registered or certified mail, postage prepaid, to the Authority at the following address: Bayshore Regional Sewerage Authority, 100 Oak Street, Union Beach, New Jersey 07735, Attention: Chairman; and to the Trust at the following address: New Jersey Environmental Infrastructure Trust, P.O. Box 440, Trenton, New Jersey 08625, Attention: Executive Director; (b) this Note shall be binding upon the Authority and its successors and

(SEAL)

EXHIBIT A-2

Loan Disbursements

Date of Loan Disbursement	Amount of Loan Disbursement

ARTICLE V

Remedies

Section 501 Remedies The holders of the Project Notes shall be entitled to all of the rights and remedies provided in the Act or otherwise provided or permitted at law or in equity or by statute.

Section 502 Right to Enforce Payment of Project Notes Unimpaired. Nothing in this Article contained shall affect or impair the right of any holder of Project Notes to enforce the payment of the principal of, redemption premium, if any, and the interest on his or her Project Notes or the obligations of the Authority to pay the principal of and the interest on each Project Note issued hereunder to the holder thereof at the time and place stated in the Project Note.

ARTICLE VI

Pledge Securing the Project Notes and Special Accounts.

Section 601 Pledge Securing the Project Notes. As security for the due and punctual payment of the principal of, redemption premium, if any, and interest on the Project Notes and the due and punctual payment and performance of the obligations hereunder, the Authority hereby pledges to the holders of the Project Notes, and grants to the holders a lien on and security interest in (a) all amounts, securities and funds on deposit from time to time in the Debt Service Account and Project Account, subject to the application of such amounts, securities and funds in accordance with the provisions of this Project Note Resolution and (b) all proceeds derived from the issuance and/or sale by the Authority of Additional Project Notes or bonds for the purpose of refunding the Project Notes, all in accordance with the covenants and agreements of the Authority contained in this Project Note Resolution. In addition, the Project Notes shall constitute a general obligation of the Authority to be paid from any available funds of the Authority subject to any lien or pledge thereon established or to be established for the benefit of any holders of bonds or notes issued or to be issued pursuant to the Authority's bond or note resolutions. Such pledge shall be valid and binding from and after the date of the first delivery of any of the Project Notes.

Section 602 Establishment of Accounts. The Authority hereby establishes and creates the following separate accounts:

- (1) Debt Service Account
- (2) Project Account

Each of said accounts shall be held by the Paying Agent.

Section 603 Debt Service Account. There shall be deposited into the Debt Service Account all accrued interest on the Project Notes and all moneys deposited by the Authority into the Debt Service Account from the sale of the Project Notes, that may be required or be made available for the payment of the principal of, redemption premium, if any, or interest on the Project Notes outstanding from time to time. The moneys which are on deposit at any time in the Debt Service Account shall be held and applied solely to the payment and discharge of the principal of and interest on the Project Notes when due and payable. Pending application of the moneys in this account to such purpose, any moneys therein shall be invested by the Authority in accordance with Section 505, provided that such investments shall mature in such amounts and at such times as will permit funds to be available for payment of principal of, redemption premium, if any, and interest on Project Notes.

Section 604 Project Account. Any proceeds which are derived from the sale of any Project Notes which are not deposited in the Debt Service Account, shall be deposited in the Project Account. Moneys in the Project Account shall be invested by the Authority in accordance with Section 505, provided that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to pay the Cost of the Initial Project (which may include operating and other expenses of the Authority). Amounts in the Project Account shall be paid out only pursuant to requisitions signed by an Authority Officer to which shall be attached a voucher signed by an Authority Officer certifying that such disbursement is necessary to pay part of Cost and stating, by general classification, the purpose for which such disbursement is to be made. All moneys in the Project Account are hereby pledged pending their

application as hereinabove in this Section provided, to secure the payment of the principal of, redemption premium, if any, and interest on the Project Notes.

To the extent that the Authority has received an Interim Loan pursuant to the Trust's Interim Financing Program, the disbursement procedures set forth in Section 4 of the Initial Project Note shall govern.

Section 605 Investments. The Authority shall invest moneys held pursuant to this Article V in such Investment Obligations, or class or classes of Investment Obligations within the limitations of this Article V in such manner that the moneys shall be available for application as required by this Project Note Resolution.

ARTICLE VII

Redemption of Project Notes

Section 701 Privilege of Redemption and Redemption Prices. The Project Notes of any series which are subject to redemption prior to maturity at the option of the Authority shall be subject to redemption by or on behalf of the Authority upon published notice as provided in this Article, to the extent, through application of such moneys, at such time or times, in such order, and on such other terms and conditions as shall be provided by a Supplemental Project Note Resolution of the Authority duly adopted prior to the authentication and delivery of the Project Notes, or as shall be determined by a Certificate of Authority Officer, as the case may be, and as shall be provided in said Project Notes. In all such cases, the Project Notes shall be redeemed at the Redemption Prices set forth in said Project Notes and which are applicable upon such redemption. If less than all of the Project Notes of such series of like maturity which are then outstanding are to be redeemed, the particular Project Notes to be redeemed shall be selected by lot in the manner set forth below.

Section 702 Selection of Project Notes to be Redeemed by Lot. In the event of the redemption by lot of Project Notes of like series and maturity, the Paying Agent shall assign to each Project Note of such series and maturity which is then outstanding a distinctive number for each \$5,000 of the principal amount of such Project Notes and shall select by lot, using such method of selection as it shall deem proper in its discretion and from the numbers of all such Project Notes to be redeemed, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Project Notes to be redeemed. The Project Notes to be redeemed shall be those Project Notes whose numbers were so selected; provided, however, that only so much of the principal amount of each such Project Note (of a denomination of more than \$5,000) shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. For the purposes of this Section, Project Notes which have theretofore been selected by lot for redemption shall not thereafter be deemed to be outstanding.

Section 703 Notice of Redemption. When the Paying Agent shall be required or shall be authorized, or shall receive notice from the Authority of its election to redeem Project Notes, the Paying Agent shall, in accordance with the terms and provisions of the Project Notes and the provisions of the Resolution, select the Project Notes to be redeemed and the Paying Agent shall give notice, in the name of the Authority, of the redemption of such Project Notes. Such notice shall specify the series and maturities of the Project Notes to be redeemed, the redemption date and the place or places where amounts which are due and payable upon such redemption will be payable and, if less than all of the Project Notes or any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Project Notes to be redeemed, and, in the case of a Project Note to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed. Such notice shall further state that on such date the Redemption Price thereof shall become due and payable with respect to each Project Note to be redeemed, or the Redemption Price of the specified portion of the principal amount thereof (in the case of a Project Note to be redeemed in part only) and such notice shall also state that from and after such date interest on such Project Note, or portion thereof, shall cease to accrue and be payable. The Paying Agent shall mail a copy of such notice, postage prepaid, not less than twenty-five (25) days prior to such redemption date, to the Registered Owner, if any, of any Project Note all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registration books of the Authority which are kept and maintained by the Registrar, but such mailing shall not be a condition precedent to such redemption

and failure to mail any such notice shall not affect the validity of any proceedings for the redemption of the Project Notes.

Section 704 Authority's Election to Redeem. The Authority shall give written notice to the Paying Agent of its election to redeem Project Notes and of the redemption date, which notice shall be given at least sixty-five (65) days prior to the date fixed for redemption or at such later date as shall be acceptable to the Paying Agent. In the event that the required notice of redemption shall have been given, the Authority shall, and hereby covenants that it will, prior to the date fixed for redemption, pay to the Paying Agent an amount in cash which, in addition to other moneys available therefor which are held by the Paying Agent, will be sufficient to redeem, at the Redemption Price thereof, all of the Project Notes which have been selected for redemption.

Section 705 Payment of Redeemed Project Notes. If notice has been given by publication (in the manner provided in Section 603 hereof), the Project Notes, or portions thereof, which have been called for redemption and which have been specified in said notice shall become due and payable on the redemption date specified in said notice at the Redemption Prices thereof which are applicable on such date, and, upon presentation and surrender thereof at the place or places specified in said notice together with, in the case of Project Notes which are registered otherwise than to bearer, a written instrument of transfer duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, said Project Notes or portions thereof shall be paid at the said Redemption Prices. If less than all of a Project Note has been selected for redemption, the Authority shall execute and the Registrar shall authenticate a new Project Note in an amount which is equal to the unredeemed balance of the principal amount of the Project Note so surrendered, upon the presentation and surrender of such Project Note, to be delivered without charge to the owner thereof. At the option of the owner thereof, the Authority shall cause the Registrar to issue and deliver either Project Notes which are payable to bearer or Registered Project Notes of like series, designation, interest rates and maturities in any of the authorized denominations. If, on such redemption date, moneys for the redemption of all of the Project Notes (or portions thereof) of any like series and maturity to be redeemed, shall be held by or on behalf of the Paying Agent so as to be available therefor on such date and if a notice of redemption thereof shall have been published as aforesaid, then from and after such redemption date, interest on the Project Notes (or portions thereof) of such series and maturity which have been called for redemption shall cease to accrue and become payable and said Project Notes shall no longer be considered to be outstanding hereunder. All moneys which are held by or on behalf of the Paying Agent for the redemption of particular Project Notes shall be held in trust for the account of the holders of the Project Notes to be redeemed. If moneys for the payment of the Redemption Price and the accrued interest to the redemption date are not so held by the Paying Agent, such Project Notes or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 606. Initial Project Notes. Notwithstanding anything to the contrary in this Project Note Resolution, the Initial Project Notes shall be subject to prepayment in accordance with the terms and conditions of the Initial Project Note.

ARTICLE VIII

The Fiduciaries

Section 801 Paying Agents, Registrar and Securities Depository. (a) The Authority shall appoint one or more Paying Agents for the Project Notes (other than Book-Entry Notes). Such Paying Agents shall be appointed pursuant to a Certificate of Authority Officer executed prior to the authentication and delivery of the Project Note, and may at any time or from time to time by a Supplemental Project Note Resolution appoint one or more other Paying Agent, for such Project Notes. Each Paying Agent shall be a bank, trust company or national banking association, doing business and having an office in the State of New Jersey or New York and having trust powers if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all of the duties which are imposed upon it by this Project Note Resolution. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Project Note Resolution by executing and delivering to the Authority a written acceptance thereof. The Registrar may be appointed and may act as a Paying Agent for the Project Notes.

(b) The Authority shall, by a Certificate of Authority Officer executed prior to the authentication and delivery of any Project Notes which are issued in registered form, appoint a Registrar for such Project Notes. Such Registrar shall be a bank, trust company, or national banking association doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York, if there be such a bank, trust company, or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Project Note Resolution. The Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Project Note Resolution by executing and delivering to the Authority a written acceptance thereof. The Paying Agent may be appointed and may act as a Registrar for the Project Notes.

(c) In connection with the issuance of Book-Entry Notes, the Authority shall appoint a Securities Depository. Such Securities Depository shall be appointed pursuant to a Certificate of Authority Officer executed prior to the authentication and delivery of such Book-Entry Notes. Such Securities Depository shall be a bank or corporation having an office in the City of New York which is willing and able to accept the appointment upon reasonable and customary terms and which is authorized by law to perform all of the duties which are imposed upon it by this Project Note Resolution.

Section 802 Responsibilities of Fiduciaries. The recitals of fact which are contained herein and in the Project Notes contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Project Note Resolution or of any Project Note issued thereunder or in respect to the security afforded by this Project Note Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Registrar shall, however, be responsible for its representation contained in its certificate of authentication of the Project Notes. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Project Notes for value or the application of the proceeds thereof or the application of any moneys paid to the Authority or others in accordance with this Project Note Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in

expense or liability or to institute or defend any action or suit in respect to this Project Note Resolution or Project Notes, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default.

Section 803 Funds Held in Trust. All moneys held by any Fiduciary, as such, at any time pursuant to the terms of this Project Note Resolution shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of this Project Note Resolution.

Section 804 Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authority Officer stating the same, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Project Note Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Authority to any Fiduciary shall be sufficiently executed if executed by an Authority Officer.

Section 805 Compensation and Expenses. Unless otherwise provided by contract with the Fiduciary, the Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal and engineering fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder, and each Fiduciary shall have a lien therefor on any and all funds at any time held by it hereunder. The Authority shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence or default.

Section 806 Certain Permitted Acts. Any Fiduciary may become the owner of or may deal in Project Notes as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of holders of Project Notes or to effect or aid in any reorganization growing out of the enforcement of the Project Notes or this Project Note Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Project Notes outstanding.

Section 807 Resignation of Fiduciary. A Fiduciary, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by this Project Note Resolution by giving not less than sixty days' written notice to the Authority and mailing notice thereof within twenty days after the giving of such written notice to the holders of the Project Notes. Such resignation shall take effect upon the

day specified in such notice unless previously a successor shall have been appointed by the Authority or holders of Project Notes as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 808 Removal. A Fiduciary, or any successor thereof, may be removed at any time by the holders of a majority in principal amount of the Project Notes then outstanding, excluding any Project Notes held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and duly acknowledged by such holders or by their attorneys duly authorized in writing and delivered to the Authority. Copies of each such instrument shall be delivered by the Authority to each other Fiduciary and any successor thereof. The Authority may remove a Paying Agent or Registrar of the Project Notes at any time for cause as shall be determined by the Authority in its sole discretion by filing with the Paying Agent or Registrar an instrument signed by an officer of the Authority provided that no such removal of a Paying Agent or Registrar by the Authority shall take effect until a successor shall have been appointed as provided in this Project Note Resolution.

Section 809 Appointment of Successor Fiduciary. In case at any time a Fiduciary, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidate or conservator of such Fiduciary or if its property shall be appointed, or if any public officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the holders of a majority in principal amount of the Project Notes then outstanding, excluding any Project Notes held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed by such holders or their attorneys duly authorized in writing and delivered to such successor Fiduciary, notification thereof being given to the Authority, the predecessor Fiduciary and any other Fiduciaries. Pending such appointment, the Authority shall forthwith appoint a Fiduciary to fill such vacancy until a successor Fiduciary shall be appointed by holders of Project Notes as herein authorized. The Authority shall mail notice of any such appointment to the holders of the Project Notes, within twenty days after such appointment. Any successor Fiduciary appointed by the Authority shall, immediately and without further act, be superseded by a Fiduciary appointed by holders of Project Notes. If in a proper case no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Fiduciary shall have given to the Authority written notice as provided in Section 707 or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other Fiduciary or any holder of Project Notes may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Fiduciary. Any Fiduciary appointed under the provisions of this Section shall be a bank or trust company or a national banking association, doing business and having an office in the State of New Jersey or New York having the qualifications prescribed by this Article, ~~if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Project Note Resolution.~~

Section 810 Transfer of Rights and Property to Successor Fiduciary. Any successor Fiduciary appointed hereunder shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Authority, an instrument accepting such appointment, thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if named herein as such Fiduciary, but the Fiduciary ceasing to act shall nevertheless, on the written request of the Authority or of

the successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Fiduciary all the right title and interest of the predecessor Fiduciary in and to any property held by it under this Project Note Resolution, and shall pay over, assign and deliver to the successor Fiduciary any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Fiduciary for more fully and certainly vesting in and confirming to such successor Fiduciary any such moneys, estates, properties, rights, powers, and duties, any and all such deed, conveyances and instruments in writing shall, upon request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

Section 811 Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company or national banking association which is qualified to be a successor to such Fiduciary under Section 710 and shall be authorized by law to perform all the duties imposed upon it by this Project Note Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 812 Adoption of Authentication. In case any of the Project Notes contemplated to be issued under this Project Note Resolution shall have been authenticated but not delivered, any successor Registrar may adopt the certificate of authentication of any predecessor Registrar so authenticating such Project Notes and deliver such Project Notes so authenticated, and in case any of the said Project Notes shall have not been authenticated, any successor Registrar may authenticate such Project Notes in the name of the predecessor Registrar or in the name of the successor Registrar, and in all such cases such certificate shall have the full force which it has anywhere in said Project Notes or which in this Project Note Resolution it is provided that the certificate of the Registrar shall have.

ARTICLE IX

Miscellaneous

Section 901 Covenants by the Authority. In order to secure the payment of the Project Notes, the Authority hereby particularly covenants and agrees with the holders of the Project Notes, and makes provisions which shall be a part of the contract with such holders, that the Authority will, upon receipt of any proceeds of the Project Notes, cause the same to be paid, deposited and applied as provided in Section 313 and Article V, and that the Authority, if and so long as any of the Project Notes are outstanding and unpaid hereunder:

- (a) Will proceed with and complete with all practicable dispatch in a sound and economical manner the construction and acquisition of the Initial Project;
- (b) Will pay punctually the principal of, redemption premium, if any, and interest on the Project Notes as herein and therein provided, and will, if necessary, issue Additional Project Notes or other obligations to provide funds for this purpose;

(c) Will not make or cause or permit to be made any application of the proceeds of the Project Notes or of any moneys held in the Project Account except in accordance with the provisions of Section 313 or Article V;

(d) Will do and perform all acts and things required on its part to be done or performed under the provisions of this Project Note Resolution; and

(e) Except as provided in Section 803 and 804, will not amend or repeal this Project Note Resolution except with the consent in writing of the holders of not less than 66-2/3% of the aggregate amount of Project Notes then outstanding, except to add additional covenants to further secure payment of the Project Notes, which amendments may be made without consent of noteholders; provided that the amount, maturity, interest rate or security, shall not be modified as to any Project Note without the consent of the holders of said Project Notes.

Section 902 Defeasance. If at any time the Authority shall deposit with a Paying Agent either (a) the amount of money equal to the principal of, redemption premium, if any, and interest to become due on all Project Notes then outstanding for payment to the holders of such Project Notes as such principal, redemption premium, if any, and interest shall become due or (b) direct and general obligations of the United States of America, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with a Paying Agent at the same time, will be sufficient to pay when due the principal of, redemption premium, if any, and interest due and to become due on all Project Notes outstanding on and prior to the maturity date thereof, then the pledge of moneys and securities hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Paying Agent shall, upon request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction. No moneys so held by the Paying Agent shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for, the payment, when due, of the principal of the, redemption premium, if any, and interest on Project Notes for the payment of which they were deposited, excepting only (a) that any money so held by the Paying Agent shall be invested, upon the direction of the Authority authorizing such investment, in such Investment Obligations as may be selected by the Authority and as will make moneys available in such amounts and at such times and may be necessary to provide funds when needed to pay such principal, redemption premium, if any, and interest, and (b) that whenever the amount of moneys so held by the Paying Agent and the face value of the Investment Obligations so held by the Paying Agent shall equal an amount sufficient to pay when due principal of and interest on all such Project Notes, all income from such investments shall be paid over to the Authority as received by the Paying Agent, and from such date, shall be free of any lien thereon created under the terms of this Project Note Resolution.

If at any time the Authority shall deposit with the Paying Agent the moneys or Investment Obligations provided above with respect to any Project Notes which are then Outstanding, said Project Notes shall no longer be deemed to be outstanding for any purpose.

Section 903 Supplemental Project Note Resolutions Effective Upon Filing. For any or more of the following purposes and at any time or from time to time, a resolution of the Authority supplementing this Project Note Resolution may be adopted which resolution, upon the filing in the office of the Authority of a copy thereof certified by the Secretary, shall be fully effective in accordance with its terms:

- (1) To close this Project Note Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Project Note Resolution on the issuance in the future of Project Notes or of other notes, bonds, obligations or evidences of indebtedness;
- (2) To add to the covenants or agreements to be observed by the Authority which are not contrary to or inconsistent with this Project Note Resolution as theretofore in effect;
- (3) To add to the limitations or restrictions in this Project Note Resolution contained other limitations or restrictions to be observed by the Authority which are not contrary to or inconsistent with this Project Note Resolution as theretofore in effect;
- (4) To surrender any right, power or privilege reserved to or conferred upon the Authority by this Project Note Resolution;
- (5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge, created or to be created, by this Project Note Resolution;
- (6) To specify, determine or authorize any and all matters and things relative to the Project Notes or the proceeds thereof which are not contrary to or inconsistent with this Project Note Resolution; and
- (7) To make any other change in this Project Note Resolution that in the opinion of Bond Counsel does not materially adversely affect the rights of the holders of any of the Project Notes.
- (8) To provide for the issuance of Additional Project Notes pursuant to this Project Note Resolution.

Section 904 Supplemental Project Note Resolutions Effective With The Opinion of Bond Counsel. For any one or more of the following purposes and at any time or from time to time, a resolution of the Authority amending or supplementing this Project Note Resolution may be adopted with an approving opinion of Bond Counsel and shall be fully effective in accordance with its terms:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Project Note Resolution; and
- (2) To insert such provisions clarifying matters or questions arising under this Project Note Resolution as are necessary or desirable and which are not contrary to or inconsistent with this Project Note Resolution as theretofore in effect.

