

**FORM OF
SUBLEASE PURCHASE AGREEMENT
(COUNTY GUARANTEED LEASING PROGRAM, SERIES 2014)**

By and Between

THE MORRIS COUNTY IMPROVEMENT AUTHORITY, as Sublessor

and

[NAME OF LOCAL UNIT], as Sublessee

Dated as of [_____, 201_]

This **SUBLEASE PURCHASE AGREEMENT (COUNTY GUARANTEED LEASING PROGRAM, SERIES 2014)** (the "*Sublease*") is made and entered into as of this 1st day of [MONTH], 201_, by and between **THE MORRIS COUNTY IMPROVEMENT AUTHORITY**, a public body corporate and politic of the State of New Jersey (the "*State*") created pursuant to and in accordance with the county improvement authorities law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State, as amended and supplemented from time to time (N.J.S.A. 40:37A-44 *et seq.*) (the "*Act*"), with its offices at Administration and Records Building, Morristown, New Jersey 07960 ("*Sublessor*"), and [NAME OF LOCAL UNIT], a political subdivision of the State or a state or local governmental unit within the meaning of §1.103-1(a) of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended (the "*Code*"), with its principal address at [Address of Local Unit] ("*Sublessee*"), and is made with reference to the following facts:

A. [Lessor], as lessor ("*Lessor*"), [Escrow Agent], as Escrow Agent and Sublessor, as lessee, executed the Master Lease Purchase Agreement (County Guaranteed Leasing Program, Series 2009), dated as of August 1, 2009 (together with the exhibits and attachments thereto, the "*Lease*"), all of the terms of which are hereby incorporated herein by this reference and made a part hereof. All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Lease.

B. By the terms of the Lease, Lessor leased to Sublessor the equipment and personal property described in **Exhibit A** attached hereto and in the Requisitions (as defined herein) (the "*Equipment*") for the term described in **Exhibit D** attached hereto, as the same may be amended from time to time.

C. Sublessor desires to sublease to Sublessee the Equipment, and Sublessee desires to lease such Equipment from Sublessor.

D. Upon the execution and delivery of this Sublease, Sublessor shall execute and deliver to Lessor the Applicable Sublease Transaction Certificate set forth in **Exhibit E** attached hereto, which shall, *inter alia*, activate that portion of the Bond and of the County Guaranty as additional security for the making of Master Lease Rental Payments equal to the maximum Equipment Cost (as defined herein) to be provided to Sublessee pursuant to this Sublease.

NOW, THEREFORE, Sublessor and Sublessee agree as follows:

1. Sublease. Sublessor hereby leases to Sublessee, and Sublessee hereby leases from Sublessor, on and subject to the terms, conditions and covenants of the Lease and as hereinafter set forth, the Equipment. SUBLESSEE SHALL PERFORM ALL OF ITS AND SUBLESSOR'S OBLIGATIONS AND DUTIES AS SPECIFIED IN THE LEASE AS IF SAME WERE SET FORTH IN THIS SUBLEASE, including, but not limited to, the Sublessee's indemnification obligation pursuant to Section 24 of the Lease, which shall survive the termination of the Lease and the Sublease.

2. Delivery; Payment of Equipment Costs. The Equipment will be delivered by the supplier(s) thereof (the "*Equipment Vendor*"), as instructed by Sublessee, at the Equipment

Location in conformity with all applicable law, including, without limitation, the Local Public Contracts Law (N.J.S.A. 40A:11-1 *et seq.*). Sublessee will pay all transportation and other costs, if any, incurred in connection with the delivery and installation of the Equipment. Any delay in such delivery shall not affect the validity of this Sublease. Sublessee shall accept the Equipment as soon as it has been delivered and is operational, or as soon as any manufacturer or vendor preacceptance test period has expired. Sublessee shall have no more than thirty (30) days from the date of delivery of the Equipment to accept such Equipment. Sublessee shall evidence its final acceptance of all the Equipment by executing and delivering to Lessor a delivery and acceptance certificate substantially in the form attached hereto as **Exhibit B** (the "*Acceptance Certificate*").

Upon delivery to Lessor (with a copy to Sublessor) of an approved payment request (the "*Requisition*") substantially in the form attached hereto as **Exhibit C** and fully executed (manually or by facsimile) by Lessor, Sublessor and Sublessee, which shall either request (i) reimbursement to Sublessee as evidenced by the prior payment from Sublessee to the Equipment Vendor for such Equipment, or (ii) payment to the Equipment Vendor for such Equipment, or (iii) if an Escrow Fund (as defined in the Lease) has been established, payment to the Escrow Agent (as defined in the Lease) to be held in the Escrow Fund and disbursed in accordance with the terms of the Lease, in any event, Lessor shall pay on the Sublease Closing Date such sum (the "*Lease Proceeds*") to or upon the order of Sublessee (or the Escrow Agent) for payment or reimbursement for the costs of the Equipment (the "*Equipment Cost*"). The aggregate Equipment Cost subject to the Lease and this Sublease shall not exceed \$_____, less any of the Lease Proceeds applied to the payment of costs of issuance in accordance with Section 3(b) of the Lease up to a maximum amount of \$_____. The terms and conditions of Lessor's consent to any such Requisitions are set forth in Section 6 of the Lease.

Requisitions involving the purchase of vehicles as Equipment should also be accompanied by a title application and a manufacturer's statement of origin (MSO) with Lessor listed as first and only lienholder.

Unless Lessor pays 100% of the Lease Proceeds directly to the Equipment Vendor upon execution of this Sublease, as a prerequisite to the performance by Lessor of any of its obligations pursuant to this Sublease, Sublessee shall cause the Escrow Agent to establish an Escrow Fund in accordance with the term of the Lease.

