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August 1, 2007

Steve Marvin – County Administrator  
Board of Chosen Freeholders  
Of the County of Warren  
Dumont Administration Building  
165 Route 519 South  
Belvidere, New Jersey 07823

RECEIVED  
WARREN COUNTY BOARD  
OF CHOSEN FREEHOLDERS  
2007 AUG - 1 PM 3:59

**Re: Investigation re Financial Transaction of the Warren  
County Pollution Control Financing Authority**

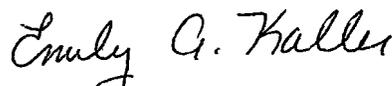
Dear Mr. Marvin:

Enclosed please find a copy of the Report of Findings of Investigation from the Honorable Douglas K. Wolfson, J.S.C. (Ret.) in connection with the captioned matter along with a three volume appendix containing the supporting documentation. As we discussed, the transcripts of the depositions of the First Hope Bank personnel are not yet available. We, therefore, anticipate forwarding a fourth volume of the appendix when these transcripts become available.

We will forward our final bill under separate cover.

If you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

  
Emily A. Kaller

EAK:km

Enclosures

cc: Hon. Douglas K. Wolfson, J.S.C. (Ret.)

31 PAGES

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WARREN COUNTY BOARD OF CHOSEN FREEHOLDERS	
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INQUIRY RE CERTAIN FINANCIAL TRANSACTIONS OF THE POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY	
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**Report of Findings of Investigation Conducted by the Honorable  
Douglas K. Wolfson, J.S.C. (Ret.), as Special Counsel:**

The Warren County Board of Chosen Freeholders appointed the undersigned as Special Counsel to an Investigative Committee formed pursuant to N.J.S.A. 40:20-82, et seq., to investigate certain allegations of impropriety made regarding a financial transaction of the Pollution Control Financing Authority of Warren County ("PCFA" or "Authority").

These allegations were detailed in a January 3, 2007 certified statement of Jeffrey Long, then Chief Financial Officer of the PCFA ("Long Statement"), which was forwarded to the Honorable Harry Pool, (then Vice Chairman of the Board of the PCFA) by PCFA General Counsel, James W. Broschious, Esq., accompanied by his own letter of the same date ("Broschious

Letter").<sup>1</sup> (Long Statement and Broscious Letter attached as Exhibits A & B).

#### **I. THE ALLEGATIONS**

In his statement, Long alleges improper conduct by PCFA Commissioners (and Finance Committee members), Angelo Accetturo and Laurel Napolitani, in conjunction with the PCFA's efforts to invest \$2.5 million of Authority funds. The following is a summary of those allegations:

Long asserted that after consulting with John Carlton, (then the Chief Executive Officer of the PCFA) regarding the investment of excess PCFA funds, it was decided that \$2.5 million of PCFA funds could be deposited, and that a "liquid vehicle" should be used so that the funds so invested could be instantly available. (Long Statement at ¶6). Accordingly, Long prepared a "Request for Proposal" (RFP) to be forwarded to certain financial institutions (previously identified by the PCFA as "approved") in order to obtain a "completely liquid investment" of \$2.5 million. These proposals were to be returned to Long on or before November 30, 2006 at 11:00 a.m. (Long Statement at ¶6).

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<sup>1</sup> Only Long claimed to have first-hand knowledge of the subject-matter of the Long Statement. The Broscious letter merely echos Long's allegations and attempts to frame the legal issues. Due to Broscious' unfortunate passing, he was unable to be interviewed. However, as is evident from the letter itself, Broscious lacked first-hand knowledge of any of the relevant facts or events.

According to Long, on November 30, 2006, he received several early morning telephone calls from Angelo Accetturo, a Commissioner on the PCFA Board and Chairman of the PCFA Finance Committee. During the last telephone call, (which he estimated to have been at approximately 9:00 a.m.), Accetturo purportedly asked Long what interest rates had been quoted to the PCFA in response to its Request for Proposal. (Long Statement at ¶7). Long asserts he advised Accetturo of the two (2) rate proposals that had been received. Notwithstanding Long's belief that the quoted rates were confidential, he had no reservation about revealing the information to an Authority member. (Long Statement at ¶7).

Within an hour of revealing the nature of the bids to Accetturo, Long claims that he received a third bid from First Hope Bank, which proposed a six month certificate of deposit (CD) at a rate that was 5/100ths of one percent (.05%) higher than the next highest proposed "money market" account.<sup>2</sup>

Based on the fact that First Hope Bank's bid was higher by so slim a margin, and because of the "coincidence" of the timing of First Hope's bid (coming on the heels of Accetturo's phone call), Long's suspicions were aroused - to wit: that Accetturo

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<sup>2</sup> Although Long claimed to have received the bid from New Hope Bank on November 30, 2006, the transmittal itself reflected a transmission date stamp of November 29, 2006 at 3:00 p.m. (Long Statement at ¶8).

had disclosed the "confidential" rate proposals to First Hope Bank in order to enable First Hope Bank to make a "last minute" successful bid. After receiving First Hope Bank's bid, Long testified that he discussed his concerns with Carlton. (Long Statement at ¶8).

Later, between noon and 2:00 p.m. that same afternoon, Long claimed to have received yet another telephone call from Accetturo. Based on "caller ID," Long testified that the call emanated from Accetturo's cell phone. Accetturo is alleged to have said that he and Laurel Napolitani (another PCFA Commissioner and member of the PCFA Finance Committee as well) were calling from First Hope Bank and wanted to know the outcome of the bid proposals. (Long Statement at ¶9).

An hour later, at 3:00 p.m., the previously scheduled meeting of the Finance Committee was conducted. Present were Accetturo, Napolitani, Long and Carlton. According to Long, he and Carlton together told Accetturo and Napolitani that the First Hope Bank offer of a six month CD was not responsive to the RFP and that the \$2.5 million should be invested with Skylands Community Bank, the highest responsive bidder. (Long Statement at ¶10). Long also asserted that he and Carlton specifically advised both Accetturo and Napolitani that the PCFA's Cash Management Plan ("CMP") empowered Long with the exclusive authority to make this decision. Despite being so

advised, Long claimed that Accetturo and Napolitani "directed" him to "split" the funds and deposit \$1 Million in a six month CD at First Hope Bank and \$1.5 Million in a money market account at Skylands Community Bank. (Long Statement at ¶10).

Despite his "vain" attempts to persuade Accetturo and Napolitani that their intentions were inconsistent with both PCFA policy and the RFP, Long ultimately capitulated, fearing that his job would otherwise be in jeopardy. (Long Statement at ¶11-12). Consequently, he deposited \$1 million with First Hope Bank and \$1.5 million with Skylands Community Bank.<sup>3</sup> (Long Statement at ¶11).

Long's claims of misconduct are twofold:

- 1) That Accetturo and/or Napolitani "interfered" with Long's ability to exercise discretion that was entrusted solely to him; and
- 2) That Accetturo and/or Napolitani engaged in "bid rigging," i.e., improper disclosure to First Hope Bank of the confidential bids submitted by the other banks

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<sup>3</sup> Despite having previously entered into a three year employment contract with the PCFA, Long believed that his job was in jeopardy because of remarks relayed to him by former PCFA Board member, Robert Zelle, former PCFA General Counsel, James Broschious, Esq., and former PCFA Executive Director, John Carlton, suggesting that he had been "targeted" for dismissal and in light of the purported attempts to dismiss John Carlton prematurely from his position as Executive Director. (Long Statement at ¶¶11-12).

in order to enable First Hope Bank to be the successful bidder.

## **II. THE INVESTIGATION**

As part of the investigation, sworn statements were taken from former PCFA Chief Financial Officer, Jeffrey Long; former PCFA Executive Director, John Carlton; Warren County Freeholder and PCFA Commissioner, Everett Chamberlain; PCFA Commissioner and Finance Committee Member, Angelo Accetturo; PCFA Commissioner and Finance Committee Member, Laurel Napolitani; former PCFA Commissioner and former Finance Committee Chair, Harry Pool; former PCFA Commissioner, Tyrone Schulze; and First Hope Bank executives, Donald D. Somma, Edward F. Walker, Jr. and Stephen Lefurge.<sup>4</sup>

Relevant documents were also collected and reviewed, including the PCFA Request for Proposal returnable November 30, 2006, the PCFA Cash Management Plan, PCFA Board minutes, other PCFA records and requests for proposals, individual cell phone records and documentation, and correspondence from First Hope Bank. In addition, an interview of William Schroeder, a Partner at Nisivoccia & Co., LLP, the auditor for the PCFA, was conducted.

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<sup>4</sup> As of the date of submission of this report, the deposition transcripts of Donald D. Somma, Edward F. Walker, Jr. and Stephen Lefurge were not yet available.

### III. FINDINGS OF FACTS

The Pollution Control Financing Authority had substantial long-term debt in the form of Landfill Revenue Bonds which bonds were paid off in late 2005. (Long Statement at ¶2; Deposition of John Carlton dated May 24 & 29, 2007 at 28:19-25). While the bonds were in place, the financial management of the PCFA was governed in large part by the strictures set forth in the covenants to the bond documents. (Carlton Dep. At 34:24-36:2; 136:21-137:2). The most significant portion of the PCFA cash was maintained in accordance with the bond documents. Funds that were not subject to the strictures of the bond documents were invested in an informal matter. The decisions as to which financial institution would be utilized for investment of these funds were often influenced by the proclivities of individual PCFA Commissioners. Once the bonds were paid off, it was recognized that the PCFA required a more structured format for the investment of its funds. (Carlton Dep. at 136:15-137:5).

In this regard, in February 2006, a Cash Management Plan (CMP) was prepared and presented to the PCFA Board by Jeffrey Long, CFO, John Carlton, CEO, and James Broschious, Esq., PCFA General Counsel. (Long Statement at ¶3). The PCFA Board subsequently adopted this Cash Management Plan (CMP).<sup>5</sup> In or

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<sup>5</sup> New Jersey's Local Fiscal Affairs Law, N.J.S.A. § 40A:5-1 et seq., requires municipalities and other public bodies to

about December 2006, the CMP was revised to eliminate three of the designated banks and to add one additional one. See attached Exhibits C and D.

In both versions of the CMP, Article III, provides, in pertinent part:

**Upon consultation** with the Finance Committee members and Executive Director, the Chief Financial Officer of the PCFAWC (the "Designated Official") is hereby authorized and directed to deposit and/or invest the funds referred to in the Plan. . . .

See Exhibits C and D.

By letter dated October 25, 2006, Edward F. Walker, Jr., Senior President of First Hope Bank, requested to make a presentation of First Hope's range of services to Angelo Accetturo, in his official capacity as PCFA Commissioner and Finance Committee Chair of the PCFA. A copy of this letter was also sent to Everett Chamberlain, PCFA Commissioner;<sup>6</sup> Harry R. Pool, Jr., PCFA Vice Chairman; and Tyrone Schulze, PCFA

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adopt a cash management plan that is designed to assure, to the extent practicable, the investment of local funds in its custody in interest bearing accounts as well as certain other investments allowed by law.

<sup>6</sup> It was common knowledge that Everett Chamberlain, a Warren County Freeholder and PCFA Commissioner, was a member of the Board of Directors at First Hope Bank. This relationship was publicly disclosed and Chamberlain consistently recused himself from any PCFA and/or Warren County Board of Chosen Freeholders decisions related to this and other financial institutions. (See Long Dep. at 115:25-116:23).

Secretary. (See Letter dated October 25, 2006 attached as Exhibit E).

In response to this invitation, Finance Committee members Accetturo and Napolitani attended a presentation at First Hope Bank on November 27, 2006 (see Napolitani Calendar attached as Exhibit F; in order to familiarize the PCFA with services offered by the bank).<sup>7</sup> (Accetturo Dep. at 47:1 - 48:4; Napolitani Dep. at 28:15-29:10; Walker Dep. at \_). As the result of this presentation, Accetturo and Napolitani requested certain information from Long relating to services that were currently being provided to the PCFA by other vendors.<sup>8</sup> (See

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<sup>7</sup> Similar presentations had been made to the PCFA by other financial institutions as well, including "Team Capital." (See Accetturo Dep. at 47:13-21; Napolitani Dep. at 26:7-19.) In fact, the presentation made by First Hope Bank was prompted by Walker's belief, arrived at through information conveyed from First Hope's marketing department, that other banks were making overtures for some anticipated PCFA investment business. Walker wanted to ensure that First Hope was also considered as a prospective provider of those services. (Walker Dep. at \_.)

<sup>8</sup> In addition to being a PCFA Commissioner and Chair of the PCFA Finance Committee, Accetturo is currently Deputy Mayor (and formerly the Mayor) of Oxford Township. Skylands Community Bank is a local bank with a branch in Oxford. First Hope Bank is a local bank with its main headquarters in Hope Township. Accetturo appears to have no personal or financial relationship with Skylands Community Bank, First Hope Bank or Team Capital, (other than maintaining a checking and savings account at Skylands) although he has expressed a strong preference that the PCFA use local banks and had gone so far as to speak out against a proposed transfer of significant PCFA funds from Skylands Community Bank to the Bank of New York. (Accetturo Dep. at 28:3 - 31:7.)

Memos dated November 27 & 29, 2006 produced by Accetturo attached as Exhibits G and H).

The potential for investing Authority funds became a reality in the fall of 2006, when Long determined that the PCFA had the ability to invest approximately \$2.5 million in "excess funds." Accordingly, Long drafted a Request for Proposal ("RFP"). (See Exhibit I). On or about November 20, 2006, Long simultaneously forwarded the RFP by e-mail to Skylands Community Bank, Team Capital Bank and First Hope Bank, three of the banks previously designated as approved banks in the CMP. (Long Dep. at 56:16-25; Walker Dep. at \_).

The RFP was hardly the model of clarity: indeed it contained inherently contradictory language regarding the required liquidity of the funds to be invested. For example, the third paragraph of the RFP calls for an account that has "the ability to have funds dispersed [sic] from it on demand basis and within 48 hours of request." See RFP attached as Exhibit I. However, the fifth paragraph of the RFP provides that

[t]his account will be managed by the financial institution so that based on cash need projections provided by the PCFAWC **any cash identified as "idle" will be invested in a manner to maximize yield.** This investment strategy will be based on the liquidity needs of the PCFAWC and **should include some type of laddered structure** such that the previously mentioned liquidity needs will be achieved. Investment vehicles to be included in **this strategy will be**

**permitted to have a duration of no longer than 6 months.** (emphasis added)

Despite these internally inconsistent provisions, none of the banks asked for any clarification regarding to the nature of investment account being sought by the PCFA. (See Long Dep. at 56:13-15).

The RFP was "e-mailed" to Edward F. Walker, Jr. at the Trust Department of First Hope Bank. When Walker reviewed the RFP, he noted that it sought an account for which advisory fees could not be charged. Since Walker did not administer such "no fee" accounts, he took no action. (Walker Dep. at \_).

Skylands Community Bank did, however, submit a bid on November 22, 2006, in which it proposed to invest the funds in a "money market" account with an interest rate of 5.25%. (See Skylands bid proposal attached as Exhibit J).

On or about November 27, 2006, Team Capital Bank submitted its own bid (by e-mail and facsimile) proposing to place the funds in a money market account as well, but with a lower yield of 5.10%. (See Team Capital bid proposal attached as Exhibit K).

On November 29, 2007, Accetturo contacted Walker at First Hope Bank and advised him that the financial and payroll services information that Walker had requested during the November 27, 2007 meeting had been collected, and could be

obtained from Long. (Accetturo Dep. At 54:18-55:10). At that time, Accetturo asked Walker if First Hope Bank intended to respond to the RFP, but (according to Walker's testimony) did not advise him of the rates offered by any other banks. (Walker Dep. at \_).

Following that call, Walker contacted two other departments within First Hope Bank to alert them to the opportunity -- the Finance Department and the Retail Operations Department. The first, Donald D. Somma of the Retail Operations Department, was out of the office that day, but later advised Walker by telephone that he did not intend to respond to the RFP. (Walker Dep. at \_; Somma Dep. at \_).

Stephen Lefurge of the Finance Department (who received the RFP that same day from Walker), did want to respond, however. He took specific note of the PCFA's intent to "maximize yield" and, accordingly, looked into available certificates of deposit. After consulting his "buy-list," he derived the highest rate that could be offered to the PCFA at which First Hope could still make a profit.<sup>9</sup> (Lefurge Dep. at \_). Lefurge testified that he both received and responded to the RFP on November 29, 2006. (Lefurge Dep. at \_).

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<sup>9</sup> Lefurge, too, apparently failed to notice the RFP's internal inconsistencies at that time. (Lefurge Dep. at \_).

On or about November 29, 2007, First Hope Bank submitted its proposal (by fax) offering a six-month CD yielding an interest rate of 5.30%.<sup>10</sup> (Exhibits M and N; Lefurge Dep. at \_; Long Dep. at 90:5-25).

Despite Long's sworn statement to the contrary, Accetturo's cell phone records confirm that he **did not** call Long from his cell phone on November 30, 2006. (See cell phone records of Accetturo attached as Exhibit L). Likewise, and also contrary to Long's sworn statement, neither Accetturo nor Napolitani visited First Hope Bank on November 30, 2006. (See Accetturo Dep. at 58:11-25; Napolitani Dep. at 26:20-27:6; Walker Dep. at \_).

At some point on or about November 30, 2006, however, Long advised Carlton that First Hope's bid was 5/100ths of a percent higher than the bid of Skylands Community Bank, and that this

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<sup>10</sup> The transmission stamp on this document confirms that it was faxed on November 29, 2006. This also comports with Stephen Lefurge's sworn testimony that the RFP was forwarded to him on November 29, 2006 and that he responded to it the same day. Long's suspicions were primarily based on the fact that this document was not received until approximately 9:55 a.m. on November 30, 2006. However, in describing the procedure for time-stamping faxed documents received at the PCFA, Carlton testified that the time at which a document was stamped "received" could vary, depending on when a PCFA staff member first observed the faxed document. (Carlton Dep. at \_.) Although Accetturo's cell phone records confirm that he did not call Long from his cell phone on the afternoon of November 30, 2006, Carlton's characterization of the PCFA's "time-stamp" procedure may explain this discrepancy.

proposal was received shortly after the other bids had been disclosed to Accetturo. He offered his view that First Hope's proposal, was suspiciously "coincidental."<sup>11</sup> (See Carlton Dep. at 74:18-75:22). Carlton apparently advised Long that the RFP should be addressed at the upcoming Finance Committee meeting. (Carlton Dep. at 164:24 - 165:12).

The Finance Committee meeting was held, as scheduled, on November 30, 2006 at 3:00 p.m. at the PCFA. (Long Dep. at 94:15-25; Napolitani Dep. At 32:8-15). Long, Carlton, Accetturo and Napolitani were all in attendance. During the meeting, two major topics were discussed: 1) review and recommendation for approval of PCFA bills; and 2) the response to the RFP. (See Carlton Dep. at 117:5 - 178:3).

At some point, a suggestion was made (either by Accetturo or Napolitani) that if the \$2.5 million were split between the two banks offering the two highest bids, the PCFA would be able to achieve the highest rate of interest on that portion of the

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<sup>11</sup> Fueling Long's speculation that "improper conduct" had occurred, was the fact that First Hope's bid response came from Lefurge, an individual with whom Long had never dealt before. Based on the sequence of events, it seems likely that Walker (who originally had ignored the RFP because it called for a "no fee" account that was not offered by his department) realized the incongruity of not responding to the RFP (after having solicited the Authority's financial business only 2 days earlier, on November 27, 2006), and hurriedly forwarded it to other departments on November 29, 2006, one day before the bid response was due, triggering Lefurge's prompt response. (Walker Dep. at \_; Lefurge Dep. At \_.)

funds for which immediate liquidity was not needed, and would achieve immediate liquidity for the balance of the funds. (See Long Dep. at 95:19-97:3; 100:4-15; Carlton Dep. at 178:4 - 179:7; Accetturo Dep. at 62:12 - 63:4; Napolitani Dept. at 33:15-36:17). No one recalls reviewing or even discussing the specific language of the RFP during the Finance Committee Meeting or its inconsistent provisions. And, despite the confusing language, no one suggested that the RFP be re-bid.<sup>12</sup> (See Long Dep. at 101:15-19; 106:13-107:8; 115:1-18).

In accordance with the suggestion that the funds be split (with \$1 million to be deposited into the First Hope Bank and \$1.5 million to be deposited into the Skylands Community Bank), Carlton directed Long to conduct an economic analysis in order to verify that the PCFA's cash flow needs would still be adequately met if the suggestion were followed. One week later, on or about December 6, 2006, the funds were, in fact, deposited with both banks, consistent with the proposal articulated in the Finance Committee meeting. (See Certificate of Deposit Registry attached as Exhibit O; Lefurge Dep. at \_; cf. Long Dep. at 118:10-13).

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<sup>12</sup> In point of fact, neither the CMP nor New Jersey statutes require financial deposits to be made pursuant to a bidding process. Consequently, it was well within the discretion of the Finance Committee, Carlton and Long to proceed without reissuing the RFP. N.J.S.A. 40A:11-1 et seq.

In late December 2006, Long saw the PCFA General Counsel, James Broscious, Esq., at a holiday party, where he advised Broscious of his concern about the integrity of the RFP process and the decision to divide the Authority's funds between the First Hope and Skylands banks. A sworn statement was eventually crafted by Broscious that purported to set forth Long's description of the events. Broscious forwarded this statement to Harry Pool, the Vice Chairman of the Warren County PCFA, under cover of his own letter dated January 3, 2007. Although the relevant individuals expressed a desire to keep the matter confidential until it could be investigated, the subject matter of Long's Statement and/or the Broscious letter was leaked to the press.<sup>13</sup>

#### **IV. ASSESSMENT**

*After conducting a thorough investigation of the allegations, there appears to be no credible evidence that either Accetturo or Napolitani engaged in any improper conduct with respect to the investment of the PCFA funds.*

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<sup>13</sup> At some point, William Schroeder, a partner at Nisivoccia & Co., LLP, who audits the financial statements for the Warren County PCFA, became aware of the alleged incident. He approached Long in order to determine if there were any improprieties with the RFP transaction that needed to be included in his financial report. After discussing the alleged incident with Long, Schroeder determined that no reporting was required.

Not only is there no extrinsic or other tangible evidence to substantiate Long's allegation that Accetturo and/or Napolitani disclosed confidential rate information to First Hope Bank, but the available documentary evidence conclusively establishes the inaccuracy of Long's sworn statement - e.g., that Accetturo called Long using his cell phone on November 30, 2007. Nor is there any evidence that either Accetturo and/or Napolitani had any motive, (i.e., a motive to gain privileges and/or advantages to themselves or others) to act other than in the best interest of the PCFA. There is no statute or public policy that would preclude the Finance Committee, in consultation with the Executive Director and the Chief Financial Officer, from declining to award the entire bid to any one bank or from splitting the deposit between the two highest "bidders" in order to achieve the greatest financial benefit for the PCFA.

Numerous assertions in the Long Statement are demonstrably inaccurate. Indeed, many were even contradicted by Long's own deposition testimony. As such, not only is there no evidence to support the allegation that Accetturo or Napolitani "interfered" with Long's "discretion" in making PCFA investments, but the evidence affirmatively establishes that Accetturo or Napolitani did not engage in the conduct ascribed to them by Long.

***Thus, it is this investigator's conclusion that Accetturo and Napolitani did not "interfere" in the investment process,***

*but, to the contrary, acted in accordance with their duties as Commissioners of the PCFA and members of the Finance Committee.*

**V. ANALYSIS**

The evidence and testimony reviewed during the investigation leaves no doubt that the allegations of "interference" and "bid rigging" made against Accetturo and Napolitani cannot be substantiated by any credible evidence.

**A. The Allegations of the Long Statement Were Not Substantiated Factually.**

Factually, the evidence did not corroborate Long's allegations. Indeed, Long's own deposition testimony contradicted many of the material facts, initially contained in the original sworn Statement crafted by Broschious.

**1) Long Did Not Object to The Decision to Split the Funds Made During the Finance Committee Meeting.**

In the Long Statement, it was asserted that during the Finance Committee Meeting: (1) that he objected to the plan to "split the funds"; (2) that he and Carlton both advised Accetturo and Napolitani that decisions regarding the investment of these funds rested exclusively with Long as the CFO (Long Statement at ¶10); and (3) that he and Carlton both advised Accetturo and Napolitani that the First Hope Bank proposal was unresponsive to the RFP. (Long Statement at ¶10).

In his sworn testimony, Carlton did not recall Long objecting to the suggestion to "split the funds" between the two banks and he specifically denied advising either Accetturo or Napolitani that the decision to invest these funds was Long's to make (nor did he recall Long having said so). Likewise, Carlton denied ever having told either Accetturo or Napolitani that the First Hope Bank bid was "unresponsive." (Carlton Deposition dated May 29, 2007 at 190:25 - 192:1).

