

**TAX REGULATORY AGREEMENT OF
[insert name of LOCAL UNIT]**

WHEREAS, The Essex County Improvement Authority (the "Authority") will, on September __, 1992, issue its Property and Equipment Leasing Program County Guaranteed Pooled Revenue Bonds, Series 1992 in an aggregate principal amount of \$_____ (the "Pooled Bonds");

WHEREAS, an amount of the proceeds received from the sale of the Bonds equal to \$_____ will be used on the date hereof to purchase the aggregate principal amount of general obligation bonds dated September __, 1992 (the "Local Unit Bonds") of the Board of Education of the Township of Nutley (the "Board"); and

WHEREAS, the Local Unit Bonds are being issued by the Authority to (i) finance the acquisition, construction, renovation and installation of certain capital improvements (the "Projects") for the Local Unit as set forth on Exhibit A to the "Agreement With Respect to the \$_____ Board of Education of the Township of Nutley General Obligation Bonds under the 1992 Property and Equipment Leasing Program of The Essex County Improvement Authority" dated as of September 1, 1992 between the Authority and the Local Unit, [and] (ii) [to pay certain capitalized interest on the Local Unit Bonds and (iii)] to pay certain costs of issuance and administrative expenses associated with the issuance of the Local Unit Bonds and the Pooled Bonds.

NOW THEREFORE, in consideration of the foregoing premises, the undersigned, as the duly authorized representative of the Local Unit, HEREBY REPRESENTS AND AGREES as follows:

1. The Local Unit agrees that it shall not take any action or omit to take any action which would result in the loss of the exclusion of the interest on any of the Pooled Bonds from gross income for purposes of Federal income taxation as that status is governed by Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") or cause interest on the Pooled Bonds to be treated as an item of tax preference within the meaning of Section 57 of the Code (assuming for this purpose that the proceeds of the Pooled Bonds used to purchase the Local Unit Bonds represent all of the proceeds of the Pooled Bonds).

2. The Local Unit shall not take any action or omit to take any action, which action or omission would cause the Pooled Bonds (assuming for this purpose that the proceeds of the Pooled Bonds used to purchase the Local Unit Bonds represent all of the proceeds of the Pooled Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, the Local Unit shall not (A) permit any of the proceeds of the Pooled Bonds or the Local Unit Bond or the portion of the Projects financed or refinanced with the proceeds of the Local Unit Bond to be used (directly or indirectly) in any manner that would constitute "private business use" within the meaning of

Section 141(b)(6) of the Code, (B) use (directly or indirectly) any of the proceeds of the Local Unit Bond or the Pooled Bonds to make or finance loans to persons other than governmental units (as such term is used in Section 141(c) of the Code), or (C) use (directly or indirectly) any of the proceeds of the Local Unit Bond or the Pooled Bonds to acquire any "nongovernmental output property" within the meaning of Section 141(d)(2) of the Code.

3. The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Local Unit Bond or the Pooled Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action, which use or action or omission would cause the Local Unit Bond or the Pooled Bonds (assuming for this purpose that the proceeds of the Pooled Bonds used to purchase the Local Unit Bond represent all of the proceeds of the Pooled Bonds) to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

4. The Local Unit will not issue or permit to be issued obligations which will constitute an "advance refunding" of the Lease, the Local Unit Bond or any portion of the Pooled Bond within the meaning of Section 149(d)(3) of the Code without the express written consent of the Authority, which consent may only be delivered by the Authority after the Authority has received notice from the Local Unit of such contemplated action no later than sixty (60) days prior to any such contemplated action.

5. The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Lease, the Local Unit Bond or the Pooled Bonds to reimburse the Local Unit for any portion of the cost of the Local Unit's Projects paid prior to the issuance of the Pooled Bonds unless (i) such reimbursement would be treated as an expenditure of proceeds of the Pooled Bonds (in accordance with the requirements of Treasury Regulations Section 1.103-18) for such cost for purposes of applying Sections 103 and 141-150 of the Code on the date that proceeds of the Pooled Bonds are allocated to pay the expenditure.

(a) All allocations of the proceeds of the Pooled Bonds or the Local Unit Bond to the reimbursement of expenditures made prior to the issuance of the Pooled Bonds (i) will be evidenced by an entry on the books or records of the Local Unit maintained with respect to the Pooled Bonds or the Local Unit Bond, (ii) will identify an actual prior expenditure to be reimbursed and (iii) will, as a result of the allocation relieve proceeds of the Pooled Bonds or the Local Unit Bond covered by the entry from any restrictions under the ordinance adopted with respect to the Pooled Bonds or the Local Unit Bond, any other relevant legal documents and applicable state law, that apply to unspent proceeds of the Pooled Bonds or the Local Unit Bond.

(b) Proceeds of the Pooled Bonds or the Local Unit Bond allocated to the reimbursement of expenditures made prior to the issuance of the Pooled Bonds and will not, but for the allocation, be used directly or indirectly (i) to "refund" an issue of governmental obligations within the meaning of Section 148 of the Code, (ii) within 1 year of the date of the reimbursement allocation, to create or increase the balance of a "sinking fund" within the meaning of Treasury Regulations Section 1.103-13(g) with respect to any obligation of the Local Unit, or to replace funds that have been, are being or will be used for sinking fund purposes, (iii) within 1 year of the date of the reimbursement allocation, to create or increase the balance in a "reserve or replacement fund" within the meaning of Treasury Regulations Section 1.103-14(d) with respect to any obligation of the Local Unit or to replace funds that have been, are being or will be so used for reserve or replacement fund purposes, or (iv) to reimburse for any expenditure or payment that was originally paid with the proceeds of any obligation of the Local Unit or the Authority (other than a borrowing by the Local Unit or the Authority from one of its own funds or the funds of a member of the same "controlled group" within the meaning of Treasury Regulations Section 1.150-1(f)).