3. Term. The term of this Sublease shall be commensurate with the Lease Term; *provided, however*, that this Sublease shall terminate upon any termination of the Lease.

4. Rent. Sublessee shall pay to the order of Sublessor, as rent for the Equipment, a semiannual Rental Payment equal to the amount payable by Sublessor under the Lease, on the dates and in the amounts as set forth in **Exhibit D** attached hereto (such payment due dates are referred to herein as "*Sublease Payment Dates*"). Sublessor hereby directs Sublessee to make all Payments otherwise payable by Sublessor to Lessor under the Lease directly to Lessor, or to the assignee of Lessor, if any, at the address set forth in the records maintained pursuant to Section 19 of the Lease. Rental Payments due to Lessor from Sublessee shall be due and payable on each Sublease Payment Date, which date shall be fifteen (15) days prior to the corresponding

Master Lease Payment Date, in immediately available funds at the address specified by Lessor. Sublessee's periodic obligation for Rental Payments as set forth in **Exhibit D** attached hereto may be amended from time to time as provided in the Lease.

In addition, to the extent permitted by law, Sublessee shall pay when due to Sublessor or to Lessor, as the case may be, such other amounts from time to time as are due and owing by Sublessor or Sublessee under the Lease or this Sublease, including, without limitation, those amounts payable under Sections 8 and 9 hereof and any late charges due and owing under the Lease or this Sublease (the "*Additional Payments*"). The term "*Payments*", as used herein, shall refer to Rental Payments and Additional Payments.

Sublessee's obligations to make Payments may become accelerated under certain circumstances described herein and under other circumstances described in the Lease.

SUBLESSEE'S OBLIGATIONS TO MAKE PAYMENTS WILL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS AND WILL NOT BE SUBJECT TO ANY SET-OFF, DEFENSE, COUNTERCLAIM, ABATEMENT OR RECOUPMENT FOR ANY REASON WHATSOEVER.

Sublessee hereby covenants to make all Payments hereunder during the entire Lease Term. The officials of Sublessee responsible for preparing and presenting to Sublessee's governing body Sublessee's budget request for each fiscal year shall include in each such budget request for each fiscal year during the Lease Term the Payments to become due in such fiscal year, thereby securing the appropriation of moneys for such fiscal year sufficient to pay the Payments coming due therein. Upon adoption of Sublessee's temporary budget and final budget, Sublessee shall immediately notify Lessor and Sublessor if such budgets do **not** contain sufficient appropriation to pay the Payments coming due in the fiscal year covered by such budgets. Sublessee hereby agrees that, notwithstanding the possibility that either of such budgets may not contain an appropriation for such amount of Payments, Sublessee's obligations to make Payments hereunder when due are absolute and unconditional. Sublessee further covenants that, if such appropriation is not in any such budget, Sublessee will immediately take whatever measures are necessary to ensure that timely payment of all Payments will be made when due hereunder, and Sublessee will notify Lessor and Sublessor of same[, which measures include, without limitation, the levy of *ad valorem* taxes upon all the taxable property within Sublessee, without limitation as to rate or amount [*include for municipal Sublessees only*]].[Payments shall be subject to the annual appropriation of funds sufficient to meet the required Payments [*include for school district Sublessees only*]]. On or before the first day of each fiscal year of Sublessee during the Lease Term, Sublessee will provide Lessor with an Appropriation Certificate for this Sublease in the form attached hereto as **Exhibit G**.

Sublessee reasonably believes that legally available funds in an amount sufficient to make all Payments during the Lease Term of this Sublease and the Lease can be obtained. Sublessee currently intends to do all things lawfully within its power to obtain and maintain funds from which the Payments may be made.

Sublessee hereby acknowledges its obligations to make payments under all the various circumstances described above.

5. Use of Equipment. The Equipment shall be used by Sublessee for the purposes set forth in, and in accordance with all of the terms and conditions of, the Lease and this Sublease. Sublessee further covenants that it will not take any action or fail to take any action that would result in the loss of the exclusion from gross income provided under Section 103(a) of the Code for interest on the Rental Payments made under the Lease and this Sublease.

6. Obligations of Sublessee. (a) Sublessee hereby expressly assumes and agrees to perform all the obligations and covenants required by the Lease to be kept or performed by Sublessor, as lessee therein, and Sublessee.

(b) Sublessee covenants and agrees to pay the various amounts herein required and use the Equipment for the purposes hereinbefore stated until Sublessee receives clear title to the Equipment in accordance with Section 8 or 16 of the Lease, subject to Lessor's rights to the Equipment set forth in the Lease.

(c) Sublessee hereby represents, warrants, covenants, acknowledges and agrees that Sublessor has, by executing and delivering this Sublease, caused or required Sublessee to undertake and be responsible for compliance with the duties of Sublessor and Sublessee and to incur limitations on its rights as set forth in the Lease and hereunder. Sublessee further represents, warrants, covenants and agrees that it will fulfill its obligations and those of Sublessor as so described.

(d) Sublessee hereby grants to Sublessor a first and prior security interest in any and all rights, title and interest of Sublessee in (i) the Lease, (ii) this Sublease, (iii) the Pledged Revenues, (iv) the Escrow Fund, and the amounts held therein (if any), (v) all securities entitlements, investment property and other financial assets now or hereafter credited to the Escrow Fund (if any), (vi) the Equipment and all additions, attachments, accessions, accessories, replacements, improvements and substitutions thereto, now or hereafter acquired, and (vii) all products, proceeds and revenues of and from any of the foregoing personal property. Sublessee agrees to execute and deliver all financing statements, applications for title and certificates of title with Lessor's first lien noted thereon and any other instruments necessary pursuant to applicable law to evidence and perfect such security interest.

(e) Sublessee hereby incorporates in this Sublease its representations, warranties and covenants found (i) in the Certificate of the Sublessee in the form attached hereto as **Exhibit F** to be dated concurrently with the delivery of this Sublease and (ii) if the aggregate principal of the Sublease shall be equal to or exceed One Million Dollars (\$1,000,000), in **Schedule A** attached hereto.

(f) In the event that Sublessee does not spend the moneys in the Escrow Fund within six (6) months of the date the deposit is made pursuant to Section 2 hereof, Sublessee will, if required by Section 148(f) of the Code to pay rebate: (i) establish a Rebate Account and deposit the Rebate Amount (as defined in §1.148-3(b) of the Treasury Regulations) not less frequently

than once per year after the date of such deposit of moneys with the Escrow Agent; and (ii) rebate to the United States, not less frequently than once every five (5) years after such deposit date, an amount equal to at least 90% of the Rebate Amount, and within sixty (60) days after payment of all Rental Payments or the Termination Value (as provided in Section 16 of the Lease), 100% of the Rebate Amount, as required by the Code and the Treasury Regulations promulgated thereunder. Lessee shall determine the Rebate Amount, if any, at least every year and upon payment of all Rental Payments or the Termination Value and shall maintain such determination, together with any supporting documentation required to calculate the Rebate Amount, until six (6) years after the date of final payment of all Rental Payments or the Termination Value.

(g) There is no litigation is pending, or, threatened in any court in any way contesting or calling into question the lawful existence of the Sublessee or the titles of its officers or, in any way contesting or affecting the validity or enforceability of the Sublease, or contesting the powers of the Sublessee or its authority with respect to the Sublease;

(h) The consummation of all transactions with respect to the Sublease to which the Sublessee is a party have been duly authorized by all necessary action on the part of the Sublessee, in compliance with all applicable law, and, do not and will not in any material respect conflict with or constitute on the part of the Sublessee a breach of or default by the Sublessee under any indenture, agreement or other instrument to which it is a party, or conflict with, violate or result in a breach of any existing applicable law, public administrative rule or regulation, judgment, court order or consent decree to which the Sublessee is subject.

7. Events of Default. The term "*Event of Default*", as used in this Sublease, means the occurrence of any one or more of the following events:

(a) Sublessee fails to make any Payment due hereunder as it becomes due in accordance with the terms of this Sublease; *provided, however*, that with respect to the making of Rental Payments by Sublessee, an Event of Default shall be declared only if a Rental Payment is not received by Lessor on the Master Lease Payment Date for such Rental Payment and such amount has not been otherwise satisfied by the County pursuant to the County Guaranty;

(b) Sublessee fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder for a period of twenty (20) days after notice to Sublessor and Sublessee;

(c) The discovery by Lessor or Sublessor that any statement, representation or warranty made by Sublessee in this Sublease or in the Lease or in any writing delivered by Sublessee pursuant hereto or thereto or in connection herewith or therewith is false, misleading or erroneous in any material respect;

(d) Sublessee becomes insolvent, makes an assignment for the benefit of creditors, applies or consents to the appointment of a receiver, trustee, conservator or

liquidator of Sublessee of all or a substantial portion of its assets, or a petition for relief is filed by Sublessee under federal bankruptcy, insolvency or similar laws; or a petition in a proceeding under any bankruptcy, insolvency or similar laws is filed against Sublessor and is not dismissed within thirty (30) days thereafter;

(e) An Event of Default occurs under any of clause (a), (b), (c), (e), (f) or (g) of Section 20 of the Lease;

(f) Failure by Sublessee to maintain insurance as required by the Lease;

(g) Determination or Event of Taxability relating solely to Sublessee and this Sublease; or

(h) An Event of Default occurs under any other Sublease to which Sublessee is a party.

8. Remedies. Upon the occurrence of any Event of Default, Lessor, pursuant to the grant of authority provided in Sections 21 and 22 of the Lease, may, at its option and to the extent enforceable under State law, exercise any one or more of the following remedies:

(a) By written notice given to Sublessor and Sublessee, declare an amount equal to the principal balance, all interest accrued and unpaid thereon and all other amounts owed under this Sublease and the Lease to be immediately due and payable, whereupon the same shall become immediately due and payable;

(b) By notice to Sublessor and Sublessee, terminate this Sublease;

(c) By written notice to Sublessor and Sublessee, request Sublessee to (and Sublessee agrees that it will), at Sublessee's expense, promptly return the Equipment to Lessor in the manner set forth in Section 22 of the Lease, or Lessor, at its option, may enter upon the premises where the Equipment is located and disable the Equipment to prevent further use thereof and/or take immediate possession of and remove the same;

(d) Sell or lease any or all of the Equipment or sublease it for the account of Lessor holding Sublessee liable for (i) all Payments and other payments due as of the effective date of such selling, leasing or subleasing; and (ii) the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the remaining amounts payable by Sublessee hereunder and under the Lease; or

(e) Exercise any other right, remedy or privilege that may be available to it at law or in equity, including, without limitation, the right to (i) proceed by appropriate court action to enforce the terms of the Lease or this Sublease; (ii) recover damages for the breach of the Lease or this Sublease; and (iii) terminate the Lease and this Sublease as to any or all of the Equipment in accordance with applicable law and procedures.

In addition, Sublessee will remain liable for all covenants, agreements and indemnities under this Sublease and the Lease. All costs and expenses, including reasonable attorneys' fees and expenses, incurred or expended by Lessor or Sublessor in the enforcement of any of their respective rights or remedies hereunder shall, upon demand, be paid or reimbursed by Sublessee to Lessor or Sublessor, as applicable.