Tellingly, in his own deposition, Long **recanted** his prior sworn statement that he "objected" to the decision to "split the funds" or that he specifically advised Accetturo and Napolitani that the decision to deposit the funds was entirely within his sole and exclusive discretion. Instead, his later sworn testimony was that he "remained silent" with respect to these issues out of a concern for his job.<sup>14</sup> (Long Dep. at 100:20-101:8; 115:6-22).

In stark contrast to Long's version of events, the testimony of each of the other individuals present at the November 30<sup>th</sup> Finance Committee meeting was consistent -- that

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<sup>14</sup> There were many changes occurring at the PCFA during this time period, and Long's concern about his job security may have been well founded. Nonetheless, having remained silent in the face of Napolitani or Accetturo's alleged usurpation of his authority, Long's assertion that Napolitani or Accetturo "interfered" with Long's exercise of discretion lacks the ring of truth.

during that meeting, no one advised Accetturo or Napolitani: (1) that the decision on how to invest the funds was within Long's sole discretion; (2) that the plan to split the investment between two banks was improper; or (3) that Accetturo or Napolitani were acting beyond their authority as Finance Committee members by participating in making decisions with respect to the proper investment of PCFA funds.<sup>15</sup>

**2) The RFP Returnable November 30, 2006 was internally Inconsistent and did not Call for a Completely Liquid Investment on its Face.**

The plain language of the RFP simply does not support Long's assertion that the RFP required a "completely liquid" investment. The language of the RFP is internally inconsistent and cannot be read to unequivocally require a completely liquid investment. While the third paragraph of the RFP calls for an account that has "the ability to have funds dispersed [sic] from it on demand basis and within 48 hours of request," that requirement is directly contradicted by the fifth paragraph of the RFP that envisions a "laddered structure" which specifically contemplates time deposits of **up to six months**. (See RFP attached as Exhibit I).

Since the RFP did not clearly require a completely liquid investment, Long's conclusion that First Hope Bank's bid

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<sup>15</sup> Long's assertion that the Cash Management Plan grants him the final discretion as to PCFA investments is also subject to serious doubt, as discussed in §3 below.

proposal was unresponsive (by virtue of the fact that it proposed a six month certificate of deposit) is factually incorrect. While First Hope Bank's proposal of a six month CD at 5.30% did not meet all of the strictures set forth in the RFP, neither did the investment vehicles proposed by Skylands Community Bank or Team Capital. For all intents and purposes, given the internal inconsistencies of the RFP, a completely responsive proposal would have been unachievable.

**3) Long's Interpretation of the Cash Management Plan is untenable.**

As noted earlier, the PCFA Cash Management Plan (CMP) was adopted in February of 2006 and subsequently revised with respect to the banks designated as "approved." (See Long Dep. at 26:14-27:20; 28:5-9). In both versions of the CMP, Article III, provides the Chief Financial Officer with the authority to make deposits "[u]pon consultation with the Finance Committee members and Executive Director, . . . ." See Exhibits C and D.

Long apparently believed that the CMP imbued him with final authority to invest PCFA funds. However, such an interpretation requires one to ignore the qualifying clause "[u]pon consultation with the Finance Committee members and Executive Director," rendering it superfluous.

When asked about the meaning of the "[u]pon consultation" clause, Long testified that this clause simply required him to

"give notice" to the Finance Committee members and Executive Director of his decisions on investments. (Long Dep. at 64:8-16; 65:6-66:6; 71:5-73:11; 74:19-24).

Long's interpretation of the CMP (while probably sincere) is simply untenable, and is squarely at odds with the plain language of the CMP. It is also inconsistent with the interpretation given it by the Executive Director, as well as current and former PCFA Commissioners Pool, Accetturo, Napolitani and Schulze. (See Accetturo Dep. at 80:24 - 81:5). While Carlton and the PCFA Commissioners may have divergent opinions as to the appropriate course of action in the event of an impasse, all agreed that, at a minimum, the Chief Financial Officer was obligated to advise the Executive Director and the Finance Committee members of any proposed investments and give them an opportunity to offer input prior to any investments being made. (Carlton Dep. at 157:1 - 158:8; Accetturo Dep. at 80:18-23; Pool Dep. at 26:5-29:20; Schulze Dep. at 13:5 - 14:12; Napolitani Dep. at 37:6 - 38:14).

Moreover, even if Article III of the CMP merely required "notice," Long conceded that: (1) he **never** gave such notice of this proposed investment to the Finance Committee; (2) he **did not** give the Finance Committee or the Executive Director a copy of the RFP before (or shortly after) it was transmitted (See Long Dep. at 76:24-78:4); and (3) he **did not** advise either the

Finance Committee or the Executive Director that he had sent out an RFP prior to receiving Accetturo's cell phone call on the morning of November 30, 2005.<sup>16</sup> In fact, Long said that he had "no idea" how Accetturo would have learned of the RFP at all.<sup>17</sup>

Long's view that his obligation to provide "notice" was satisfied by reporting to the Finance Committee after the investment had been made, (Long dep. at 76:24-77:9), is neither logical nor credible.

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<sup>16</sup> Long testified that he had sent out numerous other RFPs for financial transactions after the adoption of the CMP in February 2006 and had never consulted with anyone prior to sending out those RFPs or awarding a bid. (See Long Dep. at 66:22-67:11; 68:1-6). A review of PCFA records for all financial RFPs since February 2006 resulted in the production of only one RFP - the one that is the subject of this transaction. Further, none of the individuals at First Hope Bank recalled ever having received any previous RFPs from the PCFA, (Lefurge Dep. at \_; Walker Dep. at \_; Somma Dep. at \_.), consistent, perhaps, with Walker's affirmative attempt to solicit PCFA business. This is not conclusive as to whether prior RFPs had been issued as a forensic examination of Long's harddrive was not undertaken. Such examination is beyond our expertise and was not deemed material to the investigation.

<sup>17</sup> Long testified that he did not advise Accetturo of the RFP and never asked him how he knew about it when he (Long) was purportedly asked about the rates. (Long Dep. at 77:19-78:4; 80:17-81:19; 86:7-20). Accetturo testified that he believed that he was advised of the RFP by Long but acknowledged that it might have been from Carlton. (Accetturo Dep. at 38:3 - 39:2). In fact, a memo from Long dated November 27, 2006 indicates that RFP was returnable November 30, 2006. (See Exhibit G). Regardless of how Accetturo learned of the RFP, as a member of the Finance Committee, Accetturo was certainly entitled to be advised of the RFP and its terms. (See CMP at Article III.)

**4) There is No Support for the Assertion that the Bids Were Required to be Maintained as Confidential.**

Long also asserted that the bids were to be "confidential."<sup>18</sup> (Long Dep. at 111:4-7). However, there exists no written PCFA policy or guidelines requiring such bids to be confidential.<sup>19</sup> The CMP does not require it. In point of fact, the CMP does not even require the issuance of an RFP as a prerequisite to making cash deposits in "approved" financial institutions.<sup>20</sup> Nor does the RFP itself instruct the recipients that their bids should be "sealed" or "confidential," and the bid responses were e-mailed and/or faxed to the PCFA without any indication that the contents were intended to be confidential.

**B. The Allegations of Improper Interference Were Not Substantiated**

An allegation was also made that Accetturo and/or Napolitani "interfered" with Long's exclusive investment

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<sup>18</sup> However, the only other support for this proposition came from the attorney for Pool and Schulze in a written submission made *after* their sworn depositions were taken. (See Letters dated June 22, 2007 attached as Exhibit P.)

<sup>19</sup> In fact, in this scenario, it is unclear how the public interest is served by maintaining these bids as confidential. If the PCFA's goal is to maximize the rate of return on its investments, it would seem that an open and competitive bidding process would be more advantageous.

<sup>20</sup> William Schroeder, a partner of the auditing firm, Nisivoccia & Co., LLP, advised that his firm provides auditing services to approximately 45 municipalities. The vast majority of these municipalities do not employ RFP procedures in making their financial investments.

authority. To the extent that the "interference" consisted of their having given advice on financial investments, such conduct did not (and cannot) constitute proscribed conduct. To the extent that the allegation is that Accetturo and/or Napolitani interfered in order to gain a private advantage for themselves or others, while such conduct would be proscribed, the allegation was not substantiated.

The New Jersey Local Government Ethics Law, N.J.S.A. § 40A:9-22.5, provides in pertinent part: "[n]o local government officer or employee shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself or others."

As set forth in SA above, the allegations that Accetturo and/or Napolitani interfered with discretion that was solely entrusted to Long as the Chief Financial Officer are simply not supported by the record. The CMP does not grant Long unfettered discretion.

Accetturo and/or Napolitani suggested that Long investigate whether splitting the funds made sense, and whether the PCFA's need for "liquidity" would be satisfied if a portion of the funds were invested in a short term CD. Even though it may have been decided that the funds **should be divided** between the two banks, this would only have been done if Long's fiscal analysis confirmed that it could be done prudently. Long did not voice

any objection to this course of action (apparently based on his fear of losing his job). (Long Dep. at 115:6-22). However, even if Long had objected (as he originally certified to be true in his original statement), these allegations would not, in any event, support a conclusion that the actions of Accetturo and/or Napolitani constituted "interference" or were otherwise improper.

As PCFA Commissioners and members of the Finance Committee, Accetturo and Napolitani were clearly authorized, if not obligated, to consult with Long and the Executive Director, prior to the investment of any PCFA funds. (See CMP as Exhibits C and D, at Article III). The suggestion to investigate whether or not to split the deposit between two banks was, therefore, not only proper, but prudent, and maximized the rate of return for the Authority. Indeed, both of the banks were approved depositories under the CMP, and both of the banks had submitted proposals in response to the RFP. The Committee's suggested course of action was a logical solution to a discrepancy in the bid responses, largely created by Long's poor drafting of the RFP and his rather remarkable testimony that only completely liquid funds would satisfy the intent of the RFP. Consequently, Accetturo and Napolitani's conduct would appear to fall squarely

within the authority granted to them as Commissioners and members of the Finance Committee.<sup>21</sup>

It has also been subtly suggested that Accetturo and/or Napolitani wanted to deposit funds in the First Hope Bank in order to provide some intangible or indirect benefit to Everett Chamberlain, a fellow PCFA Commissioner and Warren County Freeholder, by virtue of his position as a member of the Board of Directors of First Hope Bank. Chamberlain has, under oath, flatly denied ever having suggested or requested, directly or indirectly, that the PCFA do business with First Hope Bank. In fact, Chamberlain had previously publicly disclosed his affiliation with First Hope Bank and has consistently recused himself from any related decisions. (See Carlton Dep. At 136:2-14; Long Dep. at 115:25-116:23; Chamberlain Dep. at 28:6-29:9; 31:22-32:4).

Further, both Accetturo and Napolitani have categorically denied having ever been requested to secure any advantage for First Hope Bank by Chamberlain or anyone else. (Accetturo Dep. at 109:4-15; Napolitani Dep. At 23:21 - 24:3; 41:16 - 42:6). Had Accetturo and/or Napolitani acted to gain some private advantage for themselves or for Chamberlain by causing funds to be deposited in First Hope Bank, such conduct, would run afoul

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<sup>21</sup> Since this investment was not subject to the Public Contracts Law, as discussed in §C below, there was no requirement that the RFP be rebid.

of the New Jersey Local Government Ethics Law, N.J.S.A. § 40A:9-22.5. However, no credible evidence of such activity is discernable in any of the evidence gathered throughout this lengthy investigation.

**C. The Allegations of "Bid Rigging" Were Not Substantiated**

Section 15.1 of the Local Fiscal Affairs Law provides that investments in, or deposits or purchases of financial instruments by local governmental units made pursuant to a CMP shall not be subject to the requirements of the Local Public Contracts Law, N.J.S.A. § 40A:11-1 et seq.; N.J.S.A. § 40A:5-15.1(f). Thus, the PCFA was not required to issue an RFP, nor was it required to comport with the strictures of a public bid in order to invest the PCFA funds.

Moreover, the CMP does not require that funds be invested through a formal or confidential bid process. (See CMP attached as Exhibits C and D).

Thus, even if Accetturo and/or Napolitani had disclosed the bids received from the other two banks to First Hope, (and there is no evidence to suggest that this is so), no violation of any applicable public bidding statute would have occurred.

**VI. RECOMMENDATIONS**

The confusion and misapprehension that has arisen in this case is, most probably, due to the RFP's lack of clarity, and the absence of articulated standards for investing PCFA funds.

In the instant case, published guidelines would undoubtedly have avoided the misunderstandings and suspicions engendered in this transaction. For example, had RFP process not been utilized, the process could likely have been accomplished by having the CFO call the approved banks, request rates, and negotiate for the highest return. If RFP were to be utilized, a policy requiring it to be reviewed by the Finance Committee and the Executive Director prior to its issuance would be consistent with a reasonable interpretation of the CMP. Further, if confidentiality were deemed necessary, a written policy requiring bids to remain sealed until the return date would have precluded the possibility of disclosure of those rates to third parties, thereby eliminating any suspicion as to whether those third parties maintained them as confidential.

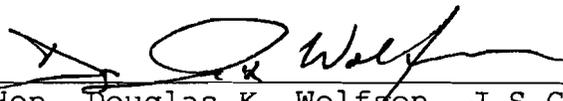
It is also recommended that the investment process be clarified by the adoption of policies and procedures clearly

delineating how the Cash Management Plan is to be implemented. That procedure should clarify whether and when a written RFP is to be required, whether the RFP should be reviewed prior to its issue, and, if so, by whom.

In addition, the CMP should be clarified so as to better define the "consultation" required by Article III, as well as when it should occur -- i.e., prior to the issuance of the RFP, prior to the award to the successful bidder, or both.

Finally, if written RFPs are to be required, the policy should set forth whether or not the bid responses are confidential or sealed until the return date.<sup>21</sup> If so, procedures for maintaining the confidentiality of the bids, including whether the recipient of these bids will open them prior to the return date, is essential, along with a protocol addressing the safeguarding of the bids, as well as to whom these bid results may be disclosed prior to the return date.

Respectfully submitted by:

  
\_\_\_\_\_  
Hon. Douglas K. Wolfson, J.S.C. (Ret.)

Date: July 31, 2007

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<sup>21</sup> If it is intended to be confidential, the RFP should expressly note this on its face, along with a delineation of the specific consequences of a bank's wrongful disclosure, such as loss of its "approved" status, for example.

GREENBAUM, ROWE, SMITH & DAVIS LLP  
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P.O. Box 5600  
Woodbridge, New Jersey 07095  
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WARREN COUNTY BOARD OF CHOSEN FREEHOLDERS	
INQUIRY RE CERTAIN FINANCIAL TRANSACTIONS OF THE POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY	

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**Appendix of Warren County Board of Chosen Freeholders  
Volume I**

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- Exhibit E – Letter from First Hope Bank dated October 25, 2006
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- Exhibit G – Memo from Jeffrey Long dated November 27, 2006
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# **EXHIBIT**

**A**

## STATEMENT OF JEFFREY LONG

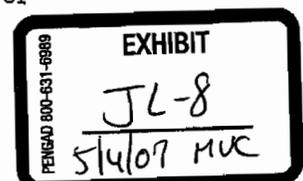
STATE OF NEW JERSEY

SS:

COUNTY OF WARREN

## JEFFREY LONG HEREBY CERTIFIES AS FOLLOWS:

1. I am the Chief Financial Officer of the Pollution Control Financing Authority of Warren County and have held that position since January 16, 2001.
2. As the Authority accumulated substantial funds for its closure/post closure activity and paid off its Landfill Revenue Bonds, in September 2005 it became apparent that a structure was needed in order to regulate the manner in which these funds were invested. Prior to the payment of those bonds, the Bond documents described how funds were to be held after they were received by the Authority, and those strictures no longer applied after the payment of the bonds.
3. Given that the County's Solid Waste Management Plan called for the closure of the Warren County District Landfill at the end of the year 2007 and the fact that the Authority's Closure/Post Closure Plan was not yet completed John Carlton, the then Executive Director of the Authority, James W. Broschius the General Counsel of the Authority and myself met and collaborated on the development of a Cash Management Plan which would significantly mimic the mechanisms set forth in the Bond documents. As soon as the Closure/Post Closure Plan is finalized and the landfill is actually closed the funds will be placed in a dedicated fund for that purpose. In the meantime, however, it is necessary that funds be liquid in order for the Authority to meet its obligations on an ongoing basis for items such as equipment and expenses of



operating the landfill. Accordingly, the Plan was adopted by the Authority in early 2006 as part of a sound fiscal management policy. A copy of that Plan is attached hereto.

4. During the Summer of 2006 there were changes in the makeup of the Authority. I was cautioned by the then Chairman of the Authority, Bob Zelle, to "protect myself" after he and Commissioner Brady left the Authority. In fact, the Authority and I entered into an employment contract in an effort to assist in order to provide me some degree of protection from the anticipated pressure from the new Authority members.

5. Everyone associated with the Authority was aware of the circumstances under which Mr. Zelle left under pressure from Commissioner Chamberlain, at least that was reported to me as common knowledge.

6. In any event, in November of 2006 after consulting with John Carlton it was decided to invest 2.5 million dollars of the Authority's funds in a liquid vehicle so that funds could be instantly available in the event that any extraordinary machinery repairs, etc. were encountered by the Authority. After consultation with Mr. Carlton I developed a request for proposals to go out to various banks identified in the Cash Management Plan to provide the Authority with proposals for a completely liquid investment of 2.5 million dollars. The proposals were to be returned to me by 11:00 o'clock on November 30, 2006. See attached request for proposals.

7. On the morning of November 30, 2006 I received two or three phone calls from Angelo Accetturo, an Authority Commissioner, and Chairman of the Authority's Finance Committee. In the last of those phone calls which came at approximately 9:00 o'clock A.M. he requested specific information as to how many proposals had been received and what rates had been quoted so far. Since Mr. Accetturo was the Chairman of the Finance Committee and a member of the Authority I felt that request was appropriate and I provided him with the rates

~~which had been provided to that point. I felt that the information was confidential and I had no~~  
reason to believe that Mr. Accetturo would not treat it as such.

8. Within one hour of that phone call, I received a faxed written proposal from First Hope Bank which was 5/100ths of 1% higher than the next proposal. The proposal from First Hope Bank, however, did not comply with the request for proposals in that the funds were not to be liquid but were to be placed in a 6 month Certificate of Deposit. I duly logged the proposal in using a stamp indicating the receipt date which was November 30<sup>th</sup> and the time of its receipt. I noted, however, that the statement on the fax and the telltale indicated that the proposal was dated November 29<sup>th</sup> at 3:00 P.M. In actuality, the quote was received on November 30<sup>th</sup> at 9:55 A.M.

I became very suspicious of these circumstances and I immediately brought this to the attention of John Carlton, Executive Director.

9. As there was a Finance Committee Meeting scheduled for November 30<sup>th</sup> at 3:00 P.M. I felt that I would raise this with the Committee feeling that the proposal from First Hope Bank was not responsive and should not be accepted. Sometime between 12:00 o'clock and 2:00 o'clock P.M. I received another phone call from Angelo Accetturo. I determined that this came from his cell phone as a result of his caller ID showing up on my office telephone. During the course of that conversation Angelo inquired as to the status of the proposals and told me that he and Laurel Napolitani were at First Hope Bank and wanted to determine the outcome of the proposals. I related the outcome to him at that time.

10. At the Finance Committee meeting that afternoon, which Committee consists of Authority members Mr. Accetturo and Ms. Napolitani, Mr. Carlton and myself both indicated that the proposal was not responsive and that the funds should be placed in the Skylands Bank

~~which was the highest responsive proposer. We pointed out to Mr. Accetturo and Ms. Napolitani~~  
that the Authority's Cash Management Policy placed that decision in the hands of the Chief Financial Officer of the Authority. I was directed by Mr. Accetturo and Ms. Napolitani to deposit One Million Dollars in a 6 month C.D. at First Hope Bank and the remainder in the Skylands Bank.

11. After further vain attempts to explain the situation I very reluctantly acceded to this demand. I was aware that the proposal did not comply with the Authority's policy and request for proposal. I also felt that my job was in jeopardy if I did not comply. I had previously been warned by a number of people, starting with the former Chairman Mr. Zelley, by John Carlton and by James Broscius, our General Counsel, to be very careful. Apparently, according to Mr. Broscius and Mr. Carlton, Mr. Accetturo passed a comment at an Authority Committee Meeting on October 30<sup>th</sup> that I "had a target on my back" and that "they" wanted me out of my position.

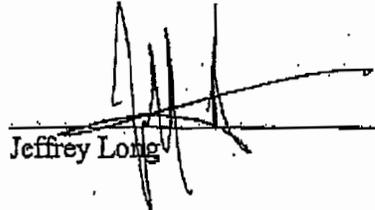
I have a family to support and I did not feel that I could refuse the demand of Ms. Napolitani and Mr. Accetturo.

12. I was also aware, by way of conversation with John Carlton, of the attempt to terminate him prematurely without notice or hearing simply because he had a difference of opinion with Commissioner Chamberlain. In this atmosphere I felt I had no choice but to accede to their demands.

13. I witnessed first hand, at his first Authority meeting, where Commissioner Chamberlain turned to Commissioner Schultz and told him in very strong and heated terms that he had "better have asbestos underwear". In this atmosphere I felt that the choice was either accede to their demands or risk my job.

~~I make this statement freely and voluntarily after consulting with an attorney.~~

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are wilfully false, I am subject to punishment.



Jeffrey Long

Dated: January 3, 2007.

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# **EXHIBIT**

**B**

A-1

# BROSCIOUS FISCHER & ZAITER

LAW OFFICE

James W. Broscius | Thomas P. Fischer\* | John M. Zaiter\* | Carolyn A. Fiorino  
Of Counsel: Thomas R. Hampshire\* | L. Susan Cooke\* | Martin Bry-Nildsen, Jr. - (1915-1990)  
\*NJ & PA Bars

January 3, 2007

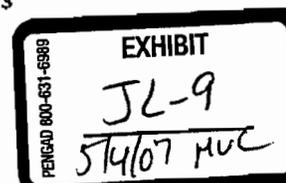
Hon. Harry Pool, Vice Chairman  
Pollution Control Financing Authority  
of Warren County  
Post Office Box 587  
Oxford, NJ 07863

RE: Request for Proposal for Deposit of 2.5 Million Dollars of Landfill Funds

Dear Vice Chairman Pool:

I write this letter to you to outline a matter of serious concern which was recently brought to my attention. By way of background, the Authority has aggregated from its revenues large amounts of liquid funds in excess of the \$23,000,000. required, currently, for the closure/post closure of the landfill which, according to the County's Solid Waste Management Plan is supposed to commence at the end of 2007. You may recall that this issue became a matter of contention between Executive Director John Carlton and Commissioner Everett Chamberlain at the Management Committee Meeting, October 30<sup>th</sup>.

I have previously reported to you that on October 31<sup>st</sup> while in Trenton, NJ I received a phone call from Angelo Accetturo requesting that I meet with him immediately upon my return. It was at that time that I learned that Commissioner Chamberlain was upset with John Carlton who had to be "fired" as a result. When I questioned Mr. Accetturo about the grounds for firing which was to take place the next day, November 1<sup>st</sup>, the stated grounds were Mr. Carlton's



reference to the closure of the landfill in 2007 and the need to implement the closure/post closure plan and commit the funds to that purpose "made Everett mad". After a great deal of discussion between Mr. Accetturo and myself I was subsequently told that Mr. Carlton's firing was "off the table" and would not be pursued according to the "powers that be". I advised Mr. Accetturo at the end of this discussion that the Authority could not operate in this fashion. If an employee is to be terminated there has to be cause and a Rice Notice sent to that employee so that he or she has an opportunity to defend themselves.

The next day, November 1<sup>st</sup>, Mr. Accetturo stated in my presence and John Carlton's that Jeff Long had "a target on his back". Mr. Long has indicated to me that he was well aware in comments previously passed to him by former Chairman Zelle and others that Commissioner Chamberlain wanted him out of his position. In fact, prior to Mr. Zelle and Brady leaving the Authority the Authority entered into employment contracts with Mr. Williams and Mr. Long in order to protect them from this kind of activity. I offer this background to explain the circumstances which occurred and which form the subject matter of this letter.

In early 2006 the Authority adopted a Cash Management Policy. In accordance with that Policy, a copy of which is attached hereto, Chief Financial Officer, Jeff Long, was to place for investment the available funds of the Authority pursuant to a specific protocol which involved the issuance of a request for proposal and the receipt of specific proposals. The funds were to be placed, at the direction of the Financial Officer, after consultation with the Finance Committee and Executive Director, in the institution which provided the most advantageous proposal.

An RFP was released (a copy of which is attached), which requested quotes for a proposal of 2.5 million dollars of the Authority's funds which were to be completely liquid. Quotes were

to be provided by November 30<sup>th</sup> at 11:00 A.M. A Finance Committee Meeting was scheduled for 3:00 P.M. on November 30<sup>th</sup>. Following that meeting one million dollars was placed in a 6 month Certificate of Deposit and the remaining 1.5 million dollars in a vehicle which was fully liquid. The placement of these funds was not in accordance with the request for proposals. I did not learn of these events until on December 16, 2006 while at the Authority's annual Christmas Party. At that time I was seated at a table with Jeff Long who, during the course of discussion advised me that he had concerns about something which took place just prior to and at the Finance Committee Meeting on November 30, 2006. Jeff then told me that, pursuant to the Authority's Cash Management Plan, he had prepared a request for proposal for the deposit of some of the Authority's funds into designated bank accounts. He further told me that two Authority Members, Angelo Accetturo and Laurel Napolitani had interfered with the process resulting in the deposit of Authority funds in a manner which was not consistent with the Authority's Cash Management Policy and that he was directed to place a portion of the funds into a bank in which a third member, Everett A. Chamberlain, is a member of the Board of Directors. I instructed Mr. Long to terminate the discussion at that point and to follow up with me during the ensuing week.

I then spoke to you and asked that you call me Monday December 18<sup>th</sup> concerning something which I had just heard.

On Monday, December 18<sup>th</sup> I spoke to Jeff Long and obtained a somewhat more detailed account of what had taken place. Mr. Long advised me that he, in consultation with the Executive Director, John Carlton, had decided to seek bids for the deposit of Authority funds in one of the approved Authority depositories. Accordingly, a request for proposals was prepared

with the proviso that the Authority was seeking to deposit 2.5 million dollars in a vehicle which was fully liquid. The reason for this condition, Mr. Long advised me, was that these were funds from what had previously been called a reserve and replacement fund and were designed for equipment acquisition and emergency repairs. For that reason, funds were to be kept liquid. An RFP was issued and proposals to be forwarded to the Authority on November 30<sup>th</sup> at 11:00 A.M. On the morning of November 30<sup>th</sup> the Authority received two bids, one from Skylands Bank and the other from Team Capital. Both of those bids were received by the end of business on November 29<sup>th</sup>. On the morning of November 30<sup>th</sup> Mr. Long related that he had received phone calls from Angelo Accetturo, an Authority member and the Chairman of the Authority's Finance Committee. During one of those phone calls Mr. Accetturo asked him whether any bids had been received and, if so, what the quotes were. Mr. Long indicated that he divulged the contents of the proposals because he viewed Mr. Accetturo as his superior. Shortly thereafter he indicated that he received a proposal from the Hope Bank which was slightly higher than those previously received but which did not meet the liquidity qualifications set forth in the request for proposals. Moreover, the fax was dated November 29<sup>th</sup>, the previous day.

Mr. Long then indicated that at a meeting that afternoon of the Finance Committee he was instructed to place One Million Dollars in the First Bank of Hope's Certificate of Deposit even though their proposal was not responsive to the request for proposals. This instruction came from Laurel Napolitani, Authority Member and Finance Committee Member and Angelo Accetturo. Both Jeff and John Carlton objected but they were instructed to deposit the funds as outlined above. At that point I instructed Mr. Long to consult with an Attorney of his choosing prior to discussing this matter with me further since I had concerns that the legality of the

conduct involved in this decision, while the CFO was to consult with the Committee and Executive Director it is his obligation alone to make the investment decision.

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I then spoke briefly with John Carlton who confirmed that an RFP had been let and that the award made was contrary to the Authority's written policy and the request for proposals which was let.

On December 26, 2006 I received a phone call from Jeff Long indicating that he had consulted with an attorney, Graham T. Ross, and that following his consultation with Atty Ross he wished to make a full statement concerning the above incident.

On December 26, 2006 I interviewed Mr. Long who advised me that he wished to discuss this matter fully. I met with Mr. Long on December 26<sup>th</sup> and received the following information, in addition to that which was outlined above. He confirmed that on November 30<sup>th</sup> he had received several phone calls from the cell phone of Angelo Accetturo, a fact which he determined by the caller I.D. in his office. The last of the phone calls, which came at approximately 9:00 A.M., requested specific information as to the rates quoted so far. Mr. Long stated that he provided the information to Mr. Accetturo believing it was confidential and that Mr. Accetturo, as Chairman of the Finance Committee and Authority Member, was authorized to receive such information and to hold it confidentially.

Within one hour of that phone call he received a written quote from the Hope Bank which was five hundredths of one percent higher than the next highest proposal. The proposal, however, was for a 2.5 million dollar six month Certificate of Deposit. The other two quotes received complied with the request for proposals which was for Money Market funds. Mr. Long advised that the tell tale on the fax showed November 29<sup>th</sup> at 3:00 P.M. which was the day before

he received it. He indicated that stamping of the receipt of the quote as November 30<sup>th</sup> is customary in his office. The quote was actually received November 30<sup>th</sup> at 9:55 A.M.

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There was a Finance Committee meeting as scheduled for November 30<sup>th</sup> at 3:00 or 3:30 P.M. at which time he anticipated announcing the results of the proposals to the two Authority members who were also Committee members, Laurel Napolitani and Angelo Accetturo. Sometime between 12:00 and 2:00 P.M. he received a phone call from Angelo Accetturo again determined by his caller I.D. on his office telephone. Angelo advised him that he, Angelo, and Laurel Napolitano at the Hope Bank and wanted to determine the outcome of the proposals.

At the Finance Committee meeting that afternoon Mr. Long and Mr. Carlton both indicated that the proposal of the First Hope Bank was not responsive and that the funds should be placed in the Skylands Bank which was the highest responsive proposer. He furthermore pointed out the Authority's Cash Management Policy which placed that decision in the hands of the Chief Financial Officer of the Authority. Mr. Accetturo and Ms. Napolitani directed Mr. Long to deposit One Million Dollars in a 6 month CD at the Hope Bank and the remainder in the Skylands Bank. Mr. Long indicated that he complied because he needed his job in order to support his family and was very aware of the vindictive atmosphere which was extant in the Authority at that time. Mr. Long advised me of the effort to terminate the services of the Executive Director for disagreeing with Commissioner Chamberlain the previous month and that he was afraid any other action by him would have cost him his job.

Mr. Long was aware that the Executive Director had, the previous month, questioned the Solid Waste Management Plan of Warren County that provided for closure of the Landfill in 2007. He was also aware that words had been exchanged between Mr. Chamberlain and Mr.

Carlton at that meeting which was followed by a directive to terminate the services of John Carlton prematurely and without Rice Notice or Hearing. He was also present at an Authority meeting at which Commissioner Chamberlain had said to Commissioner Schultz, after a difference of opinion, an issue, that he, Schultz, "had better be wearing asbestos underwear". Based on the atmosphere extant at the Authority since this Fall he felt he had no choice but to deviate from the Authority's Policy.

### CONCLUSION

Statements provided by Mr. Long and largely corroborated by John Carlton suggest that improprieties were committed by two of the Commissioners, Angelo Accetturo and Laurel Napolitani. If the foregoing statement of facts is correct the conduct of those two Commissioners violates the New Jersey Ethics Law.

Moreover, if the conduct described by Mr. Long did in fact occur it may constitute a violation of State and Federal law.

Based on the foregoing, and given that fact that two Commissioners involved in this conduct which redounded to the benefit of a bank which a third Commissioner sits as a member of the Board of Directors, the normal course of dealing with this matter cannot be followed. Normally, the conduct would be referred to the Authority to review in Executive Session and the Authority would determine whether to take any further action against the involved individual. That further action could be in several forms, the referral to the appointing body (the W.C. Board of Chosen Freeholders) for the possible removal of a Commissioner, referral to the Dept. of Community Affairs Ethics Commission or referral to the W.C. Prosecutor, State Attorney

General or U.S. Attorney. Given the involvement of two individuals and the conflict of a third it becomes incumbent upon the Chair and/or General Counsel to make the appropriate referrals.

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Very truly yours,

James W. Broscius

jwb/jap  
c.c. Tyrone Schulze, Secretary

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# **EXHIBIT**

**C**

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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BE IT RESOLVED, by the Pollution Control Financing Authority of Warren County that for the year 2006, the following shall serve as the cash management plan

The Chief Financial Officer is directed to use this cash management plan as the guide in depositing and investing the Pollution Control Financing Authority of Warren County's funds.

I. STATEMENT OF PURPOSE.

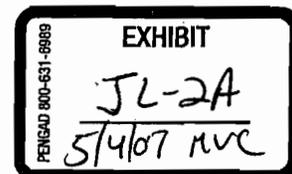
This Cash Management Plan (the "Plan") is prepared pursuant to the provisions of N.J.S.A. 40A:5-14 in order to set forth the basis for the deposits ("Deposits") and investments ("Permitted Investments"), pursuant to N.J.S.A. 40A:5-15.1, of certain public funds of the Pollution Control Financing Authority of Warren County (PCFAWC), pending the use of such funds for the intended purposes. The plan is intended to assure that all public funds identified herein are deposited in interest bearing deposits, to the extent practicable, or otherwise invested in investments hereinafter referred to. The intent of the Plan is to provide that the decisions made with regard to the Deposits and the Permitted Investments will be done so to insure the safety, the liquidity (regarding its availability for the intended purposes), and the maximum investment return within such limits. The Plan is intended to insure that any Deposit or Permitted Investment matures within the time period that approximates the prospective need for the funds deposited or invested and to minimize the risk to the market value of such Deposits or Permitted Investments. All investments shall be made on a competitive basis insofar as practicable.

II. IDENTIFICATION OF FUNDS AND ACCOUNTS TO BE COVERED BY THE PLAN AND OFFICIAL DEPOSITORIES

A. The Plan is intended to cover the deposit and/or investment of the following funds of the PCFAWC which are all GUDPA certified pursuant to the provisions of N.J.S.A. 17:9-44; (the "Official Depositories").

The following banks and financial institutions are hereby designated as Official Depositories for the deposit of all public funds referred to in the plan, including any certificates of deposit which are not otherwise invested in Permitted Investments as provided for in this plan:

1. Skylands Community Bank:
2. The Bank of New York
3. First Hope Bank



**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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4. Sussex Bank
5. PNC Bank
6. Wachovia Bank

All such depositories shall acknowledge in written receipt of this Plan by sending a copy of such acknowledgement to the Designated Official referred to in Section III below:

Additionally, pursuant to NJSA 40A:5-14g, any official involved in the designation of depositories or in the authorization for investments as permitted pursuant to section 8 of PL 1977, c396 (C.40A:5-15.1), or any combination of the preceding, or the selection of an entity seeking to sell and investment to the Authority who has a material business or personal relationship with that organization shall disclose that relationship to the governing body of the Authority.

**III. DESIGNATION OF OFFICIALS OF THE PCFAWC AUTHORIZED TO MAKE DEPOSITS AND INVESTMENTS UNDER THE PLAN.**

Upon consultation with the Finance Committee members and Executive Director, the Chief Financial Officer of the PCFAWC (the "Designated Official") is hereby authorized and directed to deposit and/or invest the funds referred to in the Plan. Prior to making any such Deposits or any Permitted Investments, such officials of the PCFAWC are directed to supply to all depositories or any other parties with whom the Deposits or Permitted Investments are made a written copy of this Plan which shall be acknowledged in writing by such parties and a copy of such acknowledgment kept on file with such officials.

**IV. DESIGNATION OF BROKERAGE FIRMS AND DEALERS WITH WHOM THE DESIGNATED OFFICIAL MAY DEAL.**

The following brokerage firms and/or dealers and other institutions are hereby designated as firms with whom the Designated Official of the PCFAWC referred to in this Plan may deal for the purposes of buying and selling securities identified in this Plan as Permitted Investments or otherwise providing for Deposits. All such brokerage firms and/or dealers shall acknowledge in writing the receipt of this Plan by sending a copy of such acknowledgment to the Designated Official referred to in section III above.

- A. Bank of New York
- B. Public Financial Management
- C. Wachovia Bank/US Bank
- D. Fiduciary Trust
- E. Skylands Community Bank/Fulton Financial

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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V. AUTHORIZED INVESTMENTS.

A. Except as otherwise specifically provided for herein, the Chief Financial Officer, upon consultation with the Finance Committee and Executive Director of the PCFAWC, is hereby authorized to invest the public funds covered by this Plan, to the extent not otherwise held in Deposits, in the following Permitted Investments:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government Money Market Mutual Funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which 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;
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 the Treasury for investment by Local Units;
6. Local Government Investment Pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52 : 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs 1 and 3 of this subsection a;
  - 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 section 1 of P.L. 1970, c.236 (C.17: 9 - 41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.
9. 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 investments in the name of the Authority and prevent unauthorized use of such investments.
10. Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that the securities are either received by the Authority or a third party custodian prior to or upon release of the Authority's funds.

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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11. 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 nation or State bank located within the State or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L. 1967, c. 93 (C.49:3-56) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

For purposes of the above language, the terms "government money market mutual fund" and "local government investment pool" shall have the following definitions:

Government Money Market Mutual Fund. An investment company or investment trust:

- a. which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. sec. 80a-1 et seq., and operated in accordance with 17 C.F.R. sec. 270.2a-7.
- b. the portfolio of which is limited to U.S. Government securities that meet the definition of any eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities; and
- c. which has:
  - i. attained the highest ranking or the highest letter and numerical rating of a nationally recognized statistical rating organization; or
  - ii. retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission pursuant to the "Investment Advisors Act of 1940," 15 U.S.C. sec. 80b-1 et seq., with experience investing in U.S. Government securities for at least the past 60 months and with assets under management in excess of \$500 million.

Local Government Investment Pool. An investment pool:

- a. which has managed in accordance with 17 C.F.R. sec. 270.2a-7;
- b. which is rated in the highest category by a nationally recognized statistical rating organization;
- c. which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. sec.

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities;

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

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

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

**VI. SAFEKEEPING CUSTODY PAYMENT AND  
ACKNOWLEDGMENT OF RECEIPT OF PLAN.**

To the extent that any Deposit or Permitted Investment involves a document or security which is not physically held by the PCFAWC, then such instrument or security shall be covered by a custodial agreement with an independent third party, which shall be a bank or financial institution in the State of New Jersey. Such institution shall provide for the designation of such investments in the name of the PCFAWC to assure that there is no unauthorized use of the funds or the Permitted Investments or Deposits. Purchase of any Permitted Investments that involve securities shall be executed by a "delivery versus payment" method to ensure that such Permitted Investments are either received by the PCFAWC or by a third party custodian prior to or upon the release of the PCFAWC's funds.

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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Pursuant to NJSA 40A:5-15, all Authority funds shall be deposited within 48 hours of receipt

To assure that all parties with whom the PCFAWC deals either by way of Deposits or Permitted Investments are aware of the authority and the limits set forth in this Plan, all such parties shall be supplied with a copy of this Plan in writing and all such parties shall acknowledge the receipt of that Plan in writing, a copy of which shall be on file with the Chief Financial Officer.

**VII. REPORTING REQUIREMENTS.**

On the first day of the month during which this Plan is in effect, the Chief Financial Officer shall supply to the governing body of the PCFAWC a written report of any Deposits or Permitted Investments made pursuant to this Plan, which shall include, at a minimum, the following information:

- A. The name of any institution holding funds of the PCFAWC as a Deposit or Permitted Investment.
- B. The amount of securities or Deposits purchased or sold during the immediately preceding month.
- C. The class or type of securities purchased or Deposits made.
- D. The book value of such Deposits or Permitted Investments.
- E. The earned income on such Deposits or Permitted Investments. To the extent that such amounts are actually earned at maturity.
- F. The fees incurred to undertake such Deposits or Permitted Investments.
- G. All other information which may be deemed reasonable from time to time by the governing body of the PCFAWC.

**VIII. TERM OF PLAN**

This plan shall be in effect from February 8, 2006 to December 31, 2006. Attached to this Plan is a resolution of the governing body of the PCFAWC approving this Plan for such period of time.

**IX. INVESTMENT STRATEGIES**

The issue of cash management and investment portfolio return are a constant challenge. In order to ensure liquidity to meet the Authority's daily, ongoing cash needs as well as allow longer term investments to gain enhanced returns on our monies the following strategies will be employed.

The Chief Financial Officer of the PCFA of Warren County will implement the following procedures on behalf of the PCFA:

## **Pollution Control Financing Authority of Warren County Cash Management Plan**

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In order for the PCFAWC to meet all of its operational obligations which include payroll, accounts payable and pension contributions four months of the current fiscal year's adopted and approved budget will be kept on deposit with a local bank. These funds will provide sufficient liquidity for the daily operations of the Authority. By maintaining four months of budgeted expenses, the movement of cash between bank accounts will be kept to a minimum and will allow for maximization of short term investments. The local bank these funds will be deposited with must provide excellent customer service, a local branch and a competitive rate of return. Presently, Skylands Community Bank with a branch in Oxford, New Jersey, provides these benefits to the PCFAWC.

It is the desire of the Authority to ensure that sufficient funds are maintained and available for longer term capital projects as well as the continual upkeep and maintenance all existing capital assets.

In order to achieve these goals, the Authority will utilize several investment accounts with specified purposes tied to the future needs of the Authority. The accounts that will be used include a Renewal & Replacement account, Capital & Construction Account and a Tip Fee Stabilization Account.

a. The Renewal & Replacement account will consist of funds needed to maintain, repair or replace the Authority's existing assets. An annual engineer's review of the Authority's entire facility will occur to provide the Authority with an estimated balance to keep in this account to ensure that the above referenced items can be properly maintained. This annual review will provide insight to ensure that items are maintained in a safe and properly working order to minimize large scaled costs associated with equipment failure. Each year following the engineers report, the Authority will complete all work identified within this report.

b. The Capital & Construction account will consist of funds needed to meet the future financial demands of any large scale capital or construction project. Items such as new equipment purchases and new landfill cells are examples of items that would fall into this category of expenditure. The basis for the balance in the account will be taken from the five year capital improvement plan included in the Authority's Annual Budget submitted to the New Jersey Department of Community Affairs, Division of Local Government Services.

c. A third account, entitled Tip Fee Stabilization, will be maintained at an amount agreed upon by Authority management and the Board of Commissioners. This account will retain funds to insure sufficient finances exist if a drastic change in the solid waste disposal market should occur. Specifically, this account will provide a safety net should there be a shortfall in revenue that would materially impair the Authority's ability to operate on a daily basis.

## Pollution Control Financing Authority of Warren County Cash Management Plan

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The above three accounts will use various financial investments to insure the best possible return is received by the Authority. A competitive process will be used, including three or more of the banks listed below:

Skylands Community Bank  
PNC Bank  
Wachovia Bank  
Bank of America  
First Hope Bank  
Valley National Bank  
Sussex Bank

The financial institution submitting the best yield for that particular investment opportunity will be awarded the investment.

d. The majority of the PCFA's cash assets will be dedicated to the Closure and Post-Closure maintenance of the Warren County District Landfill. The current engineer's estimate for the closure/post-closure maintenance of the landfill is \$22.5 million. Appendix A is attached, which includes a complete copy of the current Closure/Post-Closure Maintenance Plan. Usage of these funds will extend over a period of 30 years. This closure plan has a clearly defined payout of the funds over the 30 year period and as such will be used as the basis for both cash outflow from these funds for payment of expenditures incurred as well as allowing the selected investment firm to properly invest the money to assure maximization of the return on these funds. It is paramount that the funds be invested in such a manner that sufficient liquid assets exist to satisfy the above mentioned expenditures when they come due. The investment firm will also need to take into consideration the process and timeliness of withdrawing monies from the closure funds, as the New Jersey Department of Environmental Protection must give approval before funds can be released. As this plan will be updated bi-annually, all changes in anticipated costs associated with the closure will be reviewed and the funding level in the closure investments will be adjusted to reflect these changes. A meeting will take place between the Authority and the investment firm to review these changes and discuss how the investment portfolio will need to be modified to reflect these new estimates. The Authority will need to maintain a level of staffing sufficient to administer and oversee the closure plan financial activity.

The investment strategy for these funds will be very complex and extend over a period of 30 or more years. The Authority will interview investment advisors to give them insight as to how the cash will be needed on a monthly, yearly and total project basis. The following companies will be included in the interview process:

Bank of New York

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

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Public Financial Management  
Wachovia Bank/US Bank  
Fiduciary Trust  
Skylands Community Bank/Fulton Financial

The investment firm chosen to manage the closure funds of the Authority must have current investment relationships with government entities in the State of New Jersey, must fully understand the statutes that govern the investing of public monies and must follow sound investment policy when handling the Authority's invested assets.

# **EXHIBIT**

**D**

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

Revised  
2006

BE IT RESOLVED, by the Pollution Control Financing Authority of Warren County that for the year 2006, the following shall serve as the cash management plan

The Chief Financial Officer is directed to use this cash management plan as the guide in depositing and investing the Pollution Control Financing Authority of Warren County's funds.

I. STATEMENT OF PURPOSE.

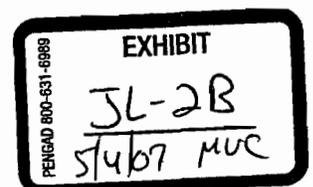
This Cash Management Plan (the "Plan") is prepared pursuant to the provisions of N.J.S.A. 40A:5-14 in order to set forth the basis for the deposits ("Deposits") and investments ("Permitted Investments"), pursuant to NJSA 40A:5-15.1, of certain public funds of the Pollution Control Financing Authority of Warren County (PCFAWC), pending the use of such funds for the intended purposes. The plan is intended to assure that all public funds identified herein are deposited in interest bearing deposits, to the extent practicable, or otherwise invested in investments hereinafter referred to. The intent of the Plan is to provide that the decisions made with regard to the Deposits and the Permitted Investments will be done so to insure the safety, the liquidity (regarding its availability for the intended purposes), and the maximum investment return within such limits. The Plan is intended to insure that any Deposit or Permitted Investment matures within the time period that approximates the prospective need for the funds deposited or invested and to minimize the risk to the market value of such Deposits or Permitted Investments. All investments shall be made on a competitive basis insofar as practicable.

II. IDENTIFICATION OF FUNDS AND ACCOUNTS TO BE COVERED BY THE PLAN AND OFFICIAL DEPOSITORIES

A. The Plan is intended to cover the deposit and/or investment of the following funds of the PCFAWC which are all GUDPA certified pursuant to the provisions of NJSA 17:9-44; (the "Official Depositories").

The following banks and financial institutions are hereby designated as Official Depositories for the deposit of all public funds referred to in the plan, including any certificates of deposit which are not otherwise invested in Permitted Investments as provided for in this plan:

1. Skylands Community Bank
2. The Bank of New York
3. First Hope Bank
4. Team Capital Bank



**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

All such depositories shall acknowledge in written receipt of this Plan by sending a copy of such acknowledgement to the Designated Official referred to in Section III below.

Additionally, pursuant to NJSA 40A:5-14g, any official involved in the designation of depositories or in the authorization for investments as permitted pursuant to section 8 of PL 1977, c396 (C.40A:5-15.1), or any combination of the preceding, or the selection of an entity seeking to sell and investment to the Authority who has a material business or personal relationship with that organization shall disclose that relationship to the governing body of the Authority.

**III. DESIGNATION OF OFFICIALS OF THE PCFAWC AUTHORIZED TO MAKE DEPOSITS AND INVESTMENTS UNDER THE PLAN.**

Upon consultation with the Finance Committee members and Executive Director, the Chief Financial Officer of the PCFAWC (the "Designated Official") is hereby authorized and directed to deposit and/or invest the funds referred to in the Plan. Prior to making any such Deposits or any Permitted Investments, such officials of the PCFAWC are directed to supply to all depositories or any other parties with whom the Deposits or Permitted Investments are made a written copy of this Plan which shall be acknowledged in writing by such parties and a copy of such acknowledgment kept on file with such officials.

**IV. DESIGNATION OF BROKERAGE FIRMS AND DEALERS WITH WHOM THE DESIGNATED OFFICIAL MAY DEAL.**

The following brokerage firms and/or dealers and other institutions are hereby designated as firms with whom the Designated Official of the PCFAWC referred to in this Plan may deal for the purposes of buying and selling securities identified in this Plan as Permitted Investments or otherwise providing for Deposits. All such brokerage firms and/or dealers shall acknowledge in writing the receipt of this Plan by sending a copy of such acknowledgment to the Designated Official referred to in section III above.

- A. Bank of New York
- B. Skylands Community Bank/Fulton Financial

Pursuant to NJSA 40A:5-15.1 and as disclosed in Section V below, the securities dealers' retained by the Authority will comply with said statute and Section V when acting on behalf of the Authority in any and all financial transactions.

**V. AUTHORIZED INVESTMENTS.**

**Pollution Control Financing Authority of Warren County**  
**Cash Management Plan**

A. Except as otherwise specifically provided for herein, the Chief Financial Officer, upon consultation with the Finance Committee and Executive Director of the PCFAWC, is hereby authorized to invest the public funds covered by this Plan, to the extent not otherwise held in Deposits, in the following Permitted Investments:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government Money Market Mutual Funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which 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;
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 the Treasury for investment by Local Units;
6. Local Government Investment Pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52 : 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs 1 and 3 of this subsection a;
  - 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 section 1 of P.L. 1970, c.236 (C.17: 9 - 41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.
9. 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 investments in the name of the Authority and prevent unauthorized use of such investments.
10. Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that the securities are either received by the Authority or a third party custodian prior to or upon release of the Authority's funds.
11. 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 nation or State bank located within the State or through a broker-dealer which, at the time of purchase or redemption, has been

**Pollution Control Financing Authority of Warren County**  
**Cash Management Plan**

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

For purposes of the above language, the terms “government money market mutual fund” and “local government investment pool” shall have the following definitions:

Government Money Market Mutual Fund. An investment company or investment trust:

- a. which is registered with the Securities and Exchange Commission under the “Investment Company Act of 1940,” 15 U.S.C. sec. 80a-1 et seq., and operated in accordance with 17 C.F.R. sec. 270.2a-7.
- b. the portfolio of which is limited to U.S. Government securities that meet the definition of any eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities; and
- c. which has:
  - i. attained the highest ranking or the highest letter and numerical rating of a nationally recognized statistical rating organization; or
  - ii. retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission pursuant to the “Investment Advisors Act of 1940,” 15 U.S.C. sec. 80b-1 et seq., with experience investing in U.S. Government securities for at least the past 60 months and with assets under management in excess of \$500 million.

Local Government Investment Pool. An investment pool:

- a. which has managed in accordance with 17 C.F.R. sec. 270.2a-7;
- b. which is rated in the highest category by a nationally recognized statistical rating organization;
- c. which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities;
- d. which is in compliance with rules adopted pursuant to the “Administrative Procedure Act,” P.L. 1968, c.410 (c.52: 14b-1 et seq.) by the Local Finance Board of the Division of Local Government Services in the Department of Community Affairs, which rules shall provide for the disclosure and reporting

## **Pollution Control Financing Authority of Warren County**

### **Cash Management Plan**

requirements, and other provisions deemed necessary by the board to provide for the safety, liquidity and yield of investments;

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

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

#### **VI. SAFEKEEPING CUSTODY PAYMENT AND ACKNOWLEDGMENT OF RECEIPT OF PLAN.**

To the extent that any Deposit or Permitted Investment involves a document or security which is not physically held by the PCFAWC, then such instrument or security shall be covered by a custodial agreement with an independent third party, which shall be a bank or financial institution in the State of New Jersey. Such institution shall provide for the designation of such investments in the name of the PCFAWC to assure that there is no unauthorized use of the funds or the Permitted Investments or Deposits. Purchase of any Permitted Investments that involve securities shall be executed by a "delivery versus payment" method to ensure that such Permitted Investments are either received by the PCFAWC or by a third party custodian prior to or upon the release of the PCFAWC's funds.

Pursuant to NJSA 40A:5-15, all Authority funds shall be deposited within 48 hours of receipt

To assure that all parties with whom the PCFAWC deals either by way of Deposits or Permitted Investments are aware of the authority and the limits set forth in this Plan, all such parties shall be supplied with a copy of this Plan in writing and all such parties shall acknowledge the receipt of that Plan in writing, a copy of which shall be on file with the Chief Financial Officer.

**Pollution Control Financing Authority of Warren County  
Cash Management Plan**

**VII. REPORTING REQUIREMENTS.**

On the first day of the month during which this Plan is in effect, the Chief Financial Officer shall supply to the governing body of the PCFAWC a written report of any Deposits or Permitted Investments made pursuant to this Plan, which shall include, at a minimum, the following information:

- A. The name of any institution holding funds of the PCFAWC as a Deposit or Permitted Investment.
- B. The amount of securities or Deposits purchased or sold during the immediately preceding month.
- C. The class or type of securities purchased or Deposits made.
- D. The book value of such Deposits or Permitted Investments.
- E. The earned income on such Deposits or Permitted Investments. To the extent that such amounts are actually earned at maturity.
- F. The fees incurred to undertake such Deposits or Permitted Investments.
- G. All other information which may be deemed reasonable from time to time by the governing body of the PCFAWC.

**VIII. TERM OF PLAN**

This plan shall be in effect from February 8, 2006 to December 31, 2006. Attached to this Plan is a resolution of the governing body of the PCFAWC approving this Plan for such period of time.

**IX. INVESTMENT STRATEGIES**

The issue of cash management and investment portfolio return are a constant challenge. In order to ensure liquidity to meet the Authority's daily, ongoing cash needs as well as allow longer term investments to gain enhanced returns on our monies the following strategies will be employed. Additionally, all invested funds must be maintained to comply with the provisions of NJSA 40A:5-15.1 ("Securities which may be purchased by local units").

The Chief Financial Officer of the PCFA of Warren County will implement the following procedures on behalf of the PCFA:

- a. In order for the PCFAWC to meet all of its operational obligations which include payroll, accounts payable and pension contributions three months of the current fiscal year's adopted and approved budget will be kept on deposit with a local bank. These funds will provide sufficient liquidity for the daily operations of the Authority. By maintaining three months of budgeted expenses, the movement of cash between bank accounts will be kept to a minimum and will allow for maximization of short term investments. The local bank these funds will be deposited with must provide excellent customer service, a local branch and

**Pollution Control Financing Authority of Warren County**  
**Cash Management Plan**

a competitive rate of return. Presently, Skylands Community Bank with a branch in Oxford, New Jersey, provides these benefits to the PCFAWC.

It is the desire of the Authority to ensure that sufficient funds are maintained and available for longer term capital projects as well as the continual upkeep and maintenance all existing capital assets.

In order to achieve these goals, the Authority will utilize several investment accounts with specified purposes tied to the future needs of the Authority. The accounts that will be used include a Capital & Construction Account and a Tip Fee Stabilization Account.

b. The Capital & Construction account will consist of funds needed to meet the future financial demands of any large scale capital or construction project. These expenditures are non-recurring and have a useful life of greater than one year. Items such as new equipment purchases and new landfill cells are examples of items that would fall into this category of expenditure. The basis for the balance in the account will be taken from the five year capital improvement plan included in the Authority's Annual Budget submitted to the New Jersey Department of Community Affairs, Division of Local Government Services. The balance carried in this account will be subject to any budget modifications approved during the current fiscal year.

c. A second account, entitled Tip Fee Stabilization, will be maintained at an amount equal to 25% of the operating budget. This account will retain funds to insure sufficient finances exist if a drastic change in the solid waste disposal market should occur. Specifically, this account will provide a safety net should there be a shortfall in revenue that would materially impair the Authority's ability to operate on a daily basis. The Authority's operations are now subject to a free market and as such are subject to revenue fluctuations in the solid waste market beyond that are beyond the control of the Authority. If operations at the Authority cease, any remaining funds in this account will be transferred to the Alternative Closure Account.

The above two accounts will use various financial investments to insure the best possible return is received by the Authority. A competitive process will be used, including three or more of the banks included in Section II above. The financial institution submitting the best yield for that particular investment opportunity will be awarded the investment.

d. The majority of the PCFA's cash assets will be dedicated to the Closure and Post-Closure maintenance of the Warren County District Landfill. The current engineer's estimate for the closure/post-closure maintenance of the landfill is \$22.5 million. Appendix A is attached, which includes a complete copy of the current Closure/Post-Closure Maintenance Plan. Usage of these funds will extend over a period of 30 years. This closure plan has a clearly defined payout of

## **Pollution Control Financing Authority of Warren County Cash Management Plan**

the funds over the 30 year period and as such will be used as the basis for both cash outflow from these funds for payment of expenditures incurred as well as allowing the selected investment firm to properly invest the money to assure maximization of the return on these funds. It is paramount that the funds be invested in such a manner that sufficient liquid assets exist to satisfy the above mentioned expenditures when they come due. The investment firm will also need to take into consideration the process and timeliness of withdrawing monies from the closure funds, as the New Jersey Department of Environmental Protection must give approval before funds can be released. As this plan will be updated bi-annually, all changes in anticipated costs associated with the closure will be reviewed and the funding level in the closure investments will be adjusted to reflect these changes. A meeting will take place between the Authority and the investment firm to review these changes and discuss how the investment portfolio will need to be modified to reflect these new estimates. The Authority will need to maintain a level of staffing sufficient to administer and oversee the closure plan financial activity.

The investment strategy for these funds will be very complex and extend over a period of 30 or more years. The Authority will interview investment advisors to give them insight as to how the cash will be needed on a monthly, yearly and total project basis. The companies in Section IV above will be included in the interview process.

The investment firm chosen to manage the closure funds of the Authority must have current investment relationships with government entities in the State of New Jersey, must fully understand the statutes that govern the investing of public monies and must follow sound investment policy when handling the Authority's invested assets. Specifically, this firm must follow the statutes as outlined in NJSA 7:26-2A.9(b). This statute references the NJDEP standard escrow agreement which permits investments up to 10 years in duration. This escrow agreement must be executed between the Authority and selected investment firm.

# **EXHIBIT**

**E**

# FIRST HOPE BANK

World-class service, close to home

October 25, 2006

Commissioner Angelo Accetturo  
Treasurer, PCFAWC  
Finance Committee Chair  
222 Belvidere Ave.  
Oxford, NJ 07863

Dear Mr. Accetturo:

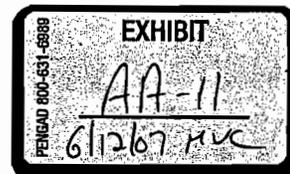
I am writing in order to explore the possibilities of expanding the relationship between the Pollution Control Financing Authority of Warren County and First Hope Bank as well as request the opportunity to meet with your Board of Commissioners. As a matter of introduction, I have included in this package, materials introducing First Hope Bank in general and the Trust and Investment Services Division, in particular.

First Hope Bank celebrated its 95<sup>th</sup> Anniversary in 2006 and continues to remain a strong, independent, community bank offering complete financial services to our clients. First Hope, having always been headquartered in Warren County, has a strong commitment to the continued success of the county as evidenced through our relationships with many school districts, Boards of Education, Municipal Authorities and the businesses of Warren County, including the PCFAWC. We would like to enhance that relationship by demonstrating the opportunities available to the PCFAWC through the Trust and Investment Services Division.

Risk Averse, conservative investors, the guiding principal of First Hope Bank's Trust and Investment Services Division is:

*"No investment regardless of its absolute merits, is worthwhile unless it contributes to the achievement of the investor's goals without exceeding the client's comfort level for risk."*

This principal has been the key to our success. The strong performance of the Bank's Trust and Investment Services Division is further enhanced through our partnership with Raymond James Financial Services, Inc. Raymond James brings to First Hope the strength of a nationally recognized leader in the financial services industry coupled with the high level of customer service that has been the hallmark of First Hope Bank for over 95 years.



161 Newton Sparta Road • Newton, NJ 07860 • (973) 729-8333 • Fax (973) 300-1981

E-Mail: andover@firsthope.com

EOE/AA M/F/D/V

In order to provide a capsulated presentation of the bank and of our Trust and Investment services, you will find the following material enclosed:

- First Hope Bank's 2005 Financial Report
- Raymond James Financial Services Overview
- Historical narrative of First Hope Bank

Once you've had a chance to review this material, we would welcome the opportunity to meet with your Board of Commissioners to demonstrate how First Hope Bank can assist in achieving the investment goals of the Pollution Control Financing Authority of Warren County. In the meantime, if you have any questions, please do not hesitate to contact me.

I look forward to hearing from you.

Sincerely,



Edward F. Walker, Jr.  
Senior Vice President  
Senior Investment and Trust Officer

Cc: Everett Chamberlain, Commissioner  
Harry R Pool, Jr., Vice Chairman  
Ty Schulze, Secretary

# **EXHIBIT**

**F**

# NOVEMBER 2006

Sunday	MON	TUES	WED	THURS	FRI	SAT
			1	2	3	4
5	6	7	8 4:00 PCFA <hr/> <hr/> 7:30 Freehold. Meeting	9 4:30 Projects Committe.	10	11
12	13	14	15	16	17	18 Catherine Birthday
19	20 Andrew Birthday	21 7:30 Freehold. Meeting	22	23 Thanks- giving	24	25
26	27 4:00 pm Hope Bank	28 6:30 pm Search Meeting	29	30 3:00 Finance Meeting <hr/> <hr/> Tree Lighting 7:00 pm Admn Bldg		

# **EXHIBIT**

**G**

**POLLUTION CONTROL FINANCING AUTHORITY  
OF WARREN COUNTY**

500 MT. PISGAH AVENUE  
P.O. BOX 587  
OXFORD, NJ 07863-0587

JOHN G. CARLTON, P.E.  
Executive Director

908 453-2174  
Fax: 908 453-4241

TO: Finance Committee

FR: Jeff Long, Chief Financial Officer

DATE: November 27, 2006

RE: Investment Yields

Below please find a summary of yields that are being earned on investments with the various approved financial institutions per the Cash Management Plan.

Skylands Community Bank	
Haulers Receivable	5.12%
Money Market	4.9% -
Statement Savings	4.9%
Operations	.5%
Haulers Escrow	.5%
CD's*	5.3% Average Return on 90 day duration

\*This return reflects CD's that recently matured. No funds are currently in CD's due to the uncertainty of the short term liquidity needs of the Authority.

First Hope  
Tip Fee Stabilization *Maturity Date* 4.60%

Wachovia Bank\*\*  
Capital & Construction 4.75% *2.5*

*5.25 mm skylands  
5.30 60 cd. First Hope*

\*\*Per changes to the Cash Management Plan approved at the 11/1/06 Board Meeting, these funds have been returned to Skylands and are currently out for an RFP with an award to be made on November 30, 2006.

For the period 1/1/06-10/31/06, interest earned on non-closure funds totals approximately \$748,000.

Cc: John Carlton  
James Williams  
Authority Members  
Banking Files



# **EXHIBIT**

**H**

**POLLUTION CONTROL FINANCING AUTHORITY  
OF WARREN COUNTY**

500 MT. PISGAH AVENUE  
P.O. BOX 587  
OXFORD, NJ 07863-0587

JOHN G. CARLTON, P.E.  
Executive Director

908 453-2174  
Fax: 908 453-4241

TO: Finance Committee

FR: Jeff Long, Chief Financial Officer



DATE: November 29, 2006

RE: Payroll processing, closure investments and closure fund update

At your request I have compiled information related with the above topics.

Payroll processing is handled by an outside company, R&L Data who has processed the payroll since 1991. The cost for their services totals approximately \$3,300 per year. This cost includes remittance of tax impounds to appropriate federal, state and local taxing agencies as well as calculation for the PERS pension liability and the handling of direct deposit for employees enrolled in this service.

Currently, two trustee relationships exist relative to the landfill closure funds. The Bank of New York Asset Management group oversees approximately \$12.4M in funds and Fulton Financial Advisors manages approximately \$4.1M.

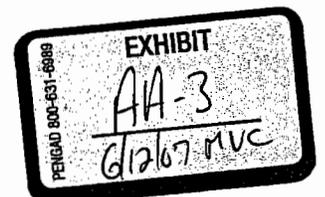
Both advisors charge the Authority fees based on agreements that were signed when these firms were selected after a thorough interview process. Bank of New York Asset Management charges .25% basis points with an annual minimum of \$30,000. These charges include not only asset management fees but also the custodian fees. Fulton Financial charges .15% basis points with an annual \$2,500 minimum charge.

The funds held by Bank of New York are in NJDEP closure escrow accounts. The Authority is unable draw on the Bank of New York funds due to the lack of an approved closure plan by the NJDEP. Once this plan is approved, these funds may be used for any closure expenses incurred.

Investment strategy and maturity lengths for these funds are described in the Authority's Cash Management and the plan is updated as needed to keep current with the Authority's anticipated cash draw down from these funds. All funds must be invested in government backed securities which include government backed money market mutual funds, local government investment pools as well as the State of New Jersey Cash Management Fund. The term of closure investments may not exceed a maturity of ten years.

The 2004 designed closure plan that is currently under review by the NJDEP estimates that closure of the Warren County District Landfill will total \$22.3M.

Barbella Construction Services is currently capping a section of the sideslopes of the landfill. The cost for this project with approved change orders to date is \$7,497,100. Hatch Mott MacDonald is providing engineering oversight for the project at a cost of \$596,200. To date these vendors have been paid a total of \$2,558,387.37. Please see the attached spreadsheet detailing funds on deposit for closure, payments already made and funds anticipated to be on hand once this project is complete.



One significant item to note is the closure plan must be updated every two years per NJDEP statutes. The Authority anticipates that once the 2004 plan is approved an RFP will be issued to update the closure plan to comply with state regulations. The 2004 plan did not anticipate the Sulfur System installation and the personnel and supplies required to operate this facility. Due to this new situation it is expected the closure costs to increase by a yet to be determined amount. When this updated information becomes available it may dramatically alter the cash needs to fund the closure & post-closure maintenance period of the landfill.

Once this information has been reviewed I would be happy to delve into further detail as needed.

Cc: John Carlton  
James Williams  
Authority Members  
Closure File

PCFA of Warren County  
Closure Fund analysis

**Anticipated Closure costs per 2004 Malcolm Pirnie plan awaiting approval**

Closure Costs per plan estimate	22,300,000.00
Paid to date for Sideslope project	2,558,387.37
Closure expenses not yet incurred	19,741,612.63

**Funds on deposit as of 11/22/06**

Bank of New York	12,456,772.44
Fulton Financial	4,120,643.77
Skylands Community Bank	7,714,929.17
Total*	24,292,345.38
Less	
Expenditures not yet incurred	19,741,612.63
Excess closure funds	4,550,732.75

**Other anticipated non closure capital needs**

Treatment Plant	3,500,000.00
Cell 5 Construction	4,500,000.00

\* This total reflects payments already made to Barbella & Hatch Mott MacDonald

# **EXHIBIT**

## **I**

# POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY

500 MT. PISGAH AVENUE  
P.O. BOX 587  
OXFORD, NJ 07863-0587

JOHN G. CARLTON, P.E.  
Executive Director

908 453-2174  
Fax: 908 453-4241

## REQUEST FOR PROPOSAL INTEREST BEARING BANK ACCOUNT ENTITLED "CAPITAL & CONSTRUCTION ACCOUNT"

The Pollution Control Financing Authority of Warren County (PCFAWC) hereby requests proposals for the following:

One interest bearing bank account entitled CAPITAL & CONSTRUCTION ACCOUNT

This account must have the ability to have funds dispersed from it on an on demand basis and within 48 hours of request. These disbursements will either be in the form of paper checks or electronic transfer.

Deposits to said account will be made via in person transactions, mail or electronically.

This account will be managed by the financial institution so that based on cash need projections provided by the PCFAWC any cash identified as "idle" will be invested in a manner to maximize yield. This investment strategy will be based on the liquidity needs of the PCFAWC and should include some type of laddered structure such that the previously mentioned liquidity needs will be achieved. Investment vehicles to be included in this strategy will be permitted to have a duration of no longer than 6 months.

The account will incur no service fees nor will there be any investment advisory charges.

The anticipated balance in the account will fluctuate between \$2,000,000 and \$4,000,000.

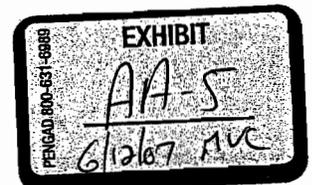
The initial deposit into this account will be \$2,500,000.

Please provide how your investment yields will be determined and how often these rates will be adjusted.

Written proposals can be submitted via the preferred method of email. They can be sent to [JLong@pcfawc.com](mailto:JLong@pcfawc.com) or alternatively can be faxed to 908 453-4241 to the attention of Jeff Long, Chief Financial Officer. Proposals must be received on or before November 30, 2006 11am.

Any questions concerning this proposal request should be directed to Mr. Jeff Long.

\*1.5M TO SKY @ 5.25% Fed funds  
\*1.0M TO 1<sup>ST</sup> HOPE 6M CD @ 5.3%



# **EXHIBIT**

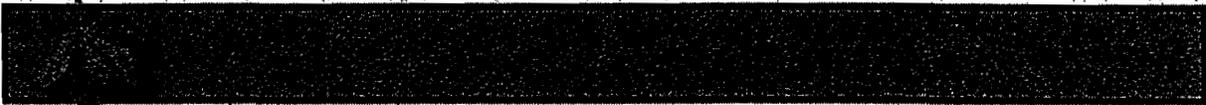
**J**

Jeff Long

**From:** Hilts, Peggy [philts@skylandscombank.com]  
**Sent:** Wednesday, November 22, 2006 12:27 PM  
**To:** jlong@pcfawc.com  
**Subject:** Request for Proposal  
**Attachments:** Pollution Control Fin Auth - Warren County-Jeff Long 11-22-06.doc

Mr. Long,  
Dan Marcman asked that I forward his proposal to you for the Capital and Construction Account. Please see attached.

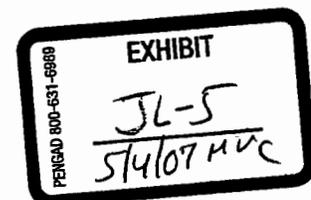
*Thank you,  
Peggy E. Hilts  
Skylands Community Bank  
908-850-9010 x 113*



**\*\*\*CONFIDENTIALITY NOTICE\*\*\***This email contains confidential information which may also be legally privileged and which is intended only for the use of the recipient(s) named above. If you are not the intended recipient, you are hereby notified that forwarding or copying of this email, or the taking of any action in reliance on its contents, may be strictly prohibited. If you have received this email in error, please notify us immediately by reply email and delete this message from your inbox. Thank you.

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Skylands Community Bank, 176 Mountain Avenue, Hackettstown, NJ. 07840



November 22, 2006

Dan E. Marcmann  
Sr. Vice President

Mr. Jeff Long  
Chief Financial Officer  
Pollution Control Financing Authority of Warren County  
500 Mt. Pisgah Avenue  
PO Box 587  
Oxford, NJ 07863-0587

POLLUTION CONTROL  
FINANCING AUTHORITY  
OF WARREN COUNTY

06 NOV 22 P 1:05

RECEIVED

Sent via email: [Jlong@pcfawc.com](mailto:Jlong@pcfawc.com)

RE: Request for Proposal  
Capital and Construction Account

Dear Mr. Long:

Thank for you the opportunity to bid on the Pollution Control Financial Authority of Warren County (PCFAWC) Capital and Construction Account.

We believe what makes any relationship work is the people and the synergy that can be established between them. We at Skylands, are very fortunate to have an experienced group of individuals as part of our staff that are knowledgeable, highly energized, and have established a strong reputation for their friendly personalities and willingness to go the extra mile for their customers. It is this quality of service, along with the account structure as noted below that we feel will make your experience with Skylands Community Bank a rewarding one.

Skylands Community Bank will provide the PCFAWC with an interest bearing checking account that will pay a high yield of return while enabling the PCFAWC to have total liquidity at all times. This account will receive the preferred rate on the gross balance maintained by the PCFAWC without deduction for bank float, reserve requirement or other fees.

Unlike other arrangements you might be used to, at Skylands 100% of your balance receives interest from the day of deposit and your account will receive an interest rate usually reserved for your investment account alone. Our arrangement maximizes your return while minimizing the time needed to manage transfers between accounts. Plus, your account will not be placed on analysis. Therefore, all interest earned is paid to the PCFAWC without processing expenses, service fees or investment advisory fees, being charged against those earnings.

The rate that will be paid to the PCFAWC will be the equivalent of the Targeted Fed Funds Rate and will be based on a 365-day year. The current Targeted Fed Funds Rate is 5.25%.

Skylands will also commit to provide the PCFAWC with an ongoing free supply of checks and free online banking.

This proposal is also being faxed so to include our most recent copy of the Government Unit Protection Act notification of eligibility.

We are extremely thankful to the PCFAWC for allowing us to provide you with financial services and to bid on the Capital and Construction Account.