(c) All allocations of the proceeds of the Pooled Bonds or the Local Unit Bond to the reimbursement of expenditures will occur not later than 1 year after the later of (i) the date on which the expenditure is paid, or (ii) the date on which the property is placed in service.

(d) Proceeds of the Pooled Bonds or the Local Unit Bond will be allocated only to the reimbursement of expenditures which are "capital expenditures" within the meaning of Treasury Regulations Section 1.150-1(h).

6. The Local Unit shall not use the proceeds of the Pooled Bonds (assuming for this purpose that the proceeds of the Pooled Bonds used to purchase the Local Unit Bond represent all of the proceeds of the Pooled Bonds) in any manner which would cause the Pooled Bonds to be considered "federally guaranteed" within the meaning of Section 149(b) or Section 149(g) of the Code.

7. The Local Unit shall not issue any debt obligations which (A) are issued at substantially the same time as the Pooled Bonds which finance or refinance the Loan made to the Local Unit, (B) are sold pursuant to a common plan of financing with the Pooled Bonds which finance or refinance the Loan made to the Local Unit, and (C) will be paid out of substantially the same source of funds (or will have substantially the same claim to be paid out of substantially the same source of funds) as the Pooled Bonds which finance or refinance the Loan made to the Local Unit.

8. Neither the Local Unit nor any of its agencies, instrumentalities, "related persons" (within the meaning of Section 147(a) of the Code) or "related entities" (within the meaning of Section 168(h)(4) of the Code) shall pursuant to any arrangement, formal or informal, purchase Pooled Bonds.

9. Unless otherwise advised in writing by the Authority, the Local Unit shall:

(a) Keep accurate records of each investment it makes in "investment property", if any, acquired, directly or indirectly, with "gross proceeds" of the Pooled Bonds not held by the Trustee and each "expenditure" it makes with "gross proceeds" of the Pooled Bonds, including the purchase price (including any "constructive payments"), nominal interest rate, dated date, maturity date, type of property, frequency of periodic payments, period of compounding, yield to maturity, amount actually or constructively received on disposition (including any "disposition receipt" or "installment date receipt"), disposition date and evidence of the "fair market value" of such property on the purchase date and disposition date (or deemed purchase or disposition date) for each item of such "investment property"; and

(b) Within thirty (30) days of the last day of the fifth and each succeeding fifth year (such year beginning on the date of issuance of the Pooled Bonds) and each succeeding fifth year, and within thirty (30) days of the date the last bond that is part of the Pooled Bonds is discharged;

(i) calculate, or cause to be calculated, the "rebatable arbitrage" as of the "installment computation date" or "final computation date" attributable to any investment in "investment property" made by the Local Unit, and

(ii) remit to the Authority an amount of money equal to such "rebatable arbitrage" (treating for purposes of such calculation any previous payments made to the Authority on account of such "rebatable arbitrage" as if the payment on any such date was an "expenditure" constituting a "rebate payment" and the calculations supporting the amount of "rebatable arbitrage" attributable to any investments in "investment property" made by the Local Unit.

10. The Local Unit has heretofore incurred binding obligations involving expenditures in excess of the lesser of (a) \$100,000 or (b) 2½% of that portion of the estimated total cost of the Projects financed by the Local Unit Bond. Work on the construction or acquisition of the Projects will proceed with due diligence to the completion thereof. Construction or acquisition

of the Projects is expected to be completed on or before _____ 1, 199_ and all of the proceeds received from the sale of the Local Unit Bonds and investment earnings thereon are expected to be spent by _____ 1, 199_. Accordingly, all proceeds of the Local Unit Bond and investment earnings thereon will be spent within 3 years of the date hereof.

11. Except possibly for a portion of the interest accruing on the Local Unit Bond within one year of the date of issue which may be paid with proceeds received from the sale of the Local Unit Bond or investment earnings thereon, the Local Unit expects that Principal and interest on the Local Unit Bond will be paid with revenues of the Local Unit deposited into the Local Unit's General Fund. The Local Unit does not expect that any other funds or accounts will be used to pay debt service on the Local Unit Bond and covenants that no funds or accounts are or will be pledged by the Local Unit to the Local Unit Bond.

12. None of the amounts received by the Local Unit from the sale of the Local Unit Bond will be used as a substitute for other funds which were otherwise to be used as a source of financing for any portion of the cost of the Projects financed with the proceeds of the Local Unit Bond and which have been or will be used to acquire, directly or indirectly, Investment Property. The Local Unit has not received any grants or gifts or pledges of grants or gifts in contemplation of the costs of the Projects to be financed with the proceeds of the Local Unit Bond nor does it expect any such grants or gifts.

13. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the resolution of the Authority authorizing the issuance of the Pooled Bonds entitled "Resolution Authorizing the Issuance of Property and Equipment Leasing Program County Guaranteed Pooled Revenue Bonds, Series 1992 of The Essex County Improvement Authority," as adopted by the Board on July 28, 1992, as amended and supplemented by a certificate of an Authorized Officer of the Authority dated the date of issuance of the Pooled Bonds. Quoted terms not otherwise defined herein shall have the meanings ascribed to such terms by Section 148 of the Code including particularly Regulations Sections 1.148-1 through 1.148-8, as supplemented or amended, to the extent applicable to the Pooled Bonds, and any successor regulations applicable to the Pooled Bonds.

**BOARD OF EDUCATION OF THE
TOWNSHIP OF NUTLEY**

Name:
Title: