
ESCROW DEPOSIT AGREEMENT

between

the **BOROUGH OF KINNELON,**
IN THE COUNTY OF MORRIS, New Jersey

and

THE BANK OF NEW YORK MELLON

Dated as of December 30, 2009

THIS ESCROW DEPOSIT AGREEMENT (the “Agreement”) made and dated
as of the 30th day of December, 2009

BETWEEN

the **BOROUGH OF KINNELON, IN THE COUNTY OF MORRIS**, a
municipal corporation of the State of New Jersey, situate in said County of Morris (the
“Borough”), or any successor thereto,

AND

THE BANK OF NEW YORK MELLON, a banking corporation organized and
existing under the laws of the State of New York, with fiduciary and trust powers in the State of
New Jersey, and with a corporate trust office in Woodland Park, New Jersey or any successor
thereto (the “Escrow Agent”).

WITNESSETH:

WHEREAS, the Borough heretofore has issued \$8,670,000 principal amount of
General Bonds of 2002, dated March 1, 2002 (the “Prior Bonds”); and

WHEREAS, pursuant to a refunding bond ordinance of the Borough entitled
“Refunding bond ordinance authorizing the issuance of \$6,750,000 refunding bonds of the
Borough of Kinnelon, in the County of Morris, New Jersey”, finally adopted on November 19,
2009, the Borough has determined to provide for the refunding and retirement of the callable
Prior Bonds, being the Prior Bonds maturing on and after March 1, 2012 and aggregating
\$5,925,000 in principal amount (the “Refunded Bonds”), by authorizing and issuing \$6,070,000
General Refunding Bonds of 2009 (the “Refunding Bonds”), dated December 30, 2009;

WHEREAS, the Borough has determined to issue the Refunding Bonds to
provide moneys which will provide funds sufficient to pay, together with other available
moneys, if any, when due the principal or redemption price, if any, of and interest on the

Refunded Bonds through and including the redemption date thereof (the “Redemption Date”, being March 1, 2011); and

WHEREAS, the Refunded Bonds are subject to redemption prior to maturity at the option of the Borough on March 1, 2011, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Redemption Date; and

WHEREAS, the Borough will call the Refunded Bonds for redemption on March 1, 2011, at a redemption price of 100% of the principal amount thereof, together with interest accrued thereon to the Redemption Date; and

WHEREAS, by resolution adopted November 19, 2009 (the “Resolution”), the Borough has determined to deposit with the Escrow Agent moneys to provide for the payment of the principal or redemption price, if any, of and interest on the Refunded Bonds through and including the Redemption Date and wishes to enter into this Agreement to effect such purpose; and

WHEREAS, pursuant to the Resolution, the Borough has authorized the deposit with the Escrow Agent of an amount of money from the proceeds of sale of the Refunding Bonds and other available moneys, if any, as verified by Ferraioli, Wielkottz, Cerullo & Cuva, P.A., a firm of certified public accountants, to pay the principal or redemption price, if any, of and interest on the Refunded Bonds through and including the Redemption Dates; and

WHEREAS, the Escrow Agent is willing to receive and hold such moneys on behalf of the Borough and to invest the same as directed by the Borough and to apply the principal of and income from such investments, together with any uninvested moneys, to the payment of the principal or redemption price, if any, of and interest on the Refunded Bonds in accordance with this Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants, agreements and representations herein set forth, the Borough and the Escrow Agent hereby agree as follows:

Section 1. Definitions. In this Agreement, unless a different meaning clearly appears from the context and in addition to the terms defined in the recitals hereto:

“Borough Council” means the governing body of the Borough, or any successor thereto;

“Borough Official” means the Mayor, Chief Financial Officer, Clerk, Deputy Clerk or any other official, officer, employee or agent of the Borough who shall be authorized by the Borough Council to act on behalf of the Borough for any purpose or purposes under this Agreement;

“Code” means the Internal Revenue Code of 1986, as amended, or any successor legislation then in effect;

“Escrow Account” means the special trust account established by Section 2 hereof;

“Investment Securities” has the meaning given to such term in Section 4(A) hereof; and

“Substitute Investment Securities” means any obligations acquired and held in accordance with the provisions of Section 5 hereof.

Section 2. Escrow Account. There is hereby created and established with the Escrow Agent a special trust fund designated the “The Borough of Kinnelon 2002 Bonds Refunding Escrow Account” (the “Escrow Account”). The Escrow Account is to be held in the custody of the Escrow Agent for the benefit of the Borough separate and apart from all other funds of the Borough or of the Escrow Agent subject to the terms of this Agreement.

Section 3. Escrow Sum. In order to provide for the payment of the principal or redemption price, if any, of and interest on the Refunded Bonds as shown on Exhibit A hereto and by this reference incorporated herein, the Borough hereby sets over to the Escrow Agent concurrently with the execution of this Agreement, subject to the terms and conditions set forth hereinafter, in immediately available funds the sum of \$6,311,871.59 receipt of which the Escrow Agent hereby acknowledges and which sum the Escrow Agent shall, immediately upon receipt thereof, deposit directly into the Escrow Account.

Section 4. Investment Securities. (A) Concurrently with the execution of this Agreement, the Escrow Agent shall apply the sum of \$6,311,871.59, from the moneys deposited in the Escrow Account, to the purchase of special direct obligations of the United States of America constituting United States Treasury Obligations - State and Local Government Series, in such amounts, bearing interest at such rates and maturing on such dates as set forth in Exhibit B annexed hereto and by this reference incorporated herein (the "Investment Securities"). The balance of the moneys deposited in the Escrow Account pursuant to Section 3 hereof, viz. \$0.59, shall not be invested and shall be held as cash. The Investment Securities or evidence thereof will be so completed so that such Investment Securities reflect the fact that the Investment Securities are held by the Escrow Agent subject to the provisions of this Agreement. Immediately upon the acquisition of the Investment Securities as set forth in this Section 4 or any Substitute Investment Securities as set forth in Section 5 hereof, the Escrow Agent shall deposit or, in the case of book-entry securities, credit the Investment Securities and substitute Investment Securities evidence of either thereof in the Escrow Account.

(B) Except as otherwise expressly provided in this Agreement, the moneys, Investment Securities and Substitute Investment Securities in the Escrow Account, together with any income or interest earned thereon, shall be held for and applied solely to the payment of the

principal or redemption price, if any, of and interest on the Refunded Bonds through and including the Redemption Dates.

Section 5. Substitute Investment Securities. (A) Except as provided in Sections 3, 4, 5 and 6 hereof, the Escrow Agent shall not have any power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Investment Securities.

(B) Upon the written direction of the Borough and subject to the conditions and limitations herein set forth, the Escrow Agent shall sell, transfer, request the redemption of, or otherwise dispose of the Investment Securities and Substitute Investment Securities, and substitute therefor, at the written direction of the Borough, other direct and general noncallable obligations of the United States of America as hereinafter provided. The Borough hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner if such exercise of powers would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The Escrow Agent shall purchase such Substitute Investment Securities with the proceeds derived from the sale, transfer, redemption or other disposition of the Investment Securities as so directed by the Borough. Any such sale, transfer, redemption or other disposition of Investment Securities and Substitute Investment Securities, and the substitution therefor, may be effected only by a simultaneous transaction and only if (i) a firm of certified public accountants satisfactory to the Borough shall certify that the Substitute Investment Securities, together with Investment Securities which will continue to be held in the Escrow Account, will mature in such principal amounts and at such times and will earn interest in such amounts and at such times as will provide sufficient moneys, together with other moneys on deposit in the Escrow Account, to pay the principal or redemption price, if any, of and interest

on the Refunded Bonds as the same become due and payable and (ii) the Escrow Agent shall receive an opinion of Hawkins Delafield & Wood LLP or other recognized bond counsel to the effect that such disposition of Investment Securities or substitution therefor of Substitute Investment Securities will not adversely affect the exclusion of interest on the Refunded Bonds and the Refunding Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

(C) The Escrow Agent shall not reinvest amounts received from the maturing principal of or interest on Investment Securities or Substitute Investment Securities unless (i) otherwise directed in writing by the Borough and (ii) an opinion similar to the opinion described in Section 5(B) hereof is delivered to the Escrow Agent.

Section 6. Payments From Escrow Account. (A) The Escrow Agent shall collect on the due dates thereof the principal of and interest on the Investment Securities and Substitute Investment Securities on deposit with it in the Escrow Account and shall apply the principal and interest so received in accordance with the provisions of paragraph (B) of this Section 6.

(B) On each redemption, principal or interest payment date for the Refunded Bonds, the Escrow Agent shall withdraw from the Escrow Account and transfer to or upon the order of the Borough sufficient moneys to pay to the owners of the Refunded Bonds, the principal or redemption price, if any, of and interest becoming due on such date. The Borough hereby directs the Escrow Agent to make all such payments by federal funds wire to The Depository Trust Company; provided, however, that the Borough may hereafter give the Escrow Agent written direction to make such payments to a depository account of the Borough. After payment of the principal or redemption price, if any, of and interest on the Refunded Bonds (or after provision therefor is made) all remaining moneys, Investment Securities and Substitute

Investment Securities in the Escrow Account shall be repaid by the Escrow Agent to the Borough.

Section 7. Liability for Payment. (A) The obligation of the Escrow Agent to make payments from the Escrow Account required by this Agreement with respect to the principal or redemption price, if any, of and interest on the Refunded Bonds shall be limited to the principal of and interest earned on the Investment Securities, Substitute Investment Securities and other moneys on deposit in the Escrow Account and the Escrow Agent shall not be required to expend its own funds for the performance of its duties hereunder. The Escrow Agent shall not be liable for any loss or liability resulting from any investment made pursuant to this Agreement and in full compliance with the terms hereof.

(B) In the event of the failure of the Escrow Agent to account for any of the Investment Securities, Substitute Investment Securities or moneys received or held by it pursuant to the terms of this Agreement, (i) such Investment Securities, Substitute Investment Securities or other moneys, as the case may be, shall be and remain the property of the Borough and (ii) the Escrow Agent shall be liable to the Borough only if such failure is the result of the Escrow Agent's negligence or willful misconduct.

Section 8. Termination. This Agreement shall terminate when the principal or redemption price, if any, of and interest on all the Refunded Bonds have been paid and no Investment Securities, Substitute Investment Securities, moneys or other funds remain on deposit in the Escrow Account. No such termination of this Agreement shall affect the rights or liabilities theretofore accrued by either party to this Agreement; provided, however, that the provisions of Section 16 hereof relating to the indemnification of the Escrow Agent shall survive the termination of this Agreement or the removal or resignation of the Escrow Agent.

Section 9. Resignation and Removal. The Escrow Agent may at any time resign and be discharged of its obligations or duties for further performance under this Agreement by giving not less than sixty (60) days' written notice to the Borough. Such resignation shall take effect upon the date (if any) specified in such notice, or if earlier, upon the date of appointment of a successor Escrow Agent by the Borough. No resignation under this Section 9 shall be effective until the appointment of a successor Escrow Agent by the Borough. In the event of a resignation by the Escrow Agent, the Borough shall use its best efforts to obtain a suitable successor Escrow Agent. If the Borough fails to appoint a successor Escrow Agent within sixty (60) days after receiving a notice of resignation from the Escrow Agent or removal of the Escrow Agent as provided below, the Escrow Agent may, at the expense of the Borough, apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The Borough may remove the Escrow Agent at any time with or without cause by filing with the Escrow Agent a written notice of such removal. No such removal shall be effective until the appointment of a successor Escrow Agent by the Borough. In case at any time the Escrow Agent shall resign or be removed, the Borough may appoint a successor Escrow Agent by filing with the Escrow Agent and the successor Escrow Agent a written notice of such appointment and upon receipt of such notice, the Escrow Agent shall transfer to the successor Escrow Agent all moneys, funds, Investment Securities and Substitute Investment Securities held by it in the Escrow Account pursuant to this Agreement.

Section 10. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Borough or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and

agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 11. Compensation of Escrow Agent. The Borough shall pay from time to time to the Escrow Agent all reasonable fees, expenses, charges, including attorneys' fees and other disbursements and those of their agents and employees incurred in and about the performance of their powers and duties with respect to this Agreement, all of which shall be subject to and in accordance with any fee proposal of the Escrow Agent submitted to the Borough; provided, however, that such payment shall not under any circumstances be made from funds on deposit in the Escrow Account and the Escrow Agent shall have no claim or lien on or interest in the funds on deposit in the Escrow Account for any such payment.

Section 12. Amendment. This Agreement may be repealed, revoked, rescinded, altered, amended or supplemented in whole or in part by the written consent of the Escrow Agent and the Borough.

Section 13. Notices of Redemption and Refunding. The Escrow Agent, on behalf of the Borough, shall call for redemption on the Redemption Date the full principal amount of the Refunded Bonds in accordance with the terms thereof. Unless some other method of delivery and time is acceptable to the recipient, the Escrow Agent shall give notice of such redemption, in substantially the set forth in Exhibit C hereto and by this reference incorporated herein, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption by first class mail, postage prepaid, to (a) the registered owners of the Refunded Bonds (i.e., The Depository Trust Company) and (b) the Municipal Securities Rulemaking Board (www.msrb.org/msrb1/control/default.asp?TARGET=EMMADATAPORT). Any failure to mail or to receive such notice, or any defect therein, shall not affect the validity of the proceedings for redemption. The Borough shall notify the Escrow Agent in writing of the addresses of the

registered owners of the Refunded Bonds in the event that The Depository Trust Company is no longer the registered owner thereof. In addition, the Escrow Agent, on behalf of the Borough, shall mail or cause to be mailed by first-class mail, postage prepaid, to The Depository Trust Company and the Municipal Securities Rulemaking Board a notice of refunding, in substantially the form set forth in Exhibit D hereto and by this reference incorporated herein, as soon as practicable after the execution and delivery of this Agreement. All related costs of mailing all notices shall be borne by the Borough.

Section 14. Liability of Escrow Agent. The recitals of fact in this Agreement shall be taken as the statements of the Borough, and the Escrow Agent does not assume any responsibility for the correctness or completeness of the same. The Escrow Agent shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of this Agreement or to advance any of its own moneys, unless provided indemnity satisfactory to it. The Escrow Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

Section 15. Evidence for Escrow Agent Action. The Escrow Agent shall be entitled to conclusively rely and act upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it to be genuine, and to have been signed and presented by the proper party or parties, and may consult with counsel, who may be of counsel to the Borough, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Agreement, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate executed

by a Borough Official and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Agreement upon the faith thereof, but in its discretion the Escrow Agent may require such further or additional evidence as may seem reasonable to it. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Borough to the Escrow Agent shall be sufficiently executed in the name of the Borough by any Borough Official. It is expressly understood and agreed that the Escrow Agent's duties and obligations in connection with this Agreement are confined to those expressly defined herein and no additional covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent may act through its agents and attorneys under this Agreement.

Section 16. Indemnification of Escrow Agent. To the extent permitted by law, the Borough shall indemnify and save harmless the Escrow Agent and its officers and directors against any loss, liability or expense which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its own negligence or willful misconduct.

Section 17. Governing Law. This Agreement shall, to the fullest extent permitted by law, be interpreted, construed and enforced pursuant to the laws of the State of New Jersey without regard to conflict of law principles.

Section 18. Parties in Interest. This Agreement is made for the sole and exclusive benefit of the parties hereto. Nothing contained in this Agreement expressed or implied is intended or shall be construed to confer upon or to give to any person other than the Borough and the Escrow Agent any right, remedy or claim under or by reason of this Agreement.

Section 19. Execution of Counterparts. This Agreement may be executed in several counterparts and, when at least one counterpart has been fully executed by each party hereto, this Agreement shall become binding on the parties hereto. All or any of said executed

counterparts shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 20. Prior Agreements Superseded. This Agreement shall completely and fully supersede all other prior and contemporaneous understandings or agreements, both written and oral, between the parties hereto relating to the transactions contemplated hereby.

Section 21. Assignment. This Agreement shall be binding upon the Escrow Agent and the Borough and upon their respective successors, transferees and assigns and shall inure to the benefit of and be enforceable by the Borough and the Escrow Agent and their respective successors, transferees and assigns. This Agreement may not be assigned by the Borough or the Escrow Agent without the prior written consent of the non-assigning party.

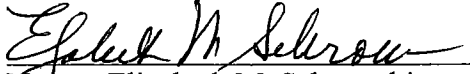
Section 22. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given upon receipt if sent by registered mail, return receipt requested, as follows: to the Borough: the Borough of Kinnelon, in the County of Morris, New Jersey, 130 Kinnelon Road, Kinnelon, New Jersey, 07405-2347, Attention: Norman Eckstein, Chief Financial Officer, telephone 973-838-5401 (x1), fax 973-838-1862, e-mail neckstein@kinnelonboro.org, and to the Escrow Agent: The Bank of New York Mellon, 385 Rifle Camp Road, Woodland Park, New Jersey 07424, Attention: Corporate Trust Department, Vanessa Mesa, telephone 973-357-7827, fax 973-357-7840, e-mail Vanessa.mesa@bnymellon.com, or at such other address as any of the above may have furnished to the other parties in writing by registered mail, return receipt requested.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, and, in the case of the Borough, its seal to be hereunto affixed and attested, by their duly authorized officers, all as of the date and year first above written.

(SEAL)

**THE BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS**

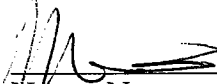
ATTEST:



Name: Elizabeth M. Sebrowski

Title: Borough Clerk

By



Name: Norman Eckstein

Title: Chief Financial Officer

THE BANK OF NEW YORK MELLON

By

Name: Vanessa Mesa

Title: Senior Associate

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(SEAL)

**THE BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS**

ATTEST:

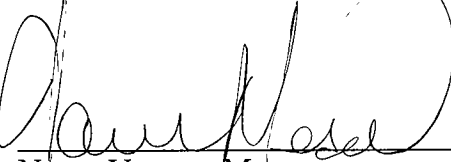
Name: Elizabeth M. Sebrowski
Title: Borough Clerk

By

Name: Norman Eckstein
Title: Chief Financial Officer

THE BANK OF NEW YORK MELLON

By



Name: Vanessa Mesa
Title: Senior Associate

EXHIBIT A

Debt Service on Refunded Bonds

NEW ISSUE
Book-Entry-Only

SERIAL BONDS
Ratings: Moody's "Aaa"
Financial Guaranty Insured
(see "Credit Rating" herein)

In the opinion of Hawkins, Delafield & Wood, Bond Counsel, under existing statutes and court decisions, and assuming compliance with certain tax covenants, interest on the Bonds is not included in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not included in gross income under the New Jersey Gross Income Tax Act. In addition, under existing statutes and court decisions, interest on the Bonds is not treated as a preference item for the purpose of calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations; however, such interest is included in the adjusted current earnings of certain corporations for the purpose of calculating the alternative minimum tax that may be imposed with respect to such corporations. See "Tax Matters" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

\$8,670,000
BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS, NEW JERSEY
GENERAL BONDS OF 2002
(Bank Qualified)(Callable)

Dated: March 1, 2002

Due: March 1, as shown below

The \$8,670,000 General Bonds of 2002 (the "Bonds") of the Borough of Kinnelon, in the County of Morris, New Jersey (the "Borough") will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year until maturity or earlier redemption, commencing September 1, 2002. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Borough. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds maturing prior to March 1, 2012, are not subject to redemption prior to maturity. The Bonds maturing on or after March 1, 2012 are subject to redemption prior to their stated maturities as described herein.

The Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount.

Payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy issued simultaneously with the delivery of the Bonds by Financial Guaranty Insurance Company.

FGIC. Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2003	\$255,000	4.50%	1.70%	2014	\$420,000	4.50%	4.34%
2004	265,000	4.50	2.25	2015	430,000	4.60	4.44
2005	275,000	4.50	2.75	2016	440,000	4.60	4.60
2006	285,000	4.50	3.08	2017	450,000	4.70	4.70
2007	300,000	4.50	3.40	2018	460,000	4.75	4.80
2008	315,000	4.50	3.61	2019	470,000	4.75	4.87
2009	335,000	4.50	3.82	2020	480,000	4.75	4.92
2010	350,000	4.50	3.97	2021	485,000	4.75	4.95
2011	365,000	4.50	4.08	2022	495,000	4.75	4.97
2012	380,000	4.50	4.17	2023	505,000	4.75	4.99
2013	400,000	4.50	4.30	2024	510,000	4.75	5.00

(accrued interest, if any, to be added)

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins, Delafield & Wood, Newark, New Jersey and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about March 21, 2002.

RBC Dain Rauscher Inc.

Dated: March 6, 2002

\$6,070,000.00

Borough of Kinnelon

In the County of Morris New Jersey

General Obligation Bonds of 2009 - (Uniform Savings)

Debt Service Comparison

Part 1 of 2

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings	Fiscal Total
12/30/2009	-	-	-	-	-	-
03/01/2010	144,088.72	366,087.50	510,176.22	504,541.25	(5,634.97)	-
09/01/2010	114,293.75	8,212.50	122,506.25	146,666.25	24,160.00	-
12/31/2010	-	-	-	-	-	18,525.03
03/01/2011	144,293.75	373,212.50	517,506.25	511,666.25	(5,840.00)	-
09/01/2011	113,993.75	-	113,993.75	138,453.75	24,460.00	-
12/31/2011	-	-	-	-	-	18,620.00
03/01/2012	518,993.75	-	518,993.75	518,453.75	(540.00)	-
09/01/2012	109,943.75	-	109,943.75	129,903.75	19,960.00	-
12/31/2012	-	-	-	-	-	19,420.00
03/01/2013	524,943.75	-	524,943.75	529,903.75	4,960.00	-
09/01/2013	103,718.75	-	103,718.75	120,903.75	17,185.00	-
12/31/2013	-	-	-	-	-	22,145.00
03/01/2014	533,718.75	-	533,718.75	540,903.75	7,185.00	-
09/01/2014	97,268.75	-	97,268.75	111,453.75	14,185.00	-
12/31/2014	-	-	-	-	-	21,370.00
03/01/2015	537,268.75	-	537,268.75	541,453.75	4,185.00	-
09/01/2015	88,468.75	-	88,468.75	101,563.75	13,095.00	-
12/31/2015	-	-	-	-	-	17,280.00
03/01/2016	533,468.75	-	533,468.75	541,563.75	8,095.00	-
09/01/2016	79,568.75	-	79,568.75	91,443.75	11,875.00	-
12/31/2016	-	-	-	-	-	19,970.00
03/01/2017	534,568.75	-	534,568.75	541,443.75	6,875.00	-
09/01/2017	70,468.75	-	70,468.75	80,868.75	10,400.00	-
12/31/2017	-	-	-	-	-	17,275.00
03/01/2018	530,468.75	-	530,468.75	540,868.75	10,400.00	-
09/01/2018	60,693.75	-	60,693.75	69,943.75	9,250.00	-
12/31/2018	-	-	-	-	-	19,650.00
03/01/2019	525,693.75	-	525,693.75	539,943.75	14,250.00	-
09/01/2019	50,812.50	-	50,812.50	58,781.25	7,968.75	-
12/31/2019	-	-	-	-	-	22,218.75
03/01/2020	525,812.50	-	525,812.50	538,781.25	12,968.75	-
09/01/2020	40,718.75	-	40,718.75	47,381.25	6,662.50	-
12/31/2020	-	-	-	-	-	19,631.25
03/01/2021	515,718.75	-	515,718.75	532,381.25	16,662.50	-
09/01/2021	31,218.75	-	31,218.75	35,862.50	4,643.75	-
12/31/2021	-	-	-	-	-	21,306.25
03/01/2022	516,218.75	-	516,218.75	530,862.50	14,643.75	-
09/01/2022	19,700.00	-	19,700.00	24,106.25	4,406.25	-
12/31/2022	-	-	-	-	-	19,050.00
03/01/2023	509,700.00	-	509,700.00	529,106.25	19,406.25	-
09/01/2023	9,900.00	-	9,900.00	12,112.50	2,212.50	-

\$6,070,000.00

Borough of Kinnelon

In the County of Morris New Jersey

General Obligation Bonds of 2009 - (Uniform Savings)

Debt Service Comparison

Part 2 of 2

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings	Fiscal Total
12/31/2023	-	-	-	-	-	21,618.75
03/01/2024	504,900.00	-	504,900.00	522,112.50	17,212.50	-
12/31/2024	-	-	-	-	-	17,212.50
Total	\$8,090,626.22	\$747,512.50	\$8,838,138.72	\$9,133,431.25	\$295,292.53	-

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	235,004.89
Net PV Cashflow Savings @ 3.188%(Bond Yield)	235,004.89
Contingency or Rounding Amount	134.81
Net Present Value Benefit	\$235,139.70
Net PV Benefit / \$5,925,000 Refunded Principal	3.969%
Net PV Benefit / \$6,070,000 Refunding Principal	3.874%

Refunding Bond Information

Refunding Dated Date	12/30/2009
Refunding Delivery Date	12/30/2009

EXHIBIT B

Investment Securities and Proof of Sufficiency



DEPARTMENT OF THE TREASURY

BUREAU OF THE PUBLIC DEBT

PARKERSBURG, WV 26106-1328

SUBSCRIPTION CONFIRMATION

State and Local Government Series Securities

Treasury Case Number:	200904993
Program Type:	Time Deposit
Issue Amount:	\$6,311,871.00
Issue Date:	12/30/2009
Owner Name:	The Borough of Kinnelon
TIN:	22-6002565
Rate Table Date:	12/16/2009
Status:	Complete
Confirmation Date:	12/16/2009
Confirmation Time:	04:48 PM EST

View a Subscription Before Issue - Time Deposit

Treasury Case Number 200904993

Status Complete

Issue Date 12/30/2009

Issue Amount \$6,311,871.00

Rate Table Date 12/16/2009

Taxpayer Identification Number 22-6002565

Underlying Bond Issue General Refunding Bonds of 2009

Owner Name The Borough of Kinnelon

Address Line 1 Municipal Building

Line 2 130 Kinnelon Road

Line 3

City Kinnelon

State NJ

Zip Code 07405

Contact Name Norman Eckstein

Telephone 973-838-5401

Fax 973-838-1862

E-mail neckstein@kinnelonboro.org

ABA Routing Number 021000018

Bank Reference Number

Bank Name The Bank of New York Mellon

Address Line 1 385 Rifle Camp Road 3rd
Floor

Line 2

Line 3

City Woodland Park

State NJ

Zip Code 07424

Contact Name Vanessa Mesa

Telephone 973-357-7827

Fax 973-357-7840

E-mail vanessa.mesa@bnymellon.com

ABA Routing Number 021000018

Bank Name The Bank of New York Mellon

Contact Name Vanessa Mesa

Telephone 973-357-7827

Fax 973-357-7840

E-mail vanessa.mesa@bnymellon.com

ABA Routing Number 021000018**Bank Name** The Bank of New
York Mellon**Address Line 1** 385 Rifle Camp Road
3rd Floor**Line 2****Line 3****City** Woodland Park**State** NJ**Zip Code** 07424**Contact Name** Vanessa Mesa**Telephone** 973-357-7827**Fax** 973-357-7840

vanessa.