Sincerely,

Dan E. Marcmann

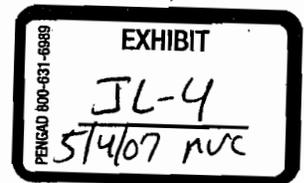
Enclosure

# **EXHIBIT**

**K**

**PROPOSAL FOR THE  
POLLUTION CONTROL FINANCING AUTHORITY OF  
WARREN COUNTY**

**NOVEMBER 27, 2006**



# TeamCapitalBank

November 20, 2006

Mr. Jeff Long, Comptroller  
Pollution Control Financing Authority of Warren County  
500 Mt. Pisgah Avenue, PO Box 587  
Oxford, NJ 07863

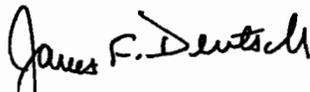
Dear Mr. Long:

Welcome to Team Capital Bank. Our bank, while recently established, was formed by experienced bankers who firmly believe that community banking provides a better banking solution for the majority of bank customers. Our company is locally owned, locally managed and locally directed by a Board of successful businessmen and women who have deep ties to the communities that they serve.

I invite you to take a close look at the people, products and delivery systems that we offer and to join the many satisfied customers who have made Team Capital the fastest growing bank in the region. All of our Team members look forward to providing you with outstanding banking solutions to your everyday banking problems. Thank you for allowing us to work with you on this exciting opportunity.

Team Capital Bank  
*Different Better*

Sincerely,



James F. Deutsch  
President & CEO

## PROPOSAL

Pollution Control Financing Authority  
Of Warren County  
November 27, 2006

Team Capital Bank is pleased to have the opportunity to present a proposal for Banking Services for the Pollution Control Financing Authority of Warren County. This proposal is based on the request sent to Team Capital Bank for a "Capital & Construction Account."

The following products and services will be applicable to the banking relationship held with Team Capital Bank:

1. The primary account for the Capital & Construction Account will be managed in a fee-free, interest bearing account. No compensating balances will be required. Interest will be paid on all balances at a variable rate indexed at the Target Fed Funds minus .15%. As of November 22, 2006, current Target Fed Funds rate is 5.25%. Monthly activity statements will be mailed by Team Capital Bank to the Pollution Control Financing Authority no later than the 10<sup>th</sup> of each month. Monthly statements will include imaged copies of all checks presented for payment. Legal copies of individual checks presented can be requested by the Pollution Control Financing Authority at no charge. Federal Check 21 legislation allows for the bank of first deposit to present electronically produced images of checks for payment. In these instances, truncated items will appear on the Authority's statement.
2. Twenty-four hour on-line banking services will be available to Pollution Control Authority at no charge. This system is a multi-user system with the ability to set-up individual user access based on the Pollution Authority's approval specifications. Time restrictions may be set by Pollution Control Financing Authority through Team Capital Bank's security agreement. Hours of availability to access the on-line services will be at the discretion of the Pollution Authority and may be individualized to regulate access by activity and/or account. This security feature includes account and statement viewing; balance transfers; stop payments; ACH activity, both origination of debits and credits, either by transaction of file; wire transfers and on-line bill payments.
3. Checking Account activity can be monitored through Team Capital Bank's Positive Pay product, as directed by Pollution Control Financing Authority, at no charge.

4. Investment products, including Savings, Money Markets and Certificates of Deposit will be available to Pollution Control Financing Authority for use should the need arise.
  
5. Team Capital Bank will provide the following miscellaneous services at no cost to Pollution Control Financing Authority:
  - Check printing costs for all Checking and Money Market products held at Team Capital Bank
  - Deposit tickets for all Team Capital Bank accounts
  - Endorsement stamps for individual deposit products
  - Postage Paid envelopes will be provided to the Pollution Control Financing Authority to be used for all subsequent deposits
  - Stop payments will be processed by Team Capital Bank at the direction of Pollution Control Financing Authority of Warren County.
  - Wire Transfers, both incoming and outgoing, can be initiated through either the on-line banking system or at any branch location. Wire confirmations for incoming wires will be transmitted to Pollution Control Financing Authority free of charge either by fax or email, at the direction of the Pollution Authority. ACH notifications for credits to the Pollution Authority account will be transmitted free of charge through Team Capital Bank's on-line banking system. Information contained will be amount, source and description as provided with the transfer.
  - Account reconciliation reports are available to the Pollution Control Financing Authority on a monthly basis. The Pollution Authority would be required to provide the bank with the monthly listing of checks issued. Team Capital Bank's reconciliation report matches issued items to paid items and reports on all outstanding entries.
  
6. The Pollution Control Financing Authority will be enrolled in the Bank's "Team to Team Premium Banking Program" which enables all employees of the Pollution Control Financing Authority to participate in our Premium employee banking program. Employees of the Pollution Authority will be given the opportunity to have interest bearing checking products at no service charge and no minimum balance; free first order of checks; discounts on consumer loan products; discounted mortgage application fees; premium investment rates and No-fee ATM cards (with unlimited refunds of third party fees). All employees of Pollution Control Financing Authority will have access to the Personal Banking Representatives at any Team Capital Bank location.

Proposal  
Pollution Control Financing Authority  
November 27, 2006

Team Capital Bank was formed by a group of prominent business leaders in Pennsylvania and New Jersey in 2005. The bank recognizes that every customer whether individual, business or government, has unique needs and has developed customized banking solutions to meet these needs. Team Capital Bank is fully qualified as a public depository pursuant to the State of New Jersey's Governmental Unit Deposit Protection Act. Enclosed you will find a copy of our current GUDPA certificate. The Bank's greatest competitive advantage is our ability to provide the Pollution Control Financing Authority and employees with a Personal Banking Team housed in our Phillipsburg office. Your relationship will be managed by the following Team members:

Margaret Butler, Vice President	908-235-4704 <i>office</i>	908-619-3867 <i>cell</i>
Debbie Minnick, Vice President	908-235-4703 <i>office</i>	908-763-3752 <i>cell</i>
NancyAnn Post, Vice President	908-235-4702 <i>office</i>	908-763-3152 <i>cell</i>

In addition, the Phillipsburg office has the full support of the Bethlehem Township, PA community office and it's Regional Vice President, June Webre (610-297-4015) and the Flemington, NJ Community office and the New Jersey President, Steve Emr (908-905-0130). The Bank is directed by a team of local business individuals that can react to the specific needs of the communities we serve. All decisions are made by the local boards and employees. Team Capital Bank actively supports the organizations within our communities. Our team of employees and directors are highly involved in the communities we serve and are encouraged to participate in the many organizations that assist the businesses, residents and agencies in those specific areas. All commercial banking institutions will offer competitive products, services, rates and fees. Team Capital Bank distinguishes itself apart from our competitors by providing the value-added benefit of a committed, professional team of bankers that are dedicated to bringing Community Banking back to Warren County.

Team Capital Bank welcomes the opportunity to bid on the Pollution Control Financing Authority banking services and is open to further discuss any questions or concerns this proposal covers. Team Capital Bank has a wide array of products and services that can be made available to the Pollution Control Financing Authority as future needs arise. We look forward to working with you in the future and partnering with the Pollution Control Financing Authority to meet the financial challenges and successes the Authority will encounter in the future.

# **EXHIBIT**

**L**

**Detail for Nicol Accenturo: 908-303-1**

**REDACTED**

**Voice, continued**

Date	Time	Number	Rate	Usage Type	Origination	Destination	Min.	Airtime Charges	Long Dist/ Other Chgs	Total
11/29	2:33P	973-729-0	Peak	PlanAllow	Stroudsb/B NJ	Lakemhawk NJ	2	---	---	---
11/29	2:36P	908-619-2	Peak	PlanAllow	Stroudsb/B NJ	Washington NJ	4	---	---	---
11/29	2:41P	973-383-3	Peak	PlanAllow	Stroudsb/B NJ	Incoming CL	2	---	---	---
11/29	3:12P	908-507-8	Peak	IN Allow	Stroudsb/B NJ	Somerville NJ	1	---	---	---
11/29	3:12P	908-310-5	Peak	CallWait,IN Allow	Stroudsb/B NJ	Incoming CL	2	---	---	---
11/29	3:23P	908-852-5	Peak	PlanAllow	Stroudsb/B NJ	Hackettstn NJ	1	---	---	---
11/29	3:25P	908-303-2	Peak	IN Allow	Stroudsb/B NJ	Hampton NJ	1	---	---	---
11/29	3:26P	908-859-3	Peak	PlanAllow	Stroudsb/B NJ	Phillipsbg NJ	1	---	---	---
11/29	3:52P	908-852-5	Peak	PlanAllow	Stroudsb/B NJ	Incoming CL	3	---	---	---
11/29	4:58P	908-453-3	Peak	PlanAllow	Stroudsb/B NJ	Oxford NJ	1	---	---	---
11/29	5:04P	908-475-2	Peak	PlanAllow	Stroudsb/B NJ	Belvidere NJ	1	---	---	---
11/29	5:24P	908-303-6	Peak	IN Allow	Stroudsb/B NJ	Incoming CL	3	---	---	---
11/29	5:59P	908-453-3	Peak	PlanAllow	Stroudsb/B NJ	Oxford NJ	1	---	---	---
11/29	6:45P	908-453-3	Peak	PlanAllow	Stroudsb/B NJ	Oxford NJ	1	---	---	---
11/29	7:31P	908-283-3	Peak	PlanAllow	Stroudsb/B NJ	Washington NJ	1	---	---	---
11/29	7:32P	908-283-3	Peak	PlanAllow	Stroudsb/B NJ	Incoming CL	2	---	---	---
11/29	8:52P	908-310-5	Peak	IN Allow	Stroudsb/B NJ	Hampton NJ	4	---	---	---
11/30	9:10A	908-482-9	Peak	PlanAllow	Stroudsb/B PA	Incoming CL	9	---	---	---
11/30	9:52A	908-892-1	Peak	IN Allow	MT Pocon/B PA	Incoming CL	1	---	---	---
11/30	9:53A	908-892-1	Peak	IN Allow	MT Pocon/B PA	Clinton NJ	2	---	---	---
11/30	9:53A	908-906-3	Peak	CallWait,PlanAllow	MT Pocon/B PA	Incoming CL	1	---	---	---
11/30	9:54A	908-892-1	Peak	* IN Allow	MT Pocon/B PA	Clinton NJ	4	---	---	---
11/30	9:55A	908-892-1	Peak	CallWait,IN Allow	MT Pocon/B PA	Incoming CL	3	---	---	---
11/30	9:57A	908-892-1	Peak	* IN Allow	MT Pocon/B PA	Clinton NJ	1	---	---	---
11/30	10:18A	Unavailable	Peak	PlanAllow	MT Pocon/B PA	Incoming CL	3	---	---	---
11/30	10:42A	Unavailable	Peak	PlanAllow	MT Pocon/B PA	Incoming CL	2	---	---	---
11/30	11:13A	908-475-2	Peak	PlanAllow	MT Pocon/B PA	Belvidere NJ	3	---	---	---
11/30	11:45A	570-894-5	Peak	PlanAllow	Kresgevl/B PA	MT Pocono PA	1	---	---	---
11/30	1:27P	570-730-3	Peak	PlanAllow	MT Pocon/B PA	Incoming CL	1	---	---	---
11/30	1:49P	908-852-5	Peak	PlanAllow	Stroudsb/B NJ	Hackettstn NJ	14	---	---	---
11/30	3:06P	908-283-8	Peak	PlanAllow	Stroudsb/B NJ	Incoming CL	1	---	---	---
11/30	5:25P	908-453-3	Peak	PlanAllow	Phillips/B NJ	Incoming CL	1	---	---	---
11/30	5:35P	908-453-3	Peak	PlanAllow	Phillips/B NJ	Incoming CL	1	---	---	---
11/30	5:46P	732-558-7	Peak	PlanAllow	Stroudsb/B NJ	Incoming CL	10	---	---	---
11/30	6:00P	908-507-8	Peak	IN Allow	Stroudsb/B NJ	Incoming CL	2	---	---	---
11/30	6:32P	908-303-6	Peak	IN Allow	Stroudsb/B NJ	Hampton NJ	1	---	---	---
11/30	6:33P	908-453-2	Peak	PlanAllow	Stroudsb/B NJ	Oxford NJ	1	---	---	---
11/30	6:34P	908-303-6	Peak	IN Allow	Stroudsb/B NJ	Hampton NJ	1	---	---	---
11/30	6:52P	908-689-0	Peak	PlanAllow	Stroudsb/B NJ	Washington NJ	1	---	---	---
11/30	6:53P	908-689-0	Peak	PlanAllow	Stroudsb/B NJ	Washington NJ	2	---	---	---
11/30	7:17P	908-303-2	Peak	IN Allow	Stroudsb/B NJ	Incoming CL	1	---	---	---
11/30	8:20P	908-283-3	Peak	PlanAllow	Stroudsb/B NJ	Incoming CL	1	---	---	---
12/01	8:58A	908-447-8	Peak	IN Allow	Stroudsb/B NJ	Cranford NJ	2	---	---	---
12/01	9:22A	908-453-3	Peak	PlanAllow	Stroudsb/B PA	Oxford NJ	3	---	---	---
12/01	9:31A	610-480-8	Peak	PlanAllow	MT Pocon/B PA	Phila PA	2	---	---	---

**REDACTED**



Nov. 30<sup>th</sup>

11:30

Minute

9:10	908- <del>892</del> -4	482-9	Bob DeElba	I	
9:52	908-892-101		Bob Smith	I	
9:53	908 892 - 101		Bob Smith	O	
9:53	908-906-38		Sister in Law	I	
9:54	908 892 - 11		Bob Smith	O	
9:55	908 892 - 11		Bob Smith	I	
9:57	908 892 - 11		Bob Smith	O	
10:18	Unavailable			I	3
10:42	Unavailable			I	2
11:13	908-475-2		Joe Albanese	Ⓢ	
11:45	570-894-5				



# **EXHIBIT**

**M**

# FIRST HOPE BANK

*World-class service, close to home*

Jeff Long  
Chief Financial Officer  
Pollution Control Financing  
Authority of Warren County  
500 Mt. Pisgah Avenue  
P.O. Box 587  
Oxford, NJ 07863-0587

Request for Proposal

Dear Mr. Long:

1/1

First Hope Bank will provide Pollution Control Financing Authority of Warren County a 5.30% APY for a Certificate of Deposit with a 6 month term via our CDARS program on funds in the account with fluctuating balances between \$2,000,000 and \$4,000,000.

Sincerely,

Stephen P. Lefurge  
Controller  
First Hope Bank  
908-459-4121 Ext. 4189  
Fax: 908-459-9053  
Email: [lelufurge@firsthope.com](mailto:lelufurge@firsthope.com)

PENGAD 800-631-6988  
EXHIBIT  
JL-6  
5/4/07 MVC

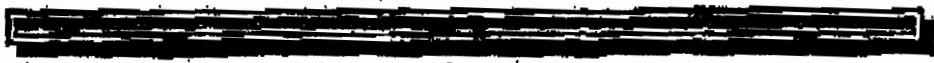
# **EXHIBIT**

**N**

Dec. 28. 2006 7:17AM

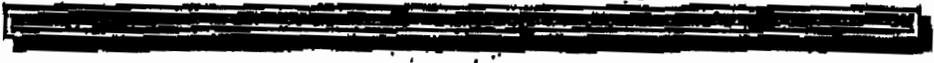
No. 4281 P. 3

# FAX TRANSMITTAL



To: Jeff Long - CFO  
Company: Pollution Control Financing  
Phone: 908 453 2174  
Fax: 908 453 4241

EXHIBIT  
JL-7 Front  
5/4/07 MVC  
PEUGAD 800-631-6888



## FIRST HOPE BANK

World-class service, close to home

PO Box 296  
1301 Hope-Bridgeville Road  
Hope, NJ 07844-0296

From: Steve LeFurge, Controller

Phone: (908) 459-4121 x 4189  
Fax: (908) 459-9053  
Date: 11/29/06  
Pages: 2  
Exclusive of this cover page

Subject: RFP- Capital & Construction Account.

### Comments:

Mr. Long,

Please see following proposal from First Hope Bank

### Reply:

URGENT

ASAP

No reply necessary

If this transmission is unclear, for re-transmission, please call the number above. The information contained in this facsimile message is privileged and confidential, intended only for the use of the individual or entity named above or their designee. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, or copy of this communication is strictly prohibited. If you have received this fax in error, please immediately notify us by phone and return the original message to us at the above address. Thank you.



JAN 3 2007 10:47AM

No. 4324 P. 2

POLLUTION CONTROL  
FINANCING AUTHORITY  
OF WARREN COUNTY

06 NOV 30 A9 55

RECEIVED

PENGAD 800-831-6989  
EXHIBIT  
JL-7 Back  
5/04/07 MUC

# **EXHIBIT**

**0**



**Certificate of Deposit Account Registry Service<sup>®</sup>  
CDARS<sup>®</sup>**

**Customer Request for Account Placement\***

Account Title: Pollution Control Financing Authority of Warren County	
Contact (for non-personal accounts): Jeffrey Long, CFO	
Customer Class: <input type="checkbox"/> Individual, including Joint <input type="checkbox"/> Estate/Trust <input type="checkbox"/> Corporation/LLC <input type="checkbox"/> Savings Bank/Federal CU <input type="checkbox"/> Non-Profit Institution <input type="checkbox"/> Partnership/LLP <input type="checkbox"/> Sole Proprietorship/Single Professional <input type="checkbox"/> Other Bank <input type="checkbox"/> Clubs and Associations <input checked="" type="checkbox"/> Domestic Government <input type="checkbox"/> School District	
Street Address: 500 Mt Pigsah Ave	
City / State / Zip: Oxford, NJ 07863	
Telephone Number: 908-453-2174 x 224	U.S. Citizen: Yes No If No, country of citizenship _____
Tax ID Number(s): 22-2604318	Type: <input type="checkbox"/> SSN <input checked="" type="checkbox"/> TIN <input type="checkbox"/> Non-Resident SSN <input type="checkbox"/> Non-Resident without TIN
Source of Funds: <input type="checkbox"/> Available funds <input checked="" type="checkbox"/> Wire <input type="checkbox"/> Reinvestment of Principal / Interest <input type="checkbox"/> Other _____	
Account to be Used: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Money Market <input type="checkbox"/> Savings Account # _____ 836958 _____ <input type="checkbox"/> Other	

**Order Information:**

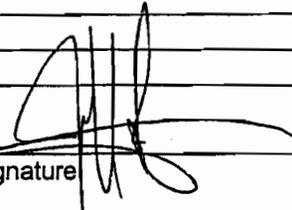
One-Way? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	IRA? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Amount \$ 1,000,000 <sup>00</sup>
Date to be placed: 12/06/06	Annual Interest Rate: 5.16 % ( 5.30% APY)	
Term**	<input type="checkbox"/> 4 Weeks	<input type="checkbox"/> 13 Weeks
	<input checked="" type="checkbox"/> 26 Weeks	<input type="checkbox"/> 52 Weeks
	<input type="checkbox"/> 2 Years (104 weeks)	<input type="checkbox"/> 3 Years (156 weeks)
Interest Payment Frequency:	<input type="checkbox"/> Month End	<input type="checkbox"/> Quarter End
	<input type="checkbox"/> Semiannual	<input type="checkbox"/> Year End
	<input checked="" type="checkbox"/> At Maturity	
Interest Paid via:	<input type="checkbox"/> Check	<input type="checkbox"/> Transfer
	Account #:	
Reinvest? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Amount? <input type="checkbox"/> Principal <input type="checkbox"/> Principal & Interest <input type="checkbox"/> Other	

**Additional Information:**

\*Funds may be submitted for placement only after entering into a Deposit Placement Agreement with us. \*\*Early withdrawal penalties will be imposed by the that issued the CD and are as follows: 4 Weeks, 28 Days of simple interest; 13 Weeks, 90 Days of simple interest; 26 Weeks, 90 Days of simple interest; 180 Days of simple interest; 2 years, 360 days of simple interest; 3 years, 540 days of simple interest. An early withdrawal penalty may invade principal. No j be charged for early withdrawal of a CD upon the death of the sole owner. \*\*\*CDs are issued and mature on **Thursdays each week**. If Thursday is a holiday, move to Friday.

**Customer Exclusions:**

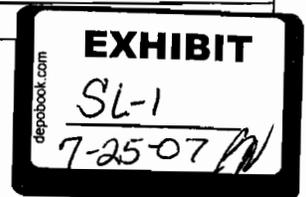
Bank:	TRN:	City, State:

Signature 

Date 12/06

Signature

Date



# CDARS Deposit Placement Agreement

You, the undersigned, and  
First Hope Bank

(referred to in this agreement as "we" and "us") are entering into this agreement to set forth the terms and conditions under which we will assist you from time to time in placing your funds in time deposits with depository institutions (each an "Insured Institution") whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). Through an arrangement with Promontory Interfinancial Network, LLC ("Network"), we will endeavor to place your funds in time deposits ("CDs") issued by Insured Institutions through the Network's Certificate of Deposit Account Registry Service®, or CDARS®, in principal amounts that, when aggregated with interest to accrue over the term of the CD, will not exceed the \$100,000 FDIC insurance limit for deposits of one depositor at one Insured Institution, or such other insurance limit as Congress and the FDIC may establish. We will also act as your custodian with respect to your CDs pursuant to the custodial agreement that we have separately entered into with you ("Custodial Agreement"). The terms of our custodial relationship with you are set forth in the Custodial Agreement. Funds held in an account with us pending placement through CDARS or resulting from payments on CDs are subject to the FDIC insurance limits applicable to your deposits with us.

CDARS includes a proprietary process owned by the Network that allocates orders submitted by member financial institutions on behalf of their depositors on dates specified by the Network. On each "Order Date" member Institutions submit orders requesting the Network to (i) place funds for their depositors with Insured Institutions that are willing to accept deposits through CDARS or (ii) if the member institution is an Insured Institution, receive funds so placed by other member institutions. On the "Order Allocation Date" the Network allocates orders submitted on the Order Date. CDARS offers different types of transactions through which we may place your funds with such Insured Institutions. In a "CDARS Reciprocal Transaction," we receive through CDARS funds for deposit in an amount equal to the amount of your funds that we have placed through CDARS with respect to the corresponding Order Date, but we do not receive a fee. In a "CDARS One-Way Transaction," we do not receive funds for deposit through CDARS, but we receive a fee from one or more Insured Institutions that received deposits through CDARS with respect to the corresponding Order Date. Funds that we submit for placement for you through a CDARS transaction may be placed at an Insured Institution without regard to whether the Insured Institution is participating in CDARS on that Order Date through a CDARS Reciprocal Transaction or through a CDARS One-Way Transaction or otherwise. We will place your funds through a CDARS Reciprocal Transaction unless we notify you that we will place your funds through a CDARS One-Way Transaction and you agree to our doing so.

This agreement sets forth important information about the placement process. By signing this agreement you agree to be bound by its terms each time that you submit funds to us for placement. Please read it carefully. Some of the features of the CDs and the placement process are:

When we place your funds, you will be issued CDs by Insured Institutions that have entered into agreements with the Network.

- We will act as your custodian with respect to those CDs.
- The CDs issued to you by Insured Institutions will have the interest rates and annual percentage yields ("APY") you have agreed to with us.
- You will not be charged a fee in connection with CD placements.
- You may select the maturities and payment terms of your CDs from those that are available through CDARS at the time that you submit your funds for placement.
- You may designate any Insured Institution as ineligible to receive your funds.
- Early withdrawal of any CD you purchase may be available, but may be subject to substantial penalties.

## Section 1. Your Relationship With Us

### (a) Agency and Custodial Relationship

We have entered into a contract with the Network pursuant to which we will endeavor to place your funds at other Insured Institutions that have also entered into contracts with the Network. Pursuant to our contract with the Network, we will adhere to the Network's policies and procedures in placing your funds.

We will act as your agent in connection with the placement of your funds in CDs. On certain Order Dates, we may have the opportunity to place your funds through either a CDARS Reciprocal Transaction or a CDARS One-Way Transaction. Although we will act as your agent in connection with the placement of your funds, we are

not acting as your investment adviser and have no obligation to advise you of alternative investments available through CDARS or otherwise. Further, we make no representations with respect to the interest rates on deposits available on an Order Date through us or through CDARS, and we may receive greater benefits when we place your funds through one type of CDARS transaction than when we do so through another type of CDARS transaction or than we would if you instructed us to make a deposit other than through a CDARS transaction.

We will act as your custodian with respect to your CDs acquired through CDARS. We have entered into an agreement with The Bank of New York to act as our sub-custodian with respect to the CDs for which we are acting as your custodian. No physical certificates evidencing the CDs will be issued. Each CD for which we act as your custodian will be recorded on the records of the Insured Institution that issues the CD in the name of our sub-custodian, will be recorded on the records of the sub-custodian in our name, and will be recorded on our records in your name, all in a manner that will permit FDIC deposit insurance to "pass through" to you as the beneficial owner of the CD. You will receive from us a written confirmation of the issuance of your CDs and periodic account statements that will reflect your ownership of your CDs. The confirmation of CD issuance and the account statement(s) will be the only evidence that you will receive of your ownership of the CDs. You should retain the confirmation and the account statement(s) for your records.