Section 905 Authorized Acts of Officers. The Chairman, the Vice-Chairman, the Executive Director, the Treasurer, and the Secretary of the Authority are and each of them hereby is, authorized and directed to do and perform all things and execute all papers in the name of the Authority and to take all actions necessary so that the Authority may carry out its obligations under the terms of the Project Notes or this Project Note Resolution.

Section 906 Effective Date. This Project Note Resolution shall take effect upon the filing of a copy hereof, certified by an Authorized Officer of the Authority, with the Authority; provided, that all

approvals with respect to this Project Note Resolution have been obtained and all estoppel periods have run.

Section 907 Filing. Upon the adoption hereof, the Secretary shall forward certified copies of this Project Note Resolution to John D. Draikiwicz, Esq., Gibbons P.C., bond counsel to the Authority, David E. Zimmer, Executive Director of the Trust, and Richard T. Nolan, Esq., McCarter & English, LLP, bond counsel to the Trust.

Public Portion

ANNOUNCEMENT (by Chairman Pisano) – This portion of the meeting is OPEN TO THE PUBLIC to discuss any BRSA matters the public may care to address. The public is reminded, only questions or comments not previously addressed; and/or specific to the scope of BRSA's operations or projects will be addressed. As a courtesy to all members of the public wishing to speak, please be mindful of limiting your comments to 3 minutes.

Charles Hoffman, Hazlet commented that this legal thing with Conti has been dragging on long time, will this decision be made by a Contracted Administrative Judge.

John Napolitano said a Contracted Administrative Judge is that of the Federal System, this is a State issue and would most likely appoint an arbitrator or if it get litigated it would go to the Superior Court Judge.

Charles Hoffman asked where are we with settling this.

John Napolitano said we are negotiation towards an amicable settlement to both parties.

Charles Hoffman asked why we end Closed Session and reopen the Regular Meeting.

Chairman Pisano said we always reopen the Regular Meeting to close the meeting and if there is any further business.

Executive Session

Chairman Pisano called for a **MOTION** to go into Closed Session at 8:17 P.M. in accordance with Section 8 of the Open Public Meetings Act, Chapter 231, P.L. 1975, permitting the exclusion of the public from a meeting in certain circumstances. This action will be taken to discuss matters falling within attorney-client privileges, specifically, pending or anticipated litigation and matters of employment of public employees. It is anticipated at this time that the above stated subject matter shall be made public at such time as the need for non-disclosure no longer exists.

MINUTES FROM EXECUTIVE SESSION ARE RECORDED SEPERATELY

At 8:45 P.M. Chairman Pisano called for a **MOTION** to end Closed Session (and re-open the Regular Meeting.)

RESOLUTION No. (61/16): To Award Contract to R3M for Connection Fee Evaluation and Recommendation

WHEREAS, the Bayshore Regional Sewerage Authority owns and operates a 16 mgd wastewater treatment plant in Union Beach, NJ, and

WHEREAS, the Authority desires to undertake an evaluation of the current connection fee, and

WHEREAS, R3M Engineering has presented the Authority with a proposal dated April 15, 2016 to evaluate the connection fee, and

WHEREAS, the proposal has been reviewed by the Authority Engineer and Executive Director and has been found fair and reasonable for the work requested.

NOW THEREFORE BE IT RESOLVED the Commissioners of the Bayshore Regional Sewerage Authority accept the proposal from R3M Engineering of Old Bridge, NJ, dated April 15, 2016 to perform a Connection Fee Study at a cost not to exceed \$18,000

OFFERED BY: Commissioner Steiner, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

Adjournment

ANNOUNCEMENT (by Chairman Pisano)

The next Regular Meeting of the Bayshore Regional Sewerage Authority will be held on Monday, May 16, 2016. All meetings are held at 7:00 PM in the Administration Building at 100 Oak Street, Union Beach, NJ.

At 8:47 PM Chairman Pisano called for a **MOTION** to adjourn the meeting.

OFFERED BY: Commissioner Steiner, SECONDED BY: Commissioner McMullen, and carried by a unanimous voice vote recorded as follows:

AYES: Commissioners McMullen, Steiner, Sutton, Vella and Chairman Pisano

Respectfully submitted,

Susan A. DuBey
Administrative Assistant