E-mail mesa@bnymellon.
com**ABA Routing Number** 021000018**Account Name** BNY
TAS#239001**Account Number** 8900101474**Account Type** Checking**ABA/TIN** 23-0731260**Organization Name** Janney Montgomery Scott LLC**Address Line 1** 1801 Market Street**Line 2****Line 3****City** Philadelphia**State** PA**Zip Code** 19103**Contact Name** Bradley Tesoriero**Telephone** 215-665-4564**Fax** 215-587-9943**E-mail** btesoriero@jmsonline.com**No Viewers Assigned**

1	C of I	\$134,373.00	0.010000000%	03/01/2010		
2	C of I	\$126,147.00	0.240000000%	09/01/2010		
3	Note	\$6,051,351.00	0.400000000%	03/01/2011	03/01/2010	

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

December 30, 2009

Borough of Kinnelon
130 Kinnelon Road
Kinnelon, NJ 07405

Hawkins Delafield & Wood LLP
One Gateway Center, 24th Floor
Newark, NJ 07102

The Bank of New York Mellon
385 Rifle Camp Road
Woodland Park, NJ 07424

Janney Montgomery Scott LLC
1580 Route 206
Bedminster, NJ 07921

Borough of Kinnelon
County of Morris, New Jersey
\$6,070,000 General Refunding Bonds of 2009
(the "Refunding Bonds")

We have completed our engagement to verify the mathematical accuracy of certain computations, relating to the Refunding Bonds, contained in schedules, attached hereto as Part I, prepared on behalf of the Borough of Kinnelon (the "Borough") by Janney Montgomery Scott LLC (the "Underwriters"), and provided to us by the Underwriters.

The bonds to be refunded (the "Refunded Bonds") are:

\$5,925,000 aggregate principal amount of the Borough of Kinnelon General Bonds, dated March 1, 2002 originally issued in the principal amount of \$8,670,000, maturing on March 1 in the years 2012 to 2024, both dates inclusive.

The scope of our engagement consisted of verification of the mathematical accuracy of (1) the computations contained in schedules provided to us by the Underwriters to determine that the anticipated receipts from principal of and interest on U.S. Treasury Securities - State and Local Government Series (the "Acquired Obligations") purchased with a portion of the proceeds of the Refunding Bonds in the amount of \$6,311,871 and an initial cash deposit from the proceeds of the Refunding Bonds in the amount of \$.59, will be sufficient to pay, when due, the principal, interest and redemption price on the Refunded Bonds, through and including the Redemption Date, as defined herein, (2) the computations of "yield" contained in such schedules and considered by Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, in its determination that the Borough's



Refunding Bonds are not “arbitrage bonds” within the meaning of the Internal Revenue Code of 1986, as amended. The term “yield”, as used herein, means that yield which, when used in computing the present worth of all payments of principal and interest on an obligation, assuming semi-annual compounding and a 360-day year consisting of twelve 30-day months, produces an amount equal to, in the case of the Refunding Bonds, the par amount of such Refunding Bonds plus any premium on the Refunding Bonds (the issue price), and in the case of the Acquired Obligations, the purchase price which is assumed to be the fair market value, as that term is defined in Treasury Regulations Section 1.148-5(d)(6)(I).

We were also provided by the Underwriters with the Refunding Bonds Official Statement (the “2009 Official Statement”) and certain portions of the Refunded Bonds Official Statement (the “Refunded Bonds Official Statement”) and other documents relating to the Refunded Bonds. We compared the information contained in the schedules provided to us with certain information contained in the Refunded Bonds Official Statement and 2009 Official Statement with respect to principal, interest rates, maturity dates, amounts and redemption provisions. We found that the information contained in such schedules provided by the Underwriters is in agreement with the information contained in the Refunded Bonds Official Statement and 2009 Official Statement. Copies of pertinent portions of the Refunded Bonds Official Statement and 2009 Official Statement are attached hereto as Part II.

We have been provided with evidence of the purchase of the Acquired Obligations which are to be escrowed to refund the Refunded Bonds. We have compared those securities to those in the schedules provided by the Underwriters and found them to be in agreement. Copies of the confirmation forms are included in Part III of this report.

The schedules provided to us by the Underwriters, used in our verification of the mathematical accuracy of the computations contained therein, are included in this report. In these schedules, the delivery date for the Bonds is assumed to be December 30, 2009.

We also assume that the Borough will call the Refunded Bonds at a redemption price of 100 percent of the principal amount thereof on March 1, 2011 (the “Redemption Date”).

In our opinion, the schedules submitted to us as part of our engagement to verify the mathematical accuracy of the computations contained in the schedules provided to us by the Underwriters, reflect that:

1. The anticipated principal of and interest on the Acquired Obligations, together with an initial cash deposit of \$.59, will be sufficient to pay, when due, the principal, interest and redemption price requirements of the Refunded Bonds through and including the Redemption Date.
2. The yield on the Refunding Bonds is 3.188341% and the permitted yield on the Acquired Obligations is 3.188341%. The actual yield on the Acquired Obligations is .396606%.