While we are acting as your custodian, (i) all payments with respect to the CDs by the Insured Institutions that issue the CDs will be made to us, and we will credit the funds to an account or accounts you maintain with us or disburse the funds pursuant to your instructions, and (ii) you can enforce your rights in the CDs through us. You may not transfer the CDs directly to another custodian. At your election, you may dismiss us as custodian, and your ownership of a CD may be recorded in your name on the books of the Insured Institution that issued the CD. If you choose to have the CD maintained in your name on the books of the Insured Institution that issued the CD, you will be able to enforce your rights in the CD directly against that Insured Institution.

### (b) Fees

You will not pay a fee in connection with your placement of funds. If we place your funds through a CDARS Reciprocal Transaction, we will pay a fee to the Network for using the CDARS order allocation services and certain other services. If we place your funds through a CDARS One-Way Transaction, we and the Network will receive a fee from one or more Insured Institutions receiving deposits through CDARS in respect of that Order Date. We may, in our discretion, waive some or all of our fee, and the Network may, in its discretion, waive some or all of its fee. We and the Network may receive different fees from different Insured Institutions. The Network may offer us and our employees non-cash incentives in connection with our placement of funds through CDARS.

If you have been referred to us by a registered broker-dealer to place your funds through CDARS, we may pay a fee to that registered broker-dealer.

### (c) Limits on Placements

Although we, through our arrangement with the Network, will endeavor to place your funds, on a particular Order Allocation Date the Network may not be able to allocate orders in a way that results in the placement of some or any of your funds. If any of your funds cannot be placed, the unplaced funds will be returned to you. You may ask us to resubmit unplaced funds for placement through CDARS on another day on which the Network performs its allocation service.

### (d) Each CD Will Be an Obligation of the Issuer

Each CD will be a deposit obligation of the Insured Institution that issued the CD. Each CD will constitute a direct obligation of the Insured Institution that issued it and will not be, either directly or indirectly, our obligation or an obligation of the Network. Your CD will not be issued until the issuing Insured Institution receives and accepts your funds.

### (e) APY

If you are not a "consumer" for purposes of the Truth-in-Savings Act ("TSA"), or if our communication with you in connection with your placement of funds through CDARS is not an "advertisement" for purposes of TSA, we are not obligated to provide you with an APY on your CDs.

### (f) Mutual Institution Voting and Subscription Rights

If a CD is issued to you by an Insured Institution in the mutual form of organization ("mutual institution") for funds placed for you through CDARS, you may receive through us a notice of a meeting of the depositor members of that mutual institution. Because your CD is identified on the books of the mutual institution in the name of

the sub-custodian and not in your name, you will not be entitled to attend the meeting or vote by proxy. Under agreements that we have entered into with the sub-custodian that holds your CDs in its name on your behalf, the sub-custodian will forward meeting notices to us (for delivery to you) but it will not attend the meeting or vote by proxy.

It is possible that the mutual institution also may send notice of its intention to convert to a stock institution, and provide for priority, non-transferable subscription rights for depositor members of the mutual institution to purchase stock in the conversion. Because of the nature of our agreement with the sub-custodian, your CD will be identified on the books of the mutual institution in the name of the sub-custodian, and not in your name, and thus, you will not be entitled to exercise any subscription right to purchase the stock, or to vote on the conversion. The sub-custodian, which will own the subscription right, also will not purchase any stock in the conversion.

Accordingly, if you wish to receive meeting notices directly, attend meetings and vote (to convert from the mutual to stock form of ownership, form a mutual holding company or otherwise) with respect to a CD you have acquired from a mutual institution through CDARS, or wish to receive subscription rights in the event the mutual institution converts from mutual to stock form, you will have to dismiss us as custodian prior to the applicable record date (a date usually at least a year in advance from the date the mutual institution's board of directors adopts a plan of conversion) and have your ownership of the CD recorded in your name directly on the books of the mutual institution that issued the CD.

## **Section 2. The Network**

### **(a) General**

The Network is not your agent and is responsible solely to us for performing the services for which we have retained it. The Network uses the proprietary process included in CDARS to allocate orders submitted on a specified Order Date by Insured Institutions to other Insured Institutions that are willing to accept deposits through CDARS.

On an Order Allocation Date, the Network uses the CDARS allocation process to propose placements of funds with Insured Institutions wishing to receive funds, subject to your approval as set forth in the procedures set forth in Section 3 of this agreement ("Placement Procedures"). CDs for funds placed through CDARS will be issued to you on the business day immediately following the Order Allocation Date (the "Settlement Date"). A "business day" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York are authorized or required by law or regulation to close.

### **(b) CDARS Reciprocal Transaction**

When we notify the Network that we wish to submit your funds for placement through a CDARS Reciprocal Transaction on an Order Date, we will agree to accept for deposit an equal or greater amount of deposits through CDARS. On the Settlement Date, CDs will be issued to you and we will accept deposits placed by other member institutions.

Your funds may be placed at Insured Institutions that are submitting funds for placement through a CDARS Reciprocal Transaction or at Insured Institutions that have requested deposits through CDARS with respect to the same Order Date. The Network, in addition to fees payable to it, may realize profits or incur losses in connection with the placement of your funds at one or more of those Insured Institutions on the terms you have agreed to with us.

When your funds are placed through a CDARS Reciprocal Transaction, we may make or receive payments based upon the difference between the interest rate we have agreed upon with you for your CDs and the interest rate we pay on CDs that we issue to customers of other Insured Institutions. These payments will be calculated pursuant to a formula that uses the projected volume-weighted average interest rate for deposits placed through CDARS Reciprocal Transactions on the same day your funds are placed. These payments are intended to provide us with the same interest cost on the CDs we issue to depositors of other Insured Institutions through a CDARS Reciprocal Transaction as we would have incurred had we issued the CDs directly to you.

Any profits or losses realized by the Network and any payments made or received by us will not change the terms we have agreed with you for your CDs.

### **(c) CDARS One-Way Transaction**

On any Order Date, the Network may receive commitments from Insured Institutions wishing to receive funds through a CDARS One-Way Transaction. Based on these commitments, the Network communicates to us the maximum amount of funds that can be submitted for placement through CDARS One-Way Transactions in each CD maturity on that Order Date.

If we place your funds through a CDARS One-Way Transaction, we will not receive deposits on the Settlement Date, and we will not make or receive payments

as described under "CDARS Reciprocal Transactions" above. Your funds may be placed at Insured Institutions that are submitting funds for placement through CDARS Reciprocal Transactions or that have requested funds for deposit on that Order Date. As set forth above, we and the Network each will receive a fee when we place your funds through a CDARS One-Way Transaction, and we or the Network may waive all or part of this fee. Any fees received by us or the Network will not change the terms we have agreed to with you for your CDs.

## **Section 3. Placement Procedures**

### **(a) Order Dates and Terms of CDs**

Each time you notify us that you wish to place funds through CDARS, we will inform you of (i) the available Order Dates, (ii) the CD maturities and payment terms available on each Order Date, (iii) whether early withdrawal of the CDs is available and whether any penalties (and processing fees, if applicable) will be imposed on you for early withdrawal, (iv) any limits with respect to placing funds and (v) whether we intend to submit the funds for placement through a CDARS One-Way Transaction. The terms and conditions available for CDs may change from time to time. Each CD issued by an Insured Institution will have a principal amount that, when aggregated with interest to accrue during the term of the CD, will not exceed the FDIC insurance limit. You may obtain information about the terms of the CDs made available through CDARS on an Order Date at [www.CDARS.com/products](http://www.CDARS.com/products).

The interest rates and APYs for the CDs we offer to obtain for you through CDARS will be agreed upon by you and us. For placements through CDARS Reciprocal Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY we are willing to pay on comparable deposits that we accept on the same day CDs are issued to you. For placements through CDARS One-Way Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY that Insured Institutions requesting funds through CDARS One-Way Transactions for that Order Date are willing to pay after paying fees to the Network and us.

Interest on your CDs will compound daily. Payment options may vary based on the maturity of the CD. You may have the option with some CDs to choose between monthly payments of interest and payment of interest at maturity or other available interest payment terms. In addition, depending on the terms and conditions of a particular CD, you may be able to change the payment terms of the CD during the term of the CD. If you choose to have interest paid to you during the term of the CD, you may not be able to re-invest the interest you are paid at an interest rate as favorable to you as the interest rate paid on the CD.

Each CD will earn interest from the day your funds are deposited at the Insured Institution that issues the CD up to, but not including, the day your CD matures. If the date on which a payment with respect to a CD is due is not a business day, that payment will be made on the next business day.

### **(b) Presumption of CDARS Reciprocal Transaction**

We will submit your funds for placement through a CDARS Reciprocal Transaction unless we inform you that we will place your funds through a CDARS One-Way Transaction and you agree to our doing so. If we submit your funds for placement through a CDARS One-Way Transaction and the Network is not able to allocate our order, we may resubmit an order for your funds on that Order Date through a CDARS Reciprocal Transaction, unless you instruct us not to do so at the time you request that we submit your funds. If we so resubmit your funds through a CDARS Reciprocal Transaction, the CDs issued to you will have the same terms as the CDs that would have been issued to you through the CDARS One-Way Transaction.

If you are a public funds depositor or a non-profit institution submitting funds for placement and wish your funds to be placed only through CDARS Reciprocal Transactions, please inform us by checking the box at the end of this agreement.

### **(c) List of Insured Institutions**

Each time you notify us that you desire to place funds through CDARS, you may obtain from us a list of Insured Institutions at which your funds may be placed. Not all of these Insured Institutions may be available to issue CDs with respect to an Order Date, and, before the list is provided to you, we may have designated some Insured Institutions as ineligible to receive funds from our depositors. You should review the list provided to you and inform us of the name(s) of any Insured Institution(s) at which you do not want to make a deposit, for any reason. At your option, you may also provide us with the names of Insured Institutions not then on the list at which you do not want to make a deposit. Once you have informed us of the name of an Insured Institution at which you do not want to make a deposit, your funds – whether submitted for placement through CDARS at the time you sign this agreement or in the future – will not be placed at that Insured Institution until you notify us in writing that funds may be placed in the Insured Institution. (For your convenience, at the time you sign this agreement you may indicate to us on Schedule 1 the names of Insured Institutions at which you do not want to make a deposit.) Upon

your request, we will obtain from the Network the list it maintains of Insured Institutions at which you do not wish to make a deposit. As set forth below, you are responsible for monitoring your deposits at each Insured Institution for purposes of FDIC insurance coverage.

**(d) Request for Placement of Funds**

When you request that we place your funds through CDARS, we will submit to the Network a request for placement of your funds ("Order"), including the type of CDARS transaction through which we are submitting the funds, the Order Date, the amount of funds to be placed and the terms (including interest rate and APY) of the CDs you are seeking. The Order will be in a form established by the Network. In order for us to submit an Order, you must provide us with all information required by the Network no later than the time specified in paragraph 1 of Schedule 2.

**(e) Approval of Proposed Placements**

We will not know the name(s) of Insured Institution(s) at which your funds will be placed at the time we submit an Order for your funds. On each Order Allocation Date for which we submitted an Order for your funds, we will make available to you a list of the names of Insured Institutions at which your funds are proposed to be placed, the proposed deposit amount at each Insured Institution and the names of proposed alternate Insured Institutions at which your funds may be placed. You may obtain that list from us on the Order Allocation Date at or after the time specified in paragraph 3 of Schedule 2, and, at any time prior to the time specified in paragraph 4 of Schedule 2, you may notify us of the name or names of any of the proposed or proposed alternate Insured Institutions at which you do not want to make a deposit. Although you may direct us not to place funds at a proposed or alternate proposed Insured Institution, you cannot direct us to place funds at a specific Insured Institution or specify the amount to be placed at any Insured Institution.

If you eliminate one or more of the proposed or proposed alternate Insured Institutions from the list, or if one or more of them becomes unavailable for placement for any reason, your funds will be placed at the Insured Institutions that were not eliminated. If a sufficient number of proposed and proposed alternate Insured Institutions are eliminated or become unavailable so that not all of your funds can be placed, only as much of your funds will be placed as can be accommodated at the remaining Insured Institutions in CDs with principal amounts that, when aggregated with interest to accrue during the term of the CD, will not exceed the FDIC insurance limit. Your remaining funds will not be allocated on the Order Allocation Date. In such case, we will inform you of the amount of your funds that will not be placed and you may request that we resubmit an Order for your unplaced funds on another Order Date by repeating the procedure outlined above.

If in connection with any placement of your funds through CDARS, you eliminate a proposed or proposed alternate Insured Institution in accordance with the above procedures, funds that you subsequently submit for placement through CDARS will not be placed in those Insured Institutions until you notify us otherwise in writing.

**(f) Your Consent to Placement**

Your funds will not be placed unless you have consented to their placement. You will be deemed to have consented to the placement of your funds at the proposed or proposed alternate Insured Institutions as of the time specified in paragraph 4 of Schedule 2 if by that time you:

- (i) communicate your approval to us;
- (ii) do not request the list of proposed and proposed alternate Insured Institutions from us;
- (iii) request the list of proposed and proposed alternate Insured Institutions from us, but do not respond to the proposed list; or
- (iv) respond to the list of proposed and proposed alternate Insured Institutions by eliminating one or more of the Insured Institutions, in which case you will be deemed to have consented to the placement of your funds at those Insured Institutions that you have not eliminated.

**(g) Time by Which We Must Have Your Funds; Settlement of Transactions**

Unless we have made other arrangements, each time that you agree to a placement of funds under this agreement you also agree that, by the time specified in paragraph 5 of Schedule 2, you will have in an account with us immediately available funds, which under applicable law are irreversible and are not subject to any lien, claim or encumbrance, equal to the amount of funds you have informed us that you are seeking to place. On the Settlement Date, your funds will be deposited at Insured Institutions, payments to be made in connection with the placement of CDs will be made, and the CDs will be issued.

**(h) Additions and Early Withdrawal**

No additions may be made to any CD. Insured Institutions generally impose a penalty on withdrawal of a CD prior to its maturity. However, no penalty will be charged for early withdrawal upon the death of the sole account holder of a CD. Written verification acceptable to the Insured Institution that issued the CD may be required in

such an event. We will inform you of the early withdrawal penalty applicable to your CDs when you submit funds for placement.

Pursuant to the Internal Revenue Code of 1986, as amended, the beneficiary of an Individual Retirement Account ("IRA") (but not a Roth IRA) may incur a penalty if the beneficiary does not begin making withdrawals from the IRA after age 70-1/2. A CD held in an IRA is not eligible for early withdrawal without penalty simply because the beneficiary must withdraw the CD to avoid a tax penalty.

Early withdrawal of a CD may be made only in whole, not in part. You may request early withdrawal by contacting us, at which time you may specify which of your CDs you would like us to withdraw. If you choose not to specify which of your CDs to withdraw, early withdrawals will be made in accordance with Network procedures. In general, early withdrawal proceeds will be available to you two business days after we receive your early withdrawal request.

Neither we nor the Network will advance funds in connection with early withdrawals, and early withdrawal proceeds will not be available to you until they are paid to us by the Insured Institution that issued the CD being withdrawn.

**(i) No Automatic Renewal or Rollover**

The CDs will mature on the date shown on the confirmation of CD issuance. Upon maturity, the principal amount of, and unpaid accrued interest on, the CD will be paid to you. The CDs will not be automatically renewed or rolled over, and interest on the CDs will not continue to accrue after the maturity date. If upon maturity you wish to re-deposit your funds in CDs through CDARS, you must instruct us to re-submit the funds as a new placement or you must take advantage of our preauthorized re-submission process.

**(j) Preauthorized Re-submission**

At the time you submit funds to us for placement through CDARS, you may request that we re-submit those funds for placement through CDARS upon the maturity of your CDs. Unless we have entered into a written arrangement with you, you must contact us before we re-submit your funds through CDARS to establish the new terms (including interest rate and APY) and the other specifics of your Order for your re-submitted funds.

**(k) No Physical Certificates**

As set forth in Section 1, no physical certificate evidencing a CD will be issued. You should not purchase a CD through CDARS if you need to take physical possession of a certificate.

**Section 4. Important Considerations**

**(a) Compare Features**

You should compare the rates of return and other features of a CD to other available deposit accounts before deciding to purchase CDs using the CDARS service. Although the CDs are issued by other Insured Institutions, the rates of interest paid on the CDs are determined by us based on (i) the interest rates and APYs we are willing to pay on deposits that we accept through CDARS on the Settlement Date (if your funds are placed by us through a CDARS Reciprocal Transaction) or (ii) the interest rate and APY that Insured Institutions that have requested funds through CDARS One-Way Transactions for that Settlement Date are willing to pay after paying fees to the Network and us (if your funds are placed by us through a CDARS One-Way Transaction). These rates may be higher or lower than the rates on CDs available through a CDARS One-Way Transaction (if we are placing your funds through a CDARS Reciprocal Transaction) or a CDARS Reciprocal Transaction (if we are placing your funds through a CDARS One-Way Transaction) or on comparable deposits available directly from us, from Insured Institutions that issue the CDs through CDARS, from other Insured Institutions, or from insured depository institutions not participating in CDARS.

**(b) Uninsured Deposits With Us**

Funds held in an account with us prior to placement through CDARS and payments of CD interest and principal that are deposited in an account with us may not be covered by FDIC insurance if, when aggregated with other deposits you maintain with us in the same capacity, the total amount of your deposits in accounts with us exceeds the FDIC insurance limit. You should discuss with us the options for holding your funds prior to placement and for having the payments on the CDs deposited with us or elsewhere.

**(c) Insolvency of an Insured Institution**

In the event an Insured Institution approaches insolvency or becomes insolvent, the Insured Institution may be placed in a regulatory conservatorship or receivership in which the FDIC is typically appointed as conservator or receiver. The FDIC may thereafter pay off the CDs issued by that Insured Institution prior to maturity or transfer the CDs to another insured depository institution. If the CDs are transferred to another institution, you may be offered a choice of retaining the CDs at a lower interest rate or having the CDs paid off. See Section 5 below, "FDIC Insurance Information."

**(d) Reinvestment Risk**

If your CD is paid prior to maturity as a result of the issuing Insured Institution's insolvency or a voluntary early withdrawal (see Section 3(h) above, "Additions and Early Withdrawal"), you may not be able to reinvest your funds at the same interest rate that you received on the original CD. Neither we nor the Network is responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

**(e) Investment Restrictions**

If you are subject to restrictions with respect to the placement of funds in depository institutions, it is your responsibility to determine whether the placement of your funds through CDARS satisfies those restrictions.

**Section 5. FDIC Insurance Information**

In general, all accounts and deposits that you maintain with an Insured Institution in the same insurable capacity (whether you are acting directly or through an intermediary) would be aggregated for purposes of the FDIC insurance limit. Insurable capacities include individual accounts, joint accounts and individual retirement accounts. Upon request, we will provide you with a copy of the FDIC brochure "Questions and Answers About Your Insured Deposit From the Federal Deposit Insurance Corporation." You may also obtain information about deposit insurance coverage by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by telephone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100), or by e-mail (dcainetmet@fdic.gov), or by visiting the FDIC website at [www.fdic.gov](http://www.fdic.gov). You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity.

The present maximum \$100,000 FDIC deposit insurance coverage applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you in the same insurable capacity at a single Insured Institution. The records maintained by the Insured Institution, us and our sub-custodian regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments in respect of CDs issued through CDARS. In addition, you could be required to provide certain documentation to the FDIC before insurance payments would be released to you.

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original principal amount plus accrued interest to the date of the closing of the relevant Insured Institution, as prescribed by law, subject to the maximum coverage limitation. No interest is earned on deposits from the time an Insured Institution is closed until insurance payments are received. We will notify you if we receive any payments from the FDIC with respect to your CDs.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on FDIC deposit insurance coverage, the healthy institution may assume your CDs under their original terms or offer you a choice between either receiving payment of the CDs or maintaining the deposits at a different rate. We will advise you of your options in the event of a deposit transfer.

As with all federally insured deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make the insurance payments available. Neither we nor the Network will be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to a CD, (ii) your receipt of a decreased interest rate on an investment replacing a CD that is repaid prior to its scheduled maturity, or (iii) payment in cash of the principal and accrued interest of a CD prior to maturity in connection with the liquidation of an Insured Institution or the assumption of all or a portion of its deposit liabilities. Also, neither we nor the Network will be obligated to advance funds to you prior to payment from the FDIC.

**Section 6. Total Amount of Your Deposits at Insured Institutions; Publicly Available Information**

Funds we submit for placement on your behalf on any Settlement Date are placed in CDs at enough different Insured Institutions to prevent the principal amount and any interest to accrue over the term of each CD placed on that Settlement Date from exceeding the \$100,000 FDIC insurance limit. It is your responsibility, however, to monitor the total amount of deposits that you hold with each Insured Institution in order for you to determine the extent of FDIC deposit insurance coverage available to you on deposits at that Insured Institution, including the CDs issued through CDARS. See Section 5 above, "FDIC Insurance Information," for more information on FDIC insurance coverage. The Insured Institution at which a deposit is made is responsible for the full amount deposited with it, and neither we nor the Network is responsible for any insured or uninsured portion of any CD or any other deposits.

Publicly available financial information concerning the proposed and proposed alternate Insured Institutions can be obtained by you at the website of the National Information Center of the Federal Reserve System maintained at [www.fiec.gov/nic/](http://www.fiec.gov/nic/). Neither we nor the Network guarantees the financial condition of any Insured Institution or the accuracy of any publicly available financial information about the Insured Institution.

**Section 7. Confidentiality of Information**

We will provide your name, tax identification number and other pertinent identifying information to the Network and other parties providing services in connection with the placement of your funds and the issuance and holding of your CDs. We may also release such information to (i) an Insured Institution that has issued a CD to you, but only to the extent necessary to comply with any applicable law, rule or regulation or a judicial order and (ii) the FDIC in connection with a claim for deposit insurance on your CD. You hereby consent to the release of that information to and its use by (a) the Network and other parties providing services in connection with the placement of your funds and the issuance and custodianship of your CDs, (b) Insured Institutions that have issued CDs to you to the extent necessary to comply with any applicable law, rule, regulation or judicial order, and (c) the FDIC in connection with a claim for deposit insurance on your CDs. The information will not be disclosed to other Insured Institutions except as set forth herein and will not be used by the Network or any other parties to whom we release the information for any other purpose except as set forth herein or directed by you.

**Section 8. Disputes**

Any disputes arising out of or in connection with this agreement will be governed by the dispute resolution, arbitration, choice of law, venue, waiver of jury trial, and costs related to dispute provisions, if any, contained in your Custodial Agreement with us under which we act as custodian for your CDs.

**Section 9. Miscellaneous**

Any information we are required to deliver to you pursuant to this agreement may be given to you by mail, facsimile or other electronic transmission.

This agreement:

- constitutes the entire agreement between us relating to the placement of deposits through CDARS and the other matters contained herein,
- supersedes all prior contracts or agreements relating to the placement of funds through CDARS, whether oral or written, and
- may not be amended by any oral representation made or oral agreement reached after the execution of this agreement.

We may amend this agreement or any related document by modifying or rescinding any of its existing provisions or by adding any new provisions at any time by sending written notice of the amendment to you. We may provide written notice of an amendment to this agreement by means of a letter, an entry on your account statement or other means. Any amendment will be effective as of the date established by us in the amendment, subject to applicable law.

This agreement is not assignable, in whole or in part, by either party except by operation of law or as required by law.

The headings in this agreement are inserted for convenience and identification only, and are not intended to describe, interpret, define or limit the scope or intent of this agreement or any clause hereof.

By signing below, you acknowledge that you have received this agreement, that you have read and understood this agreement and that you were given the opportunity to ask us any questions you may have had with respect to this agreement, the transactions contemplated by it, the CDs and FDIC insurance coverage of the CDs and deposits maintained with us.

**Notice to Texas Residents**

Each time we place funds for you through the Network you are representing to us, the Network and each Insured Institution that is issuing CDs to you that your deposits with each Insured Institution issuing CDs to you (including the CDs and all deposits held directly by you or through other agents or custodians), when aggregated in accordance with FDIC regulations, are within the FDIC insurance limit applicable to you.

Check this box if you are a public funds depositor or a non-profit institution submitting funds for placement and wish your funds to be placed only through CDARS Reciprocal Transactions.