Any repossession or subsequent sale or lease by Lessor of the Equipment shall not bar any action for a deficiency or damages as herein provided, and the bringing of an action for the entry of judgment against Sublessee shall not bar Lessor's rights to possess any or all items of the Equipment. No remedy under this Section 8 is intended to be exclusive, but each shall, to the fullest extent permitted by applicable law, be cumulative and in addition to any other remedy provided hereunder or otherwise available to Lessor or Sublessor at law or in equity. In no event, notwithstanding any language or provision to the contrary contained herein, shall Lessor or Sublessor be entitled to, or permitted to receive, any double or duplicative recovery. No express or implied waiver by Lessor or Sublessor of any Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. The failure or delay of Lessor or Sublessor in exercising any rights granted hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies, and any single or partial exercise of any particular right by Lessor or Sublessor shall not exhaust the same or constitute a waiver of any other right provided herein.

No termination of this Sublease or the Lease, in whole or in part, or repossession of the Equipment or exercise of any remedy hereunder shall relieve Sublessee of any of its liabilities or obligations hereunder or under the Lease. In addition, Sublessee shall be liable for any and all unpaid Payments due hereunder or under the Lease before, after or during the exercise of the foregoing remedies. At any sale of the Equipment pursuant to this Section 8, Lessor may bid for and purchase such property. To the extent permitted by applicable law, the rights of Lessor and Sublessor and the obligations of Sublessee hereunder shall be effective and enforceable regardless of the dependency of any proceedings that have or might have the effect of preventing Sublessee from complying with the terms of this Sublease.

9. Fees and Expenses to Sublessor. Upon the execution and delivery hereof, Sublessee agrees to pay directly to Sublessor (i) an acceptance fee equal to \$_____, plus (ii) all costs of issuance incurred by Sublessor, its agents, counsel and advisors in connection with the execution and delivery of this Sublease equal to \$_____ (aggregating \$_____).

Sublessee further agrees to pay directly to Sublessor the expenses that are incurred by Sublessor or its agents, counsel or other consultants in carrying out any of their duties under the Lease or this Sublease, including, without limitation, accounting, administrative, financial advisory and legal expenses, any rebate amounts due and owing to the United States of America pursuant to Section 148 of the Code and the regulations promulgated thereunder and the fees and expenses of any other fiduciaries or agents acting on behalf of Sublessor under or pursuant to the terms of the Lease or this Sublease, which shall include the costs of preparing and distributing exhibits and revised exhibits hereto and to the Lease. Sublessee shall be responsible for its own fees and expenses and those of its agents, advisors and counsel, if any.

10. Lessor and Sublessor's Right to Perform for Sublessee. If Sublessee shall fail to perform or comply with any of its agreements contained herein, in the Lease or in any agreement entered into in connection herewith, Lessor or Sublessor may, but shall not be obligated to, make such payment or perform or comply with any such agreement, and the amount of such payment shall be payable by Sublessee upon demand.

11. Tax Covenant. The Sublessee covenants to comply with the provisions of the Code applicable to the Sublease and covenants not to take any action, or fail to take any action, which would cause the interest component of the Rental Payments on the Sublease to become includable in gross income for Federal income tax purposes under Section 103 of the Code or cause the interest component of the Rental Payments on the Sublease to be treated as an item of tax preference under Section 57 of the Code. Without limiting the generality of the foregoing, the Sublessee will not take any action, or permit any action to be taken, which would cause the Sublease to be an "arbitrage bond" under Section 148 of the Code. All representations of the Sublessee made in the Tax Certificate are true and correct and fully and accurately represent the facts, as known to the Sublessee. The Sublessee agrees to comply with all covenants and any requirements with respect to opinions of counsel set forth in such Tax Certificate. All of the representations of the Sublessee contained in the Tax Certificate are incorporated herein by reference with the same force and effect as if set out in full herein.

12. Law Governing. This Sublease shall be governed by the laws and procedural rules of the State, and shall be subject to the New Jersey Contractual Liability Act (N.J.S.A. 59:13-1 *et seq.*) as if Sublessor were the State. Any suit arising out of the Lease or this Sublease can only be instituted in the federal or state courts located in the State.

13. Notices. All notices to be given under this Sublease shall be made in writing and mailed by first class mail, postage prepaid, to the other party at its address set forth herein or at such address as the party may provide in writing from time to time. Any such notices shall be deemed to have been received no later than five (5) days subsequent to mailing.

14. Counterparts. This Sublease may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument. Only the counterpart marked "Original Chattel Paper" on the execution page thereof shall constitute chattel paper under the Uniform Commercial Code.

15. Section Headings. All section headings contained herein are for the convenience of reference only and are not intended to define or limit the scope of any provision of this Sublease.

16. Entire Agreement. This Sublease, together with the exhibits and attachments attached hereto and made a part hereof (including expressly the Lease), and any other documents or instruments executed by Lessor, Sublessor and Sublessee in connection herewith, constitute the entire agreement among the parties with respect to the lease of the Equipment, and this Sublease shall not be modified, amended, altered or changed except with the written consent of

Lessor, Sublessor and Sublessee. Any provision of this Sublease found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the remainder of this Sublease.

By execution hereof, each signer hereby certifies that he/she has read this Sublease and the attached exhibits, and that he/she is duly authorized to execute this Sublease on behalf of the party represented by each as of the date first written above.

SUBLESSOR:

**THE MORRIS COUNTY
IMPROVEMENT AUTHORITY**

By: _____
Name:
Title:

SUBLESSEE:

[NAME OF LOCAL UNIT]

By: _____
Name:
Title:

EXHIBIT A

EQUIPMENT AND EQUIPMENT LOCATION

Equipment, and Term of Lease described as follows
(include quantity, make, kind, model number, useful life,
serial number or any other pertinent identification):

Equipment Location:

EXHIBIT B

ACCEPTANCE CERTIFICATE

The undersigned, the duly qualified and acting [Title] of the [Name of Local Unit] ("*Sublessee*"), with respect to the "Sublease Purchase Agreement (County Guaranteed Leasing Program, Series 2014)", dated as of [DATE], 201_ (the "*Sublease*"), by and between Morris County Improvement Authority ("*Sublessor*") and Sublessee, HEREBY CERTIFIES as follows (all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Sublease):

1. Those items of the Equipment as are listed on **Schedule A** attached hereto are also listed on Exhibit A to the Sublease, have been the basis of a duly completed and executed Requisition and have been delivered to and received by Sublessee; that all installation or other work necessary prior to the use thereof has been completed; that the Equipment has been examined and/or tested and is in good operating order and condition and is in all respects satisfactory to Sublessee and as represented; and that the Equipment has been accepted by Sublessee and complies with all terms of the Lease and the Sublease.

2. Sublessee has obtained insurance from a reputable insurance company qualified to do business in the State, or is self-insured pursuant to N.J.S.A. 40A:10-1 *et seq.*, with respect to all risks required to be covered thereby pursuant to Section 15 of the Lease.

3. Sublessee is exempt from all personal property taxes and all sales and/or use taxes with respect to the Equipment and the Rental Payments.

4. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body that challenges (i) the organization or existence of Sublessee, (ii) the authority of Sublessee or its officers or employees to enter into the Sublease, (iii) the proper authorization, approval and/or execution of the Sublease and the other documents contemplated thereby, or (iv) the ability of Sublessee otherwise to perform its obligations under the Sublease and the transactions contemplated thereby.

5. In the event the Equipment fails to perform as expected or represented, Sublessee will at all times continue to honor the Lease and the Sublease in all respects and continue to make the Payments thereunder in the normal course of business, and Sublessee will look solely to the Equipment Vendor, distributor or manufacturer for recourse.

6. Sublessee acknowledges that neither Lessor nor Sublessor are the vendor, manufacturer or distributor of the Equipment and neither has any control, knowledge or familiarity with the condition, capacity, functioning or other characteristics of the Equipment, and that they make no warranty, express or implied, representation or covenant with respect thereto, and, accordingly, Sublessee covenants not to institute suit or other proceedings against either Lessor or Sublessor with respect to the Equipment, and Sublessee shall hold them

harmless from any suit or proceeding related thereto, all in accordance with the Lease and the Sublease.

7. The serial number for each item of Equipment that is set forth on **Exhibit A** is correct.

This Acceptance Certificate shall not be considered to alter, construe or amend the terms and conditions of the Lease or the Sublease.

[NAME OF LOCAL UNIT]

By: _____

Name:

Title:

Acknowledged as to form only without making any representation, warranty or covenant with respect to the Equipment this ____ day of _____, 201_:

THE MORRIS COUNTY IMPROVEMENT AUTHORITY

By: _____

Name:

Title:

[Attach Form of Exhibit A]

EXHIBIT C
FORM OF REQUISITION

Requisition No. _____ - _____

[Lessor]

[Escrow Agent], as Escrow Agent

Attention: _____ Corporate Trust Administration, Municipal Finance

Re: Sublease Purchase Agreement, dated as of _____, 201__
Between The Morris County Improvement Authority, as Sublessor and
[Local Unit], as Sublessee

Dear Sirs:

Pursuant to Section 2 of that certain Sublease Purchase Agreement, dated as of _____ 1, 201__ (the "Sublease;" capitalized terms not defined in this requisition shall have the meanings ascribed to such terms in the Sublease) by and between Morris County Improvement Authority (the "Authority") and the [Local Unit]. [[Escrow Agent], as escrow agent (the "Escrow Agent")] you are [is] hereby requested to pay [from moneys on deposit in the Escrow Fund] the sum of \$_____ which amount shall be payable to

[_____
for
_____ Equipment]

[the [Authority] [Local Unit] for reimbursement of Costs previously paid by the [Authority] [Local Unit] to _____ for
_____ Equipment]

incurred in connection with the acquisition and/or installation of the Equipment to be financed by a portion of the proceeds of the Lease (as defined in the Sublease). Such money is attributable to the following Equipment listed on Exhibit A to the Sublease:

The undersigned Sublessee hereby certifies that:

1. The Equipment described above comprises a portion of the Equipment either heretofore described on Exhibit A to the Sublease or, as Substitute Equipment, will be simultaneously described on Exhibit A to the Sublease, and in either case has been delivered to, tested and inspected by, and accepted by Sublessee. The Equipment

described herein is operationally complete and functionally independent and may be utilized by sublessee without regard to whether the balance of the Equipment listed on Exhibit A is delivered and accepted.

2. The amounts requested to be paid as set forth above have not been the basis of a prior request.

3. The representations and warranties of Sublessee contained in the Lease and the Sublease, are true and correct as of the date hereof.

4. No Event of Default, or event which with the giving of notice or passage of time would constitute an Event of Default, has occurred under the Lease or Sublease.

5. Sublessee has funds sufficient to pay all Rental Payments and all other amounts due under the Sublease in the current Fiscal Year.

6. Attached hereto are the following documents:

- Equipment invoice(s) with detailed description of Equipment (i.e., serial numbers);
- Proof of payment if Payee is Sublessee (i.e., copy of canceled checks);
- If vehicle, title application and _____. listed as first and only lienholder;
- Insurance Certificate;
- If this requisition is for Substitute Equipment, a revised **Exhibit A**; and
- If this is the final disbursement request, Certificate of Acceptance (**Exhibit B** to Sublease).

Very truly yours,

**[LOCAL UNIT], NEW JERSEY
Sublessee**

**By: _____
Business Administrator**

Received and Approved:

[LESSOR] Lessor

By: _____
Title:
Date:

**Acknowledged as to form only without making
any representation, warranty or covenant
with respect to the Equipment this ____ day of
_____ 201__**

THE MORRIS COUNTY IMPROVEMENT AUTHORITY

**By: _____
Chairman or Treasurer**

Dated: _____

EXHIBIT D

**PAYMENTS, INTEREST RATE,
TERMINATION VALUE AND LEASE TERM**

NOT TO EXCEED FUNDING AMOUNT: \$ _____

LEASE TERM: _____ months

INTEREST RATE: _____ %

CLOSING DATE: _____, 201_

SCHEDULE OF RENTAL PAYMENTS

Payment Date*	Payment Number	Total Payment	Principal Component	Interest Component	Termination Value**
	0				
	1				
	2				
	3				
	4				
	5				
	6				
	7				
	8				
	9				
	10				
TOTAL					

* The date in this column is the Master Lease Payment Date; the Sublease Payment Date is the date fifteen (15) days prior thereto.

** Represents the cost of termination on or before such date. Early termination requires 30 days' prior notice.

EXHIBIT E

APPLICABLE SUBLEASE TRANSACTION CERTIFICATE

In connection with that certain Sublease Purchase Agreement (County Guaranteed Leasing Program, Series 2014) (the "*Sublease*"), dated as of [DATE], 201_, by and between **THE MORRIS COUNTY IMPROVEMENT AUTHORITY**, a public body corporate and politic of the State of New Jersey ("*Sublessor*"), and [NAME OF LOCAL UNIT], a political subdivision of the State or a state or local governmental unit within the meaning of §1.103-1(a) of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended ("*Sublessee*"), Sublessor **HEREBY CERTIFIES** as follows:

1. [Lessor], as lessor ("*Lessor*"), and Sublessor, as lessee, executed the Master Lease Purchase Agreement (County Guaranteed Leasing Program, Series 2009), dated as of August 1, 2009 (together with the exhibits and attachments thereto, the "*Lease*"). All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Lease.

2. By the terms of the Lease, Lessor leased to Sublessor the equipment and personal property described in **Exhibit A** attached to the Sublease (the "*Equipment*") for the term described in **Exhibit D** attached to the Sublease, as the same may be amended from time to time.

3. Sublessor desires to sublease to Sublessee the Equipment, and Sublessee desires to lease such Equipment from Sublessor.

4. The maximum amount of Equipment Cost to be financed by Lessor pursuant to the Sublease is \$_____.

5. In consideration of Lessor and Sublessor entering into the Lease, Sublessor has issued to Lessor a performance bond (the "*Bond*") in a principal amount up to the Maximum Program Amount, which Bond will be issued directly to Lessor and will be payable to Lessor only upon a deficiency in Rental Payments due and owing under the Lease, in which case the County of Morris (the "*County*") will have fully, unconditionally and irrevocably guaranteed the payment of the principal of the Bond up to the Maximum Program Amount, plus interest thereon (the "*County Guaranty*").

6. Upon entering into the Sublease, Sublessor shall execute this Applicable Sublease Transaction Certificate in connection therewith, which upon acknowledgement by the County and delivery to Lessor shall activate that portion of the Bond and of the County Guaranty as additional security for the making of Master Lease Rental Payments equal to the maximum Equipment Cost (as defined in the Sublease) to be provided to Sublessee pursuant to the Sublease. Solely for this purpose, the Sublease is hereby designated "Sublease Purchase Agreement (County Guaranteed Leasing Program, Series 200_ __ – [Name of Local Unit] Project)".

7. As of the date hereof, the Bond and the County Guaranty are in full force and effect.

8. Attached hereto is a true and correct copy of Sublessee's authorizing [resolution] [ordinance] adopted at a meeting or meetings duly called and held in accordance with applicable law, which [resolution] [ordinance] has not been modified, amended, repealed or rescinded and, as such, remains in full force and effect.

9. No default or Event of Default exists under the Lease or any Sublease to which Sublessee is a party.

10. There has been no material adverse change in the financial condition of the County or in its ability to perform its obligations under the County Guaranty.

Very truly yours,

**THE MORRIS COUNTY
IMPROVEMENT AUTHORITY**

By: _____
Name:
Title:

Acknowledged this ____ day
of _____, 201_:

COUNTY OF MORRIS, NEW JERSEY

By: _____
Name:
Title:

Acknowledged this ____ day
of _____, 201_:

[LESSOR]

By: _____
Name:
Title:

EXHIBIT F

CERTIFICATE OF THE SUBLESSEE

This certificate is being furnished to [Lessor], as Lessor under the Lease referenced below ("*Lessor*") and the Morris County Improvement Authority (the "*Authority*" or "*Lessee*") with respect to the Authority's County Guaranteed Leasing Program, Series 2014 (the "*Program*"), wherein the Authority serves (i) as Lessee under the Master Lease Purchase Agreement (County Guaranteed Leasing Program, Series 2009), dated as of August 1, 2009 (the "*Lease*"), by and between itself and [Lessor], as Lessor, and (ii) as Sublessor under the Sublease Purchase Agreement (County Guaranteed Leasing Program, Series 2014), dated as of [DATE], 201_ (the "*Sublease*"), by and between itself and [Name of Local Unit] (the "*Local Unit*"), as Sublessee. Bond Counsel to the Authority is entitled to rely on this certificate for purposes of rendering its opinion as to the exclusion from gross income for federal income tax purposes of the interest component of the Rental Payments on the Lease and the Sublease and with respect to treatment of interest on the Lease and the Sublease under the federal alternative minimum tax.

Based upon such investigation and examination deemed necessary for the purposes hereof, the undersigned **HEREBY CERTIFIES AND DECLARES** as follows:

1. I am the Business Administrator/Chief Financial Officer of the [Name of Local Unit], a municipal corporation of the State of New Jersey (the "*Local Unit*"), charged with the responsibility for the execution and delivery of the Sublease, and am duly authorized to act for and on behalf of the Local Unit in signing this Tax Certificate of [Local Unit] as to the Equipment and its use (the "*Tax Certificate*").

2. The Sublease is being executed and delivered to finance the lease purchase by and on behalf of the Local Unit of the equipment listed on **Exhibit A** of the Sublease (the "*Equipment*") to be used in furtherance of the governmental purposes of the Local Unit. The proceeds of the Sublease do not exceed the amount which is required for the lease purchase of the Equipment. None of the proceeds of the Sublease will be used, directly or indirectly, to reimburse the Sublessee for an expenditure paid prior to the date hereof or to pay debt service on any indebtedness of Sublessee. No portion of the Equipment is expected to be sold or otherwise disposed of prior to the payment of the final Rental Payment under the Sublease.

3. Unless expressly permitted herein, no portion of the proceeds of the Sublease will be used, directly or indirectly, to finance "investment property" or "investment-type property" with a yield in excess of the yield on the Lease.

4. All proceeds of the Sublease and all interest or other investment income earned with respect to the Lease Proceeds (as defined in the Sublease) will be expended on the Equipment, which is a capital expenditure, within six (6) months of the date hereof. No undisbursed moneys will remain after the Equipment has been acquired unless used to prepay the Rental Payments or other obligations due to Lessor under the Sublease. The proceeds of the Sublease may be invested without regard to yield restriction for a three year temporary period in

accordance with Regulations Section 1.148-2(e)(2). Any proceeds held beyond the end of such three year period shall not be invested at a yield in excess of the yield on the Lease or, to the extent permitted by Treasury Regulations, the Local Unit may invest such proceeds without regard to yield restriction and will make yield reduction payments in accordance with Treasury Regulations Section 1.148-5(c).

5. Not more than ten percent (10%) of the proceeds of the Sublease will be used, directly or indirectly, in whole or in part, in any activity carried on by any person other than a state or local governmental unit. A use of the proceeds includes (i) ownership of the Equipment financed or refinanced with the proceeds of the Sublease, (ii) actual or beneficial use of the Equipment pursuant to a lease or a management, incentive payment or output contract, or (iii) any other similar arrangement, agreement or understanding, whether written or oral. The payment of the principal of or the interest on more than ten percent (10%) of the Sublease will not be, directly or indirectly: (i) secured by any interest in (A) property used or to be used in any activity carried on by any person other than a state or local governmental unit, or (B) payments in respect of such property; or (ii) derived from payments (whether or not by or to the Issuer), in respect of property, or borrowed money, used or to be used in any activity carried on by any person other than a state or local governmental unit. For purposes of this Section 5, persons (other than a state or local governmental unit) using such Proceeds on the same basis as the general public shall not be taken into account. None of the proceeds of the Sublease will be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit. No proceeds of the Sublease will be used to make grants to any person. No proceeds of the Sublease will be used for a private business use that is unrelated to, or disproportionate to, the governmental use of the proceeds, as such terms are defined in Code Section 141(b)(3).

6. Under the terms of the Sublease, the Local Unit is required to pay, as rent for the Equipment, Rental Payments (as defined in the Lease), in the amounts and on the dates set forth in Exhibit D to the Sublease, to Lessor. Each Rental Payment consists of an interest component and a principal component. The Local Unit and Lessor are treating the Lease as a capital lease for purposes of federal income taxation.

7. No "sinking fund" or "pledged fund" (within the meaning of Treasury Regulations Section 1.148-1(c)(2) and (3)), debt service fund, redemption fund, reserve fund, replacement fund or any similar fund or account has been or will be created or established under the Lease or otherwise from which the Rental Payments are reasonably expected to be paid. All moneys to be used to pay the Rental Payments will be paid directly to Lessor.

8. If any moneys are held in an escrow fund, such moneys will not be invested pending their disbursement at a yield higher than the yield on the Lease.

9. The Sublease is being executed for the significant governmental purposes set forth in the Sublease and herein, and is not being executed to hedge against future increases in interest rates.

10. The Local Unit agrees, to the extent required by Section 148(f) of the Code, to calculate and pay or cause to be calculated and paid to the United States Treasury, in the manner and at the times prescribed in the Treasury Regulations, the "rebate amount", as such term is defined in Treasury Regulations Section 1.148-1(b).

11. The Local Unit agrees to keep and retain until six years after the retirement of the Sublease, adequate records with respect to the investment and disposition of the proceeds of the Sublease.

12. The undersigned Local Unit hereby certifies that all Rental Payments (in the amount of \$_____) and Additional Payments (if any) (in the amount of \$_____) due under the Sublease, for the Local Unit's fiscal year ending [June 30, ____] [December 31, ____], are within the Local Unit's operating budget or budgets for such period, and an appropriation of funds for such year has been made for such purpose and is available therefor.

13. In accordance with Section 15 of the Lease, we have instructed the insurance agent named below (please fill in name, address, contact person, telephone and facsimile numbers).
to issue:

a. All Risk Physical Damage Insurance on the leased Equipment (as defined in the Master Agreement) evidenced by a certificate of Insurance and Long Form Lender Loss Payable Clause naming Lessor "and/or its assigns" as Lender Loss Payee;

Public Coverage Required:

\$1,000,000.00 per person

\$1,000,000.00 aggregate bodily injury liability \$1,000,000.00 property damage liability

OR

b. We are self insured for all risk, physical damage, and public liability and will provide proof of such self-insurance in letter form together with a copy of the statute authorizing this form of insurance.