December 30, 2009

Page 3.

The scope of our engagement was limited to verifying the mathematical accuracy of the computations contained in the above-mentioned schedules provided to us. The terms of our engagement are such that we have no obligation to update this report because of events occurring, or data or information coming to our attention, subsequent to the date of this report.

Very truly yours,

Ferraioli, Wielkote, Cerullo & Cuva P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants



\$6,070,000.00

Borough of Kinnelon

In the County of Morris New Jersey

General Obligation Bonds of 2009 - (Uniform Savings)

Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
12/30/2009	-	-	-	0.59	-	0.59
03/01/2010	134,373.00	0.010%	4,081.05	138,454.05	138,453.75	0.89
09/01/2010	126,147.00	0.240%	12,305.91	138,452.91	138,453.75	0.05
03/01/2011	6,051,351.00	0.400%	12,102.70	6,063,453.70	6,063,453.75	-
Total	\$6,311,871.00	-	\$28,489.66	\$6,340,361.25	\$6,340,361.25	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.59
Cost of Investments Purchased with Bond Proceeds	6,311,871.00
Total Cost of Investments	\$6,311,871.59
Target Cost of Investments at bond yield	\$6,116,519.96
Actual positive or (negative) arbitrage	(195,351.63)
Yield to Receipt	0.3966060%
Yield for Arbitrage Purposes	3.1883409%
State and Local Government Series (SLGS) rates for	12/16/2009

EXHIBIT C

Notice of Redemption

NOTICE OF REDEMPTION

**THE BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS, NEW JERSEY**

GENERAL BONDS OF 2002

NOTICE HEREBY IS GIVEN to the owners of all General Bonds of 2002 of the Borough of Kinnelon, in the County of Morris, New Jersey, dated March 1, 2002, and maturing and bearing CUSIP numbers as follows:

<u>Maturing March 1</u>	<u>CUSIP Number</u>	<u>Maturing March 1</u>	<u>CUSIP Number</u>
2012	497062AY5	2019	497062BF5
2013	497062AZ2	2020	497062BG3
2014	497062BA6	2021	497062BH1
2015	497062BB4	2022	497062BJ7
2016	497062BC2	2023	497062BK4
2017	497062BD0	2024	497062BL2
2018	497062BE8		

that the Borough will redeem said bonds on March 1, 2011 at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption. Owners of the bonds may present and surrender their certificates for payment on and after March 1, 2011 at Municipal Building, 130 Kinnelon Road, Kinnelon, New Jersey 07405-2347.

Under the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003, paying agents making payments of principal or interest on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a certified and valid taxpayer identification number on a fully completed IRS Form W-9. Holders of the above-described bonds who wish to avoid the application of these provisions should submit a certified taxpayer identification number on IRS Form W-9 when presenting their bonds. IRS Form W-9 may be obtained from the Internal Revenue Service or any local bank or broker.

No representation is made as to the correctness of the CUSIP numbers either as printed on the bonds or as set forth herein.

**THE BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS**

By: /s/ Elizabeth M. Sebrowski
Name: Elizabeth M. Sebrowski
Title: Borough Clerk

Dated: January 15, 2011

EXHIBIT D

Notice of Refunding

NOTICE OF REFUNDING

**THE BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS, NEW JERSEY**

GENERAL BONDS OF 2002

NOTICE HEREBY IS GIVEN to the owners of all General Bonds of 2002 of the Borough of Kinnelon, in the County of Morris, New Jersey, dated March 1, 2002, and maturing and bearing CUSIP numbers as follows:

<u>Maturing March 1</u>	<u>CUSIP Number</u>
2012	497062AY5
2013	497062AZ2
2014	497062BA6
2015	497062BB4
2016	497062BC2
2017	497062BD0
2018	497062BE8
2019	497062BF5
2020	497062BG3
2021	497062BH1
2022	497062BJ7
2023	497062BK4
2024	497062BL2

that the Borough will redeem said bonds on March 1, 2011 at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the redemption date. The Borough has deposited moneys in an escrow account for the payment of such bonds and a portion of such moneys have been invested in United States Treasury Obligations, the principal and interest on which will be sufficient, together with other moneys on deposit in the escrow account, to pay the principal or redemption price, if any, of and interest on such bonds when due through and including the redemption date.

No representation is made as to the correctness of the CUSIP numbers either as printed on the bonds or as set forth herein.

**THE BOROUGH OF KINNELON,
IN THE COUNTY OF MORRIS**

By: /s/ Elizabeth M. Sebrowski
Name: Elizabeth M. Sebrowski
Title: Borough Clerk

Dated: January 4, 2010