DEPOSITOR(S)

Name of Depositor: Pollution Control Financing Authority of Warren County

By: [Signature]  
Name:  
Title:

Depositor Tax ID or Other Depositor ID: 22-2604318

ID Type: Tax ID

Name of Depositor: \_\_\_\_\_

By: \_\_\_\_\_  
Name:  
Title:

Depositor Tax ID or Other Depositor ID: \_\_\_\_\_

ID Type: \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_\_

DEPOSITORY INSTITUTION

First Hope Bank  
(Print Name of Institution)

By: [Signature]  
Name: Susan Hillyerd  
Title: Assistant Vice President

Acknowledged this 1 day of Dec, 2006

SCHEDULE 1

INITIAL LIST OF INSURED INSTITUTIONS AT WHICH YOU DO NOT WANT TO MAKE A DEPOSIT (ATTACH ADDITIONAL PAGES AS NECESSARY)

SKYLANDS COMMUNITY OXFORD, NJ  
Name of Institution City and State

BANK OF NEW YORK NY, NY  
Name of Institution City and State

TEAM CAPITAL BANK FLEMINGTON, NJ  
Name of Institution City and State

\_\_\_\_\_  
Name of Institution City and State

SCHEDULE 2

IMPORTANT TIMES AND DEADLINES IN CONNECTION WITH THE PLACEMENT OF YOUR FUNDS

This schedule contains important times and deadlines with respect to the placement of your funds. These times may change from time to time or on any particular Order Date or Order Allocation Date (which are currently the same business day), and we will inform you of any change in times, as applicable, before you submit your funds for placement. You may also obtain information about any changes to times set forth in paragraphs 2, 3 and 4 below or about any scheduling change resulting in the Order Allocation Date taking place on the business day immediately following an Order Date at [www.CDARS.com/products](http://www.CDARS.com/products).

1. Time and day by which your request to have your funds placed must be submitted: 1:00 on Tuesday.
2. Time and day by which we must submit your Order to the Network: 1:00 p.m. ET on the Order Date.
3. Time and day at or after which you may obtain the list of names of the Insured Institutions at which your funds are proposed to be placed: 3:00 p.m. ET on the Order Allocation Date.
4. Time and day by which you must inform us of the name or names of any proposed Insured Institution at which you do not want to make a deposit: 4:00 p.m. ET on the Order Allocation Date.
5. Time and day by which we must have your available funds on account: before 3:00pm on Tuesday.

# Custodial Agreement

## GENERAL AGREEMENT FOR CUSTODY OF CERTIFICATES OF DEPOSIT - FOR INDIVIDUAL(S), TRUSTS AND BUSINESS ENTITIES

To: [Depository Institution]  
First Hope Bank

Please hold in safekeeping, and act as custodian with respect to, all time deposits including, but not limited to, certificates of deposit (all such time deposits will be referred to herein as "CDs") issued pursuant to the CDARS® Deposit Placement Agreement between you and the undersigned for funds of the undersigned placed through the Certificate of Deposit Account Registry Service®. It is agreed between us as follows:

For purposes of Article 8 of the Uniform Commercial Code as adopted in N.J. [state], you will act as the undersigned's securities intermediary with respect to, and will treat as financial assets, any CDs you hold for the undersigned.

You are authorized to collect for account of the undersigned all interest and other payments of income or principal pertaining to the CDs unless they are payable directly to the undersigned; to surrender for payment maturing CDs and those called for redemption; to endorse on behalf of the undersigned for the above purposes all checks and other instruments requiring endorsement; to cause the CDs to be registered in your name or in the name of your nominee if you consider it desirable; to deliver or transfer the CDs to another account with you as the undersigned may from time to time instruct; to receive the CDs for account of the undersigned; to place orders for the purchase of the CDs, on the instructions of the undersigned and to pay for the same provided the undersigned has funds on deposit with you or arranges to make funds available in advance for such purpose; and to execute and deliver or file on behalf of the undersigned all appropriate receipts and releases and other instruments, including whatever certificates may be required from custodians or may be necessary to obtain exemption from taxes and to name the undersigned when required for the purpose of the instrument.

Instructions may be given orally or in writing. The following are authorized to give instructions on behalf of the undersigned (check all that apply).

- The undersigned (individual or partnership).
- Any of the following individuals. (List names and legal capacities.)
- Any 1 of the following officers and their respective successors in office. (List names and their titles.)

The undersigned, or the undersigned's account, is one of the following:

- |  |  |
|--|--|
| <input type="checkbox"/> Individual          | <input type="checkbox"/> Custody (including guardian, agent, nominee or conservator) |
| <input type="checkbox"/> Joint _____         | <input type="checkbox"/> Payable Upon Death Account                                  |
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Irrevocable Trust   |
| <input type="checkbox"/> Partnership         | <input type="checkbox"/> Other _____   |
| <input type="checkbox"/> Corporation         |  |

You may comply with any writ of attachment, execution, garnishment, tax levy, restraining order, subpoena, warrant or other legal process that you believe (correctly or otherwise) to be valid. You may notify the undersigned of such process by telephone, electronically or in writing. If you are not fully reimbursed for your record research, photocopying and handling costs by the party that served the process, you may charge such costs to the undersigned's account, in addition to any minimum fee you charge for complying with legal processes.

You may honor any legal process that is served personally, by mail, or by facsimile transmission at any of your offices or an office of your agent (including locations other than where the funds, records or property sought is held), even if the law requires personal delivery at the office where the undersigned's account or records are maintained.

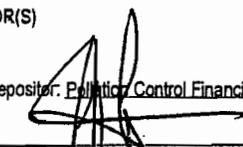
You shall have no liability to the undersigned for any action taken or omitted by you hereunder in good faith.

The undersigned agrees to indemnify you and your nominees against, and to hold you and them harmless from, all expenses (including counsel fees), liabilities and claims arising out of the holding, delivery or transfer of the CDs and compliance with any legal process that you believe (correctly or otherwise) to be valid. The undersigned agrees to pay any service charges imposed by you on this custodial account.

This agreement may be terminated at any time at the option of either party, provided, however, that any termination by you will not become effective until the end of the term of any CD in your safekeeping at the time you notify the undersigned of your intention to terminate this agreement.

### DEPOSITOR(S)

Name of Depositor: Pollution Control Financing Authority of Warren County

By:   
Name: Jeffrey Leal  
Title: CFO

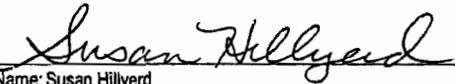
Name of Depositor: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_

### DEPOSITORY INSTITUTION

First Hope Bank  
(Print name of institution)

By:   
Name: Susan Hillyard  
Title: Assistant Vice President

Acknowledged this 1 day of Dec, 2006

[NOTE: If the depositor is a corporation, the following certificate should be signed by an appropriate officer of the depositor other than one signing the form of custodial agreement.]

I, Jeffrey Leal [name], CFO [title of office] of the above named corporation signing the foregoing agreement, hereby certify that I am personally familiar with all instruments and records relating to the organization and operation of the corporation and the meetings and proceedings of its stockholders and all boards and committees entrusted with authority in the management of its affairs; by corporate action taken in conformity with such instruments and records and appearing from said records to be still in force, the foregoing letter of agreement was authorized to be signed and delivered on behalf of said corporation; and each of the persons signing on behalf of said corporation is the qualified holder of the office given opposite his/her signature and was authorized to sign the said letter of agreement in that capacity.

Signature: 

## CDARS Deposit Placement Agreement

You, the undersigned, and  
First Hope Bank

(referred to in this agreement as "we" and "us") are entering into this agreement to set forth the terms and conditions under which we will assist you from time to time in placing your funds in time deposits with depository institutions (each an "insured institution") whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). Through an arrangement with Promontory Interfinancial Network, LLC ("Network"), we will endeavor to place your funds in time deposits ("CDs") issued by insured institutions through the Network's Certificate of Deposit Account Registry Service, or CDARS, in principal amounts that, when aggregated with interest to accrue over the term of the CD, will not exceed the \$100,000 FDIC insurance limit for deposits of one depositor at one insured institution, or such other insurance limit as Congress and the FDIC may establish. We will also act as your custodian with respect to your CDs pursuant to the custodial agreement that we have separately entered into with you ("Custodial Agreement"). The terms of our custodial relationship with you are set forth in the Custodial Agreement. Funds held in an account with us pending placement through CDARS or resulting from payments on CDs are subject to the FDIC insurance limits applicable to your deposits with us.

CDARS includes a proprietary process owned by the Network that allocates orders submitted by member financial institutions on behalf of their depositors on dates specified by the Network. On each "Order Date" member institutions submit orders requesting the Network to (i) place funds for their depositors with insured institutions that are willing to accept deposits through CDARS or (ii) if the member institution is an insured institution, receive funds so placed by other member institutions. On the "Order Allocation Date" the Network allocates orders submitted on the Order Date. CDARS offers different types of transactions through which we may place your funds with such insured institutions. In a "CDARS Reciprocal Transaction," we receive through CDARS funds for deposit in an amount equal to the amount of your funds that we have placed through CDARS with respect to the corresponding Order Date, but we do not receive a fee. In a "CDARS One-Way Transaction," we do not receive funds for deposit through CDARS, but we receive a fee from one or more insured institutions that received deposits through CDARS with respect to the corresponding Order Date. Funds that we submit for placement for you through a CDARS transaction may be placed at an insured institution without regard to whether the insured institution is participating in CDARS on that Order Date through a CDARS Reciprocal Transaction or through a CDARS One-Way Transaction or otherwise. We will place your funds through a CDARS Reciprocal Transaction unless we notify you that we will place your funds through a CDARS One-Way Transaction and you agree to our doing so.

This agreement sets forth important information about the placement process. By signing this agreement you agree to be bound by its terms each time that you submit funds to us for placement. Please read it carefully. Some of the features of the CDs and the placement process are:

When we place your funds, you will be issued CDs by insured institutions that have entered into agreements with the Network.

- We will act as your custodian with respect to those CDs.
- The CDs issued to you by insured institutions will have the interest rates and annual percentage yields ("APY") you have agreed to with us.
- You will not be charged a fee in connection with CD placements.
- You may select the maturities and payment terms of your CDs from those that are available through CDARS at the time that you submit your funds for placement.
- You may designate any insured institution as ineligible to receive your funds.
- Early withdrawal of any CD you purchase may be available, but may be subject to substantial penalties.

### Section 1: Your Relationship With Us (a) Agency and Custodial Relationship

We have entered into a contract with the Network pursuant to which we will endeavor to place your funds at other insured institutions that have also entered into contracts with the Network. Pursuant to our contract with the Network, we will adhere to the Network's policies and procedures in placing your funds. We will act as your agent in connection with the placement of your funds in CDs. On certain Order Dates, we may have the opportunity to place your funds through either a CDARS Reciprocal Transaction or a CDARS One-Way Transaction. Although we will act as your agent in connection with the placement of your funds, we are

not acting as your investment adviser and have no obligation to advise you of alternative investments available through CDARS or otherwise. Further, we make no representations with respect to the interest rates on deposits available on an Order Date through us or through CDARS, and we may receive greater benefits when we place your funds through one type of CDARS transaction than when we do so through another type of CDARS transaction or than we would if you instructed us to make a deposit other than through a CDARS transaction.

We will act as your custodian with respect to your CDs acquired through CDARS. We have entered into an agreement with The Bank of New York to act as our sub-custodian with respect to the CDs for which we are acting as your custodian. No physical certificates evidencing the CDs will be issued. Each CD for which we act as your custodian will be recorded on the records of the insured institution that issues the CD in the name of our sub-custodian, will be recorded on the records of the sub-custodian in our name, and will be recorded on our records in your name, all in a manner that will permit FDIC deposit insurance to "pass through" to you as the beneficial owner of the CD. You will receive from us a written confirmation of the issuance of your CDs and periodic account statements that will reflect your ownership of your CDs. The confirmation of CD issuance and the account statement(s) will be the only evidence that you will receive of your ownership of the CDs. You should retain the confirmation and the account statement(s) for your records.

While we are acting as your custodian, (i) all payments with respect to the CDs by the insured institutions that issue the CDs will be made to us, and we will credit the funds to an account or accounts you maintain with us or disburse the funds pursuant to your instructions, and (ii) you can enforce your rights in the CDs through us. You may not transfer the CDs directly to another custodian. At your election, you may dismiss us as custodian, and your ownership of a CD may be recorded in your name on the books of the insured institution that issued the CD. If you choose to have the CD maintained in your name on the books of the insured institution that issued the CD, you will be able to enforce your rights in the CD directly against that insured institution.

#### (b) Fees

You will not pay a fee in connection with your placement of funds. If we place your funds through a CDARS Reciprocal Transaction, we will pay a fee to the Network for using the CDARS order allocation services and certain other services. If we place your funds through a CDARS One-Way Transaction, we and the Network will receive a fee from one or more insured institutions receiving deposits through CDARS in respect of that Order Date. We may, in our discretion, waive some or all of our fee, and the Network may, in its discretion, waive some or all of its fee. We and the Network may receive different fees from different insured institutions. The Network may offer us and our employees non-cash incentives in connection with our placement of funds through CDARS.

If you have been referred to us by a registered broker-dealer to place your funds through CDARS, we may pay a fee to that registered broker-dealer.

#### (c) Limits on Placements

Although we, through our arrangement with the Network, will endeavor to place your funds, on a particular Order Allocation Date the Network may not be able to allocate orders in a way that results in the placement of some or any of your funds. If any of your funds cannot be placed, the unplaced funds will be returned to you. You may ask us to resubmit unplaced funds for placement through CDARS on another day on which the Network performs its allocation service.

#### (d) Each CD Will Be an Obligation of the Issuer

Each CD will be a deposit obligation of the insured institution that issued the CD. Each CD will constitute a direct obligation of the insured institution that issued it and will not be, either directly or indirectly, our obligation or an obligation of the Network. Your CD will not be issued until the issuing insured institution receives and accepts your funds.

#### (e) APY

If you are not a "consumer" for purposes of the Truth-in-Savings Act ("TSA"), or if our communication with you in connection with your placement of funds through CDARS is not an "advertisement" for purposes of TSA, we are not obligated to provide you with an APY on your CDs.

#### (f) Mutual Institution Voting and Subscription Rights

If a CD is issued to you by an insured institution in the mutual form of organization ("mutual institution") for funds placed for you through CDARS, you may receive through us a notice of a meeting of the depositor members of that mutual institution. Because your CD is identified on the books of the mutual institution in the name of

the sub-custodian and not in your name, you will not be entitled to attend the meeting or vote by proxy. Under agreements that we have entered into with the sub-custodian that holds your CDs in its name on your behalf, the sub-custodian will forward meeting notices to us (for delivery to you) but it will not attend the meeting or vote by proxy.

It is possible that the mutual institution also may send notice of its intention to convert to a stock institution, and provide for priority, non-transferable subscription rights for depositor members of the mutual institution to purchase stock in the conversion. Because of the nature of our agreement with the sub-custodian, your CD will be identified on the books of the mutual institution in the name of the sub-custodian, and not in your name, and thus, you will not be entitled to exercise any subscription right to purchase the stock, or to vote on the conversion. The sub-custodian, which will own the subscription right, also will not purchase any stock in the conversion.

Accordingly, if you wish to receive meeting notices directly, attend meetings and vote (to convert from the mutual to stock form of ownership, from a mutual holding company or otherwise) with respect to a CD you have acquired from a mutual institution through CDARS, or wish to receive subscription rights in the event the mutual institution converts from mutual to stock form, you will have to dismiss us as custodian prior to the applicable record date (a date usually at least a year in advance from the date the mutual institution's board of directors adopts a plan of conversion) and have your ownership of the CD recorded in your name directly on the books of the mutual institution that issued the CD.

## Section 2. The Network

### (a) General

The Network is not your agent and is responsible solely to us for performing the services for which we have retained it. The Network uses the proprietary process included in CDARS to allocate orders submitted on a specified Order Date by insured institutions to other insured institutions that are willing to accept deposits through CDARS.

On an Order Allocation Date, the Network uses the CDARS allocation process to propose placements of funds with insured institutions wishing to receive funds, subject to your approval as set forth in the procedures set forth in Section 3 of this agreement ("Placement Procedures"). CDs for funds placed through CDARS will be issued to you on the business day immediately following the Order Allocation Date (the "Settlement Date"). A "business day" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York are authorized or required by law or regulation to close.

### (b) CDARS Reciprocal Transaction

When we notify the Network that we wish to submit your funds for placement through a CDARS Reciprocal Transaction on an Order Date, we will agree to accept for deposit an equal or greater amount of deposits through CDARS. On the Settlement Date, CDs will be issued to you and we will accept deposits placed by other member institutions.

Your funds may be placed at insured institutions that are submitting funds for placement through a CDARS Reciprocal Transaction or at insured institutions that have requested deposits through CDARS with respect to the same Order Date. The Network, in addition to fees payable to it, may realize profits or incur losses in connection with the placement of your funds at one or more of those insured institutions on the terms you have agreed to with us.

When your funds are placed through a CDARS Reciprocal Transaction, we may make or receive payments based upon the difference between the interest rate we have agreed upon with you for your CDs and the interest rate we pay on CDs that we issue to customers of other insured institutions. These payments will be calculated pursuant to a formula that uses the projected volume-weighted average interest rate for deposits placed through CDARS Reciprocal Transactions on the same day your funds are placed. These payments are intended to provide us with the same interest cost on the CDs we issue to depositors of other insured institutions through a CDARS Reciprocal Transaction as we would have incurred had we issued the CDs directly to you.

Any profits or losses realized by the Network and any payments made or received by us will not change the terms we have agreed with you for your CDs.

### (c) CDARS One-Way Transaction

On any Order Date, the Network may receive commitments from insured institutions wishing to receive funds through a CDARS One-Way Transaction. Based on these commitments, the Network communicates to us the maximum amount of funds that can be submitted for placement through CDARS One-Way Transactions in each CD maturity on that Order Date.

If we place your funds through a CDARS One-Way Transaction, we will not receive deposits on the Settlement Date, and we will not make or receive payments

as described under "CDARS Reciprocal Transactions" above. Your funds may be placed at insured institutions that are submitting funds for placement through CDARS Reciprocal Transactions or that have requested funds for deposit on that Order Date. As set forth above, we and the Network each will receive a fee when we place your funds through a CDARS One-Way Transaction, and we or the Network may waive all or part of this fee. Any fees received by us or the Network will not change the terms we have agreed to with you for your CDs.

## Section 3. Placement Procedures

### (i) Order Dates and Terms of CDs

Each time you notify us that you wish to place funds through CDARS, we will inform you of (i) the available Order Dates, (ii) the CD maturities and payment terms available on each Order Date, (iii) whether early withdrawal of the CDs is available and whether any penalties (and processing fees, if applicable) will be imposed on you for early withdrawal, (iv) any limits with respect to placing funds and (v) whether we intend to submit the funds for placement through a CDARS One-Way Transaction. The terms and conditions available for CDs may change from time to time. Each CD issued by an insured institution will have a principal amount that, when aggregated with interest to accrue during the term of the CD, will not exceed the FDIC insurance limit. You may obtain information about the terms of the CDs made available through CDARS on an Order Date at [www.CDARS.com/products](http://www.CDARS.com/products).

The interest rates and APYs for the CDs we offer to obtain for you through CDARS will be agreed upon by you and us. For placements through CDARS Reciprocal Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY we are willing to pay on comparable deposits that we accept on the same day CDs are issued to you. For placements through CDARS One-Way Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY that insured institutions requesting funds through CDARS One-Way Transactions for that Order Date are willing to pay after paying fees to the Network and us.

Interest on your CDs will compound daily. Payment options may vary based on the maturity of the CD. You may have the option with some CDs to choose between monthly payments of interest and payment of interest at maturity or other available interest payment terms. In addition, depending on the terms and conditions of a particular CD, you may be able to change the payment terms of the CD during the term of the CD. If you choose to have interest paid to you during the term of the CD, you may not be able to re-invest the interest you are paid at an interest rate as favorable to you as the interest rate paid on the CD.

Each CD will earn interest from the day your funds are deposited at the insured institution that issues the CD up to, but not including, the day your CD matures. If the date on which a payment with respect to a CD is due is not a business day, that payment will be made on the next business day.

### (b) Presumption of CDARS Reciprocal Transaction

We will submit your funds for placement through a CDARS Reciprocal Transaction unless we inform you that we will place your funds through a CDARS One-Way Transaction and you agree to our doing so. If we submit your funds for placement through a CDARS One-Way Transaction and the Network is not able to allocate our order, we may resubmit an order for your funds on that Order Date through a CDARS Reciprocal Transaction, unless you instruct us not to do so at the time you request that we submit your funds. If we so resubmit your funds through a CDARS Reciprocal Transaction, the CDs issued to you will have the same terms as the CDs that would have been issued to you through the CDARS One-Way Transaction.

If you are a public funds depositor or a non-profit institution submitting funds for placement and wish your funds to be placed only through CDARS Reciprocal Transactions, please inform us by checking the box at the end of this agreement.

### (c) List of Insured Institutions

Each time you notify us that you desire to place funds through CDARS, you may obtain from us a list of insured institutions at which your funds may be placed. Not all of these insured institutions may be available to issue CDs with respect to an Order Date; and, before the list is provided to you, we may have designated some insured institutions as ineligible to receive funds from our depositors. You should review the list provided to you and inform us of the name(s) of any insured institution(s) at which you do not want to make a deposit, for any reason. At your option, you may also provide us with the names of insured institutions not then on the list at which you do not want to make a deposit. Once you have informed us of the name of an insured institution at which you do not want to make a deposit, your funds - whether submitted for placement through CDARS at the time you sign this agreement or in the future - will not be placed at that insured institution until you notify us in writing that funds may be placed in the insured institution. (For your convenience, at the time you sign this agreement you may indicate to us on Schedule 1 the names of insured institutions at which you do not want to make a deposit.) Upon

your request, we will obtain from the Network the list it maintains of insured institutions at which you do not wish to make a deposit. As set forth below, you are responsible for monitoring your deposits at each insured institution for purposes of FDIC insurance coverage.

**(c) Request for Placement of Funds**

When you request that we place your funds through CDARS, we will submit to the Network a request for placement of your funds ("Order"), including the type of CDARS transaction through which we are submitting the funds, the Order Date, the amount of funds to be placed and the terms (including interest rate and APY) of the CDs you are seeking. The Order will be in a form established by the Network. In order for us to submit an Order, you must provide us with all information required by the Network no later than the time specified in paragraph 1 of Schedule 2.

**(e) Approval of Proposed Placements**

We will not know the name(s) of insured institution(s) at which your funds will be placed at the time we submit an Order for your funds. On each Order Allocation Date for which we submitted an Order for your funds, we will make available to you a list of the names of insured institutions at which your funds are proposed to be placed, the proposed deposit amount at each insured institution and the names of proposed alternate insured institutions at which your funds may be placed. You may obtain that list from us on the Order Allocation Date or after the time specified in paragraph 3 of Schedule 2, and, at any time prior to the time specified in paragraph 4 of Schedule 2, you may notify us of the name or names of any of the proposed or proposed alternate insured institutions at which you do not want to make a deposit. Although you may direct us not to place funds at a proposed or alternate proposed insured institution, you cannot direct us to place funds at a specific insured institution or specify the amount to be placed at any insured institution.

If you eliminate one or more of the proposed or proposed alternate insured institutions from the list, or if one or more of them becomes unavailable for placement for any reason, your funds will be placed at the insured institutions that were not eliminated. If a sufficient number of proposed and proposed alternate insured institutions are eliminated or become unavailable so that not all of your funds can be placed, only as much of your funds will be placed as can be accommodated at the remaining insured institutions in CDs with principal amounts that, when aggregated with interest to accrue during the term of the CD, will not exceed the FDIC insurance limit. Your remaining funds will not be allocated on the Order Allocation Date. In such case, we will inform you of the amount of your funds that will not be placed and you may request that we re-submit an Order for your unplaced funds on another Order Date by repeating the procedure outlined above.

If in connection with any placement of your funds through CDARS, you eliminate a proposed or proposed alternate insured institution in accordance with the above procedures, funds that you subsequently submit for placement through CDARS will not be placed in those insured institutions until you notify us otherwise in writing.

**(f) Your Consent to Placement**

Your funds will not be placed unless you have consented to their placement. You will be deemed to have consented to the placement of your funds at the proposed or proposed alternate insured institutions as of the time specified in paragraph 4 of Schedule 2 if by that time you:

- (i) communicate your approval to us;
- (ii) do not request the list of proposed and proposed alternate insured institutions from us;
- (iii) request the list of proposed and proposed alternate insured institutions from us, but do not respond to the proposed list; or
- (iv) respond to the list of proposed and proposed alternate insured institutions by eliminating one or more of the insured institutions, in which case you will be deemed to have consented to the placement of your funds at those insured institutions that you have not eliminated.

**(g) Time by Which We Must Have Your Funds; Settlement of Transactions**  
Unless we have made other arrangements, each time that you agree to a placement of funds under this agreement you also agree that, by the time specified in paragraph 5 of Schedule 2, you will have in an account with us immediately available funds, which under applicable law are irrevocable and are not subject to any lien, claim or encumbrance, equal to the amount of funds you have informed us that you are seeking to place. On the Settlement Date, your funds will be deposited at insured institutions, payments to be made in connection with the placement of CDs will be made, and the CDs will be issued.