14. Proof of insurance coverage as provided in Section 10 of Exhibit H to the Sublease will be provided to Lessor prior to the time that the Equipment or Unit thereof is delivered to us.

15. The Employer Identification Number of the Local Unit is _____.

16. There are no other issues of governmental obligations of the Local Unit: (a) sold within 15 days of the date of the Sublease; (b) sold pursuant to a common plan of financing with the Sublease; and (c) to be paid out of substantially the same source of funds, determined without regard to guarantees from unrelated parties.

17. No portion of the Rental Payments is or will be guaranteed, directly or indirectly (in whole or in part), by the United States (or any agency or instrumentality thereof).

18. If and when required, the Local Unit shall cause the “yield” on the Sublease to be computed in accordance with Section 148 of the Code.

19. On the date hereof, or within the time prescribed for filing such report, the Local Unit has caused, or will assist the Lessee in, the filing of a true and complete information report on Form 8038-G with the Internal Revenue Service

[NAME OF LOCAL UNIT]

By: _____
Name:
Title:

Dated: [DATE], 201_

EXHIBIT G

[TO BE PROVIDED ANNUALLY TO LESSOR DURING LEASE TERM]

APPROPRIATION CERTIFICATE

[Date]

[Lessor], as Lessor
[Address of Lessor]

Re: Sublease Purchase Agreement (County Guaranteed Leasing Program, Series 2014), dated as of [DATE], 200_ (the "*Sublease*"), by and between Morris County Improvement Authority, as Sublessor, and [Name of Local Unit] (the "*Local Unit*"), as Sublessee

Ladies and Gentlemen:

The undersigned Local Unit hereby certifies that all Rental Payments (in the amount of \$_____) and Additional Payments (if any) (in the amount of \$_____) due under the Sublease, for the Local Unit's fiscal year ending [June 30, ____] [December 31, ____], are within the Local Unit's operating budget or budgets for such period, and an appropriation of funds for such year has been made for such purpose and is available therefor.

[NAME OF LOCAL UNIT]

By: _____
Name:
Title:

SCHEDULE A

TAX COVENANTS

1. Sublessee expects and intends to be able to comply with, and will, to the extent permitted by law, comply with, the provisions and procedures set forth in the Lease and this Sublease, and will do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in effect, interest on this Sublease will, for purposes of federal income taxation, be excludable from the gross income of Lessor.

2. Not more than ten percent (10%) of the units comprising the Equipment are to be used (directly or indirectly) in any "private business use" (within the meaning of Section 141 of the Code), *i.e.*, a "use" of facilities in the trade or business of a natural person or any use of facilities by a person that is not a natural person, other than a state or local governmental unit or instrumentality thereof. For this purpose, a "use" includes use by such person as an owner, lessee, purchaser of output from facilities under a "take and pay" or "take or pay" contract, or manager or independent contractor under certain management or professional service contracts. Use of the Equipment intended for general public use is not considered "used" by nongovernmental persons in a trade or business if such persons use the Equipment in their trades or businesses on the same basis as other members of the general public. Accordingly, not more than ten percent (10%) of the proceeds of this Sublease are to be used (directly or indirectly) in any private business use.

3. Not more than five percent (5%) of any of the units of Equipment are to be used (directly or indirectly) in any private business use that is not related to any governmental use of such units of Equipment or used or to be used in any "disproportionate related use" (as defined in Section 141 of the Code). Accordingly, not more than five percent (5%) of the proceeds of this Sublease will be used (directly or indirectly) in any private business use that is not related to any governmental use of such proceeds or used or to be used in any "disproportionate related use" (as defined in Section 141 of the Code).

4. Sublessee will use the proceeds of this Sublease to acquire, install and accept the Equipment in the manner and as specifically set forth in this Sublease. None of the proceeds of this Sublease will be used to reimburse Sublessee for an expenditure of Sublessee paid prior to the date hereof. Sublessee will not expend the proceeds of this Sublease on assets other than those listed in **Schedule A** attached hereto or as otherwise approved by Bond Counsel. All proceeds of this Sublease will be spent on either costs of issuance or costs of a type that would be properly chargeable to a capital account under the Code (or would be so chargeable with a proper election) under federal income tax principles if Sublessee were treated as a corporation subject to federal income taxation.

5. Sublessee agrees to comply with the investment restrictions and rebate requirements contained in the United States Treasury Regulations §§1.148-1 to 1.148-11. Sublessee shall direct Sublessor in writing to rebate to the United States of America on behalf of Sublessee any amounts required to be paid pursuant to Section 148 of the Code and the

regulations promulgated thereunder. Sublessee shall pay, or cause to be paid, the rebate amount to be paid to the United States of America in the percentage, at the times and in the manner required by Section 148 of the Code and the regulations promulgated thereunder.

6. On or before the 15th day of the second month after the calendar quarter in which this Sublease is executed and delivered, Sublessee agrees to file, or cause to be filed, with the Internal Revenue Service Center, Ogden, Utah 84201, a statement on Form 8038-G or 8038-GC complying with the requirements for the filing of Form 8038-G or 8038-GC, as the case may be.

7. All representations with respect to Sublessee covered in Lessee's "Certificate as to Arbitrage" are true and complete, and Sublessee will comply with all of the covenants contained therein.

8. None of the proceeds of this Sublease will be invested in investments having a yield that is substantially guaranteed for four years or more.

[Add any additional tax covenants applicable to Sublessee]