**(h) Additions and Early Withdrawal**

No additions may be made to any CD. Insured institutions generally impose a penalty on withdrawal of a CD prior to its maturity. However, no penalty will be charged for early withdrawal upon the death of the sole account holder of a CD. Written verification acceptable to the insured institution that issued the CD may be required in

such an event. We will inform you of the early withdrawal penalty applicable to your CDs when you submit funds for placement.

Pursuant to the Internal Revenue Code of 1986, as amended, the beneficiary of an Individual Retirement Account ("IRA") (but not a Roth IRA) may incur a penalty if the beneficiary does not begin making withdrawals from the IRA after age 70-1/2. A CD held in an IRA is not eligible for early withdrawal without penalty simply because the beneficiary must withdraw the CD to avoid a tax penalty.

Early withdrawal of a CD may be made only in whole, not in part. You may request early withdrawal by contacting us, at which time you may specify which of your CDs you would like us to withdraw. If you choose not to specify which of your CDs to withdraw, early withdrawals will be made in accordance with Network procedures. In general, early withdrawal proceeds will be available to you two business days after we receive your early withdrawal request.

Neither we nor the Network will advance funds in connection with early withdrawals, and early withdrawal proceeds will not be available to you until they are paid to us by the insured institution that issued the CD being withdrawn.

**(j) No Automatic Renewal or Rollover**

The CDs will mature on the date shown on the confirmation of CD issuance. Upon maturity, the principal amount of, and unpaid accrued interest on, the CD will be paid to you. The CDs will not be automatically renewed or rolled over, and interest on the CDs will not continue to accrue after the maturity date. If upon maturity you wish to re-deposit your funds in CDs through CDARS, you must instruct us to re-submit the funds as a new placement or you must take advantage of our preauthorized re-submission process.

**(k) Preauthorized Re-submission**

At the time you submit funds to us for placement through CDARS, you may request that we re-submit those funds for placement through CDARS upon the maturity of your CDs. Unless we have entered into a written arrangement with you, you must contact us before we re-submit your funds through CDARS to establish the new terms (including interest rate and APY) and the other specifics of your Order for your re-submitted funds.

**(l) No Physical Certificates**

As set forth in Section 1, no physical certificate evidencing a CD will be issued. You should not purchase a CD through CDARS if you need to take physical possession of a certificate.

**Section 4. Important Considerations**

**(a) Compare Features**

You should compare the rates of return and other features of a CD to other available deposit accounts before deciding to purchase CDs using the CDARS service. Although the CDs are issued by other insured institutions, the rates of interest paid on the CDs are determined by us based on (i) the interest rates and APYs we are willing to pay on deposits that we accept through CDARS on the Settlement Date (if your funds are placed by us through a CDARS Reciprocal Transaction) or (ii) the interest rate and APY that insured institutions that have requested funds through CDARS One-Way Transactions for that Settlement Date are willing to pay after paying fees to the Network and us (if your funds are placed by us through a CDARS One-Way Transaction). These rates may be higher or lower than the rates on CDs available through a CDARS One-Way Transaction (if we are placing your funds through a CDARS Reciprocal Transaction) or a CDARS Reciprocal Transaction (if we are placing your funds through a CDARS One-Way Transaction) or on comparable deposits available directly from us, from insured institutions that issue the CDs through CDARS, from other insured institutions, or from insured depository institutions not participating in CDARS.

**(b) Uninsured Deposits With Us**

Funds held in an account with us prior to placement through CDARS and payments of CD interest and principal that are deposited in an account with us may not be covered by FDIC insurance if, when aggregated with other deposits you maintain with us in the same capacity, the total amount of your deposits in accounts with us exceeds the FDIC insurance limit. You should discuss with us the options for holding your funds prior to placement and for having the payments on the CDs deposited with us or elsewhere.

**(c) Insolvency of an Insured Institution**

In the event an insured institution approaches insolvency or becomes insolvent, the insured institution may be placed in a regulatory conservatorship or receivership in which the FDIC is typically appointed as conservator or receiver. The FDIC may thereafter pay off the CDs issued by that insured institution prior to maturity or transfer the CDs to another insured depository institution. If the CDs are transferred to another institution, you may be offered a choice of retaining the CDs at a lower interest rate or having the CDs paid off. See Section 5 below, "FDIC Insurance Information."

**(d) Reinvestment Risk**

If your CD is paid prior to maturity as a result of the issuing Insured Institution's insolvency or a voluntary early withdrawal (see Section 3(h) above, "Additions and Early Withdrawal"), you may not be able to reinvest your funds at the same interest rate that you received on the original CD. Neither we nor the Network is responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

**(e) Investment Restrictions**

If you are subject to restrictions with respect to the placement of funds in depository institutions, it is your responsibility to determine whether the placement of your funds through CDARS satisfies those restrictions.

**Section 5. FDIC Insurance Information**

In general, all accounts and deposits that you maintain with an Insured Institution in the same insurable capacity (whether you are acting directly or through an intermediary) would be aggregated for purposes of the FDIC insurance limit. Insurable capacities include individual accounts, joint accounts and individual retirement accounts. Upon request, we will provide you with a copy of the FDIC brochure "Questions and Answers About Your Insured Deposit From the Federal Deposit Insurance Corporation." You may also obtain information about deposit insurance coverage by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by telephone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100), or by e-mail (dcainternet@fdic.gov), or by visiting the FDIC website at www.fdic.gov. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity.

The present maximum \$100,000 FDIC deposit insurance coverage applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you in the same insurable capacity at a single Insured Institution. The records maintained by the Insured Institution, us and our sub-custodian regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments in respect of CDs issued through CDARS. In addition, you could be required to provide certain documentation to the FDIC before insurance payments would be released to you.

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original principal amount plus accrued interest to the date of the closing of the relevant Insured Institution, as prescribed by law, subject to the maximum coverage limitation. No interest is earned on deposits from the time an Insured Institution is closed until insurance payments are received. We will notify you if we receive any payments from the FDIC with respect to your CDs.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on FDIC deposit insurance coverage, the healthy institution may assume your CDs under their original terms or offer you a choice between either receiving payment of the CDs or maintaining the deposits at a different rate. We will advise you of your options in the event of a deposit transfer.

As with all federally insured deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make the insurance payments available. Neither we nor the Network will be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to a CD, (ii) your receipt of a decreased interest rate on an investment replacing a CD that is repaid prior to its scheduled maturity, or (iii) payment in cash of the principal and accrued interest of a CD prior to maturity in connection with the liquidation of an Insured Institution or the assumption of all or a portion of its deposit liabilities. Also, neither we nor the Network will be obligated to advance funds to you prior to payment from the FDIC.

**Section 6. Total Amount of Your Deposits at Insured Institutions; Publicly Available Information**

Funds we submit for placement on your behalf on any Settlement Date are placed in CDs at enough different Insured Institutions to prevent the principal amount and any interest to accrue over the term of each CD placed on that Settlement Date from exceeding the \$100,000 FDIC insurance limit. It is your responsibility, however, to monitor the total amount of deposits that you hold with each Insured Institution in order for you to determine the extent of FDIC deposit insurance coverage available to you on deposits at that Insured Institution, including the CDs issued through CDARS. See Section 5 above, "FDIC Insurance Information," for more information on FDIC insurance coverage. The Insured Institution at which a deposit is made is responsible for the full amount deposited with it, and neither we nor the Network is responsible for any insured or uninsured portion of any CD or any other deposits.

Publicly available financial information concerning the proposed and proposed alternate Insured Institutions can be obtained by you at the website of the National Information Center of the Federal Reserve System maintained at [www.nic.frc.gov/nic/](http://www.nic.frc.gov/nic/). Neither we nor the Network guarantees the financial condition of any Insured Institution or the accuracy of any publicly available financial information about the Insured Institution.

**Section 7. Confidentiality of Information**

We will provide your name, tax identification number and other pertinent identifying information to the Network and other parties providing services in connection with the placement of your funds and the issuance and holding of your CDs. We may also release such information to (i) an Insured Institution that has issued a CD to you, but only to the extent necessary to comply with any applicable law, rule or regulation or a judicial order and (ii) the FDIC in connection with a claim for deposit insurance on your CD. You hereby consent to the release of that information to and its use by (a) the Network and other parties providing services in connection with the placement of your funds and the issuance and custody of your CDs, (b) Insured Institutions that have issued CDs to you to the extent necessary to comply with any applicable law, rule, regulation or judicial order, and (c) the FDIC in connection with a claim for deposit insurance on your CDs. The information will not be disclosed to other Insured Institutions except as set forth herein and will not be used by the Network or any other parties to whom we release the information for any other purpose except as set forth herein or directed by you.

**Section 8. Disputes**

Any disputes arising out of or in connection with this agreement will be governed by the dispute resolution, arbitration, choice of law, venue, waiver of jury trial, and costs raised to dispute provisions, if any, contained in your Custodial Agreement with us under which we act as custodian for your CDs.

**Section 9. Miscellaneous**

Any information we are required to deliver to you pursuant to this agreement may be given to you by mail, facsimile or other electronic transmission.

**This agreement:**

- constitutes the entire agreement between us relating to the placement of deposits through CDARS and the other matters contained herein,
- supersedes all prior contracts or agreements relating to the placement of funds through CDARS, whether oral or written, and
- may not be amended by any oral representation made or oral agreement reached after the execution of this agreement.

We may amend this agreement or any related document by modifying or rescinding any of its existing provisions or by adding any new provisions at any time by sending written notice of the amendment to you. We may provide written notice of an amendment to this agreement by means of a letter, an entry on your account statement or other means. Any amendment will be effective as of the date established by us in the amendment, subject to applicable law.

This agreement is not assignable, in whole or in part, by either party except by operation of law or as required by law.

The headings in this agreement are inserted for convenience and identification only, and are not intended to describe, interpret, define or limit the scope or intent of this agreement or any clause hereof.

By signing below, you acknowledge that you have received this agreement, that you have read and understood this agreement and that you were given the opportunity to ask us any questions you may have had with respect to this agreement, the transactions contemplated by it, the CDs and FDIC insurance coverage of the CDs and deposits maintained with us.

**Notice to Texas Residents**

Each time we place funds for you through the Network you are representing to us, the Network and each Insured Institution that is issuing CDs to you that your deposits with each Insured Institution issuing CDs to you (including the CDs and all deposits held directly by you or through other agents or custodians), when aggregated in accordance with FDIC regulations, are within the FDIC insurance limit applicable to you.

Check this box if you are a public funds depositor or a non-profit institution submitting funds for placement and wish your funds to be placed only through CDARS Reciprocal Transactions.

DEPOSITOR(S)

Name of Depositor: Pollution Control Financing Authority of Warren County

By: Harry R. Pool Jr.  
Name: Harry R. Pool Jr.  
Title: Vice Chairman

Depositor Tax ID or Other Depositor ID: 22-280431A

ID Type: Tax ID

Name of Depositor: A. Angelo Accatturo

By: Angelo Accatturo  
Name: Angelo Accatturo  
Title: Treasurer

Depositor Tax ID or Other Depositor ID:

ID Type:

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_

DEPOSITORY INSTITUTION

First Hope Bank  
(Print Name of Institution)

By: Susan Hilliard  
Name: Susan Hilliard  
Title: Assistant Vice President

Acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_

By: [Signature]

By: [Signature]

SCHEDULE 1

INITIAL LIST OF INSURED INSTITUTIONS AT WHICH YOU DO NOT WANT TO MAKE A DEPOSIT (ATTACH ADDITIONAL PAGES AS NECESSARY)

Skylarks Community Bank Oxford, NJ  
Name of Institution City and State

Bank of New York NY, NY  
Name of Institution City and State

Team Capital Bank Flemington, NJ  
Name of Institution City and State

SCHEDULE 2

IMPORTANT TIMES AND DEADLINES IN CONNECTION WITH THE PLACEMENT OF YOUR FUNDS

This schedule contains important times and deadlines with respect to the placement of your funds. These times may change from time to time or on any particular Order Date or Order Allocation Date (which are currently the same business day), and we will inform you of any change in times, as applicable, before you submit your funds for placement. You may also obtain information about any changes to times set forth in paragraphs 2, 3 and 4 below or about any scheduling change resulting in the Order Allocation Date taking place on the business day immediately following an Order Date at [www.CDARS.com/products](http://www.CDARS.com/products).

1. Time and day by which your request to have your funds placed must be submitted: 1:00 \_\_\_\_\_ on Tuesday \_\_\_\_\_
2. Time and day by which we must submit your Order to the Network: 1:00 p.m. ET on the Order Date.
3. Time and day at or after which you may obtain the list of names of the Insured Institutions at which your funds are proposed to be placed: 3:00 p.m. ET on the Order Allocation Date.
4. Time and day by which you must inform us of the name or names of any proposed Insured Institution at which you do not want to make a deposit: 4:00 p.m. ET on the Order Allocation Date.
5. Time and day by which we must have your available funds on account: before 3:00pm \_\_\_\_\_ on Tuesday \_\_\_\_\_

## Custodial Agreement

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You, the depository institution, may wish to use your own form of custodial agreement. The Network is providing this form of custodial agreement for your convenience. Before using this form of custodial agreement, you should ensure that this custodial agreement complies with the laws of your state. This form of custodial agreement is not designed for use with Individual Retirement Accounts ("IRAs").

In accordance with Section 8 of the CDARS Deposit Placement Agreement, you may wish to include your standard dispute resolution, arbitration, choice of law, venue, waiver of jury trial, and costs related to dispute provisions.

**Please Note: A form of Custodial Agreement must accompany the Deposit Placement Agreement in order for funds to be placed through the CDARS service.**

# Custodial Agreement

## GENERAL AGREEMENT FOR CUSTODY OF CERTIFICATES OF DEPOSIT - FOR INDIVIDUAL(S), TRUSTS AND BUSINESS ENTITIES

To: [Depository Institution]  
First Hope Bank

Please hold in safekeeping, and act as custodian with respect to, all time deposits including, but not limited to, certificates of deposit (all such time deposits will be referred to herein as "CDs") issued pursuant to the CDARS® Deposit Placement Agreement between you and the undersigned for funds of the undersigned placed through the Certificate of Deposit Account Registry Service®. It is agreed between us as follows:

For purposes of Article 8 of the Uniform Commercial Code as adopted in \_\_\_\_\_ [state], you will act as the undersigned's securities intermediary with respect to, and will treat as financial assets, any CDs you hold for the undersigned.

You are authorized to collect for account of the undersigned all interest and other payments of income or principal pertaining to the CDs unless they are payable directly to the undersigned; to surrender for payment maturing CDs and those called for redemption; to endorse on behalf of the undersigned for the above purposes all checks and other instruments requiring endorsement; to cause the CDs to be registered in your name or in the name of your nominee if you consider it desirable; to deliver or transfer the CDs to another account with you as the undersigned may from time to time instruct; to receive the CDs for account of the undersigned; to place orders for the purchase of the CDs, on the instructions of the undersigned and to pay for the same provided the undersigned has funds on deposit with you or arranges to make funds available in advance for such purpose; and to execute and deliver or file on behalf of the undersigned all appropriate receipts and releases and other instruments, including whatever certificates may be required from custodians or may be necessary to obtain exemption from taxes and to name the undersigned when required for the purpose of the instrument.

Instructions may be given orally or in writing. The following are authorized to give instructions on behalf of the undersigned (check all that apply).

- The undersigned (individual or partnership).
- Any of the following individuals. (List names and legal capacities.)
- Any \_\_\_\_\_ of the following officers and their respective successors in office. (List names and their titles.)

- The undersigned, or the undersigned's account, is one of the following:
- Individual
  - Joint \_\_\_\_\_
  - Sole Proprietorship
  - Partnership
  - Corporation
  - Custody (including guardian, agent, nominee or conservator)
  - Payable Upon Death Account
  - Irrevocable Trust
  - Other \_\_\_\_\_

You may comply with any writ of attachment, execution, garnishment, tax levy, restraining order, subpoena, warrant or other legal process that you believe (correctly or otherwise) to be valid. You may notify the undersigned of such process by telephone, electronically or in writing. If you are not fully reimbursed for your record research, photocopying and handling costs by the party that served the process, you may charge such costs to the undersigned's account, in addition to any minimum fee you charge for complying with legal processes.

You may honor any legal process that is served personally, by mail, or by facsimile transmission at any of your offices or an office of your agent (including locations other than where the funds, records or property sought is held), even if the law requires personal delivery at the office where the undersigned's account or records are maintained.

You shall have no liability to the undersigned for any action taken or omitted by you hereunder in good faith.

The undersigned agrees to indemnify you and your nominees against, and to hold you and them harmless from, all expenses (including counsel fees), liabilities and claims arising out of the holding, delivery or transfer of the CDs and compliance with any legal process that you believe (correctly or otherwise) to be valid. The undersigned agrees to pay any service charges imposed by you on this custodial account.

This agreement may be terminated at any time at the option of either party, provided, however, that any termination by you will not become effective until the end of the term of any CD in your safekeeping at the time you notify the undersigned of your intention to terminate this agreement.

### DEPOSITOR(S)

Name of Depositor: PCFA of Warron Gay  
By: Harry R. Poole Jr.  
Name: HARRY R. POOLE JR.  
Title: Vice Chairman

Name of Depositor: PCFA of Warron Gay  
By: Angelo Accettura  
Name: Angelo Accettura  
Title: Treasurer

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_\_

### DEPOSITORY INSTITUTION

(Print name of institution)  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_\_

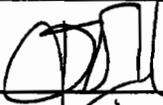
[NOTE: If the depositor is a corporation, the following certificate should be signed by an appropriate officer of the depositor other than one signing the form of custodial agreement.]

I, \_\_\_\_\_ [name], \_\_\_\_\_ [title of office] of the above named corporation signing the foregoing agreement, hereby certify that I am personally familiar with all instruments and records relating to the organization and operation of the corporation and the meetings and proceedings of its stockholders and all boards and committees entrusted with authority in the management of its affairs; by corporate action taken in conformity with such instruments and records and appearing from said records to be still in force, the foregoing letter of agreement was authorized to be signed and delivered on behalf of said corporation; and each of the persons signing on behalf of said corporation is the qualified holder of the office given opposite his/her signature and was authorized to sign the said letter of agreement in that capacity.

Signature: \_\_\_\_\_

Custodial Agreement continued

Name of Depositor: PCFA OF WARREN COUNTY

By: 

Name: John Chilton

Title: Exec. Dir.

Name of Depositor: PCFA OF WARREN COUNTY

By: 

Name: Jerry Long

Title: LFO

# **EXHIBIT**

**P**

**Russo Law Offices**  
**633 Belvidere Road**  
**Phillipsburg, NJ 08865**  
**(908)454-0806**  
**Telefax (908)454-5976**

Arthur J. Russo, Esquire  
Jeffrey M. Russo, Esquire\*  
\* *Admitted in NJ and PA Bars*

June 22, 2007

**Via Certified Mail**

Hon. Douglas K. Wolfson, J.S.C. (Ret.)  
Greenbaum, Rowe, Smith & Davis LLP  
Metro Corporate CampusOne  
P.O. Box 5600  
Woodbridge, New Jersey 07095-0988

Re: **Tyrone Schulze**  
**Warren County Pollution Control Financing Authority Investigation**

Dear Judge Wolfson:

Kindly be advised, pursuant to discussions subsequent to the deposition testimony of my client, Tyrone Schulze, on June 7, 2007, my client is desirous of placing on the record the within statement in order to not only amplify his testimony, but also in order to clearly place upon the record his positions regarding this matter. My client has indicated that he does not feel the questioning during depositions was directed to the thrust of the improprieties. He has, therefore, requested that I prepare the within letter on his behalf for placement upon the record in order to clarify his positions regarding this matter.

Mr. Schulze initially is desirous of clarifying the \$ 2.5 Million Dollar investment attached to the Request for Proposal (RFP). It was his understanding that the investment subject to the RFP was to be a liquid investment for the entire amount. The Authority, during his tenure, had always requested liquidity for the entire investment funds when the funds were to be utilized for ongoing projects. The \$2.5 Million Dollar investment, the subject of the RFP in the within matter, was to be utilized entirely for existing projects and therefore, was required to be liquid for the entire amount.

The procedures for bidding upon the RFP, pursuant to PCFA practices and protocol, were to be via confidential, sealed bids. Potential bidders were not to be advised regarding bids which had been submitted. The transmittal of the sealed bids in the instant matter if proven, would be representative of a violation of the bidding policy and procedures of the Authority and specifically, the RFP of the \$2.5 Million Dollars, which was the subject of the within investigation.

Mr. Schulze further specifies that the allegations regarding the within RFP should, therefore, be directed as to whether or not there were improprieties regarding the type of investment and further, the transmittal of the sealed bids submitted to the Hope Bank by Finance Committee members, Laurel Napolitani and Angelo Accetturo. It has been alleged that Mr. Accetturo and Ms. Napolitani revealed the bids to the Hope Bank and further, that their phone calls to Mr. Jeffrey Long regarding the obtainment of specific bids submitted by the previous bidders, may have been directed from the Hope Bank. The fact that there is a further allegation that the bids submitted came in moments after the phone call, and further, that the bid was pre-dated for the prior date, are additional allegations which should be the subject of investigation.

In addition, any and all improper pressure and leverage brought to bear upon Mr. Long in regard to deviating from practices and procedures of the Authority, together with his discretionary duties as CFO of the PCFA, should also be a focus of the investigation. The issues encompassing the aforementioned improprieties should be the subject of inquiry in conjunction with the alleged leverage utilized against Mr. Long in regard to any and all motivations of the participants. The associated issues regarding conflict of interest in the within matter, together with the association of Authority member and Freeholder, Everitt Chamberlain, on the Board of Trustees for the Hope Bank, should be a part of the investigation process.

It is also Mr. Schulze's opinion that the freeholders, through their representative, Everett Chamberlain, intentionally created an atmosphere which encourages and rewards improprieties that forward the freeholders' political agenda.

Very truly yours,



ARTHUR J. RUSSO  
AJR/lp

cc: Tyrone Schulze

**Russo Law Offices**  
**633 Belvidere Road**  
**Phillipsburg, NJ 08865**  
**(908)454-0806**  
**Telefax (908)454-5976**

Arthur J. Russo, Esquire  
Jeffrey M. Russo, Esquire\*  
\* Admitted in NJ and PA Bars

June 22, 2007

**Via Certified Mail**

Hon. Douglas K. Wolfson, J.S.C. (Ret.)  
Greenbaum, Rowe, Smith & Davis LLP  
Metro Corporate CampusOne  
P.O. Box 5600  
Woodbridge, New Jersey 07095-0988

Re: **Harry Poole**  
**Warren County Pollution Control Financing Authority Investigation**

Dear Judge Wolfson:

Kindly be advised, pursuant to discussions subsequent to the deposition testimony of my client, Harry Poole, on June 7, 2007, my client is desirous of placing on the record the within statement in order to not only amplify his testimony, but also in order to clearly place upon the record his positions regarding this matter. My client has indicated that he does not feel the questioning during depositions was directed to the thrust of the improprieties. He has, therefore, requested that I prepare the within letter on his behalf for placement upon the record in order to clarify his positions regarding this matter.

Mr. Poole initially is desirous of clarifying the \$ 2.5 Million Dollar investment attached to the Request for Proposal (RFP). It was his understanding that the investment subject to the RFP was to be a liquid investment for the entire amount. The Authority, during his tenure, had always requested liquidity for the entire investment funds when the funds were to be utilized for ongoing projects. The \$2.5 Million Dollar investment, the subject of the RFP in the within matter, was to be utilized entirely for existing projects and therefore, was required to be liquid for the entire amount.

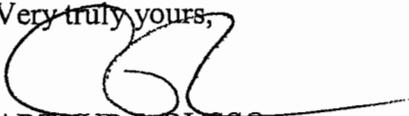
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Authority and specifically, the RFP of the \$2.5 Million Dollars, which was the subject of the within investigation.

Mr. Poole further specifies that the allegations regarding the within RFP should, therefore, be directed as to whether or not there were improprieties regarding the type of investment and further, the transmittal of the sealed bids submitted to the Hope Bank by Finance Committee members, Laurel Napolitani and Angelo Accetturo. It has been alleged that Mr. Accetturo and Ms. Napolitani revealed the bids to the Hope Bank and further, that their phone calls to Mr. Jeffrey Long regarding the obtainment of specific bids submitted by the previous bidders, may have been directed from the Hope Bank. The fact that there is a further allegation that the bids submitted came in moments after the phone call, and further, that the bid was pre-dated for the prior date, are additional allegations which should be the subject of investigation.

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Very truly yours,



ARTHUR J. RUSSO

AJR/lp

cc: Harry Poole