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Please Respond To: Boonton Office

February 20, 2009

VIA FACSIMILE TO 973-538-5146 AND REGULAR MAIL

Vito Gagliardi, Jr., Esq.
Porzio, Bromberg & Newman
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07962

Re: Lease of Hillcrest School

Dear Mr. Gagliardi:

At the joint meeting of the Board of Education and the Township of West Milford on Wednesday, February 18, 2009, the Board advised that it would consider a long-term lease for the aforesaid facility. The Board went on to assure the Mayor and Township Council that a proposal for a long-term lease would be immediately discussed and considered and a response would be forthcoming. The Township Council has a regularly scheduled meeting on February 25, 2009 and plans on discussing your reply at that time.

On Thursday, February 19, 2009, the Mayor and Township Council discussed, evaluated and developed a long-term lease proposal for the Hillcrest School. Accordingly, I have been directed to propose the following Lease Agreement for this facility:

1. Lease of 20,000 square feet of the approximately 34,000 square foot facility.
2. The Township would remit rent in the amount of \$60,000 per year, or \$5,000 per month for the use of the facility.
3. A pro rata share of the utilities (in the name of the Board of Education) would be paid for by the Township of West Milford.
4. The term of the Lease would be for twenty-five (25) years.
5. The Township would be responsible for the cleaning of the facility and the operation of the boiler for the site. This will include a licensed operator for the site to operate such system.

6. The Board of Education shall be responsible for maintenance of and capital improvements to the facility. This shall include that the responsibility for snow removal and grass cutting at the site will be that of the Board of Education.
7. The Township shall maintain appropriate insurance for the operation of the rented portion of the facility.
8. This proposal includes approximately 2,500 square feet which will be utilized for the township's Preschool Program that which the Board of Education has expressed interest in assuming in the future.

It is important to note that the proposal of the Mayor and Township Council includes \$100,000 in salary and benefits in order to maintain the heating system for the facility. When evaluating alternative sites for the Township, this cost would not be incurred by the Township as it is only necessary for the Hillcrest School site. This amounts to an additional \$5.00 per square foot (\$100,000 ÷ 20,000 sq. ft.) for the use of the facility. The total proposal will amount to \$3.00 per square foot to be paid to the Board of Education plus \$5.00 per square foot to maintain the operation of the heating system, bringing the total to \$8.00 per square foot.

As part of this proposal, the Board of Education would have available approximately 15,000 square feet for future use by way of rental or for educational purposes.

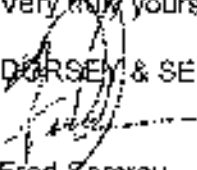
As part of this proposal, the Township would also agree to make the improvements in accordance with the 2008-2009 Lease Proposal notwithstanding whether the improvements set forth therein are presently Code compliant.

I trust this letter sets forth the salient facts that are necessary so that the Board can promptly review this matter and advise the Township and its residents as to its position.

The Mayor and Township Council have advised that this proposal will be available to the Board of Education through February 27, 2009 so that the Township shall have the opportunity, if necessary, to consider alternative sites for a Community Center.

If you have any questions regarding this proposal, please do not hesitate to contact me.

Very truly yours,


DORSEY & SEMRAU

Fred Semrau

FCS:sdj

cc: Mayor and Township Council
Kevin Boyle, Township Administrator
Antoinette Battaglia, Township Clerk

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Dear Mr. Gagliardi:

As a supplement to my earlier correspondence and proposal of the Township of West Milford, please be advised that said proposal shall include the following:

1. On January 1st of each subsequent year of the lease, the annual rent shall be adjusted upward based on the Municipal Cap Rate ("MCR") or any budgetary cap imposed on the Township by the State, whichever is lower. For example, if the MCR for a particular year was 3.3%, however the State cap limitation imposed on the Township were 3%, then the annual rent shall be limited to a 3% increase.

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

Very truly yours,

DORSEY & SEMRAU

Fred Semrau

FCS:sdj

cc: Mayor and Township Council
Kevin Boyle, Township Administrator
Antoinette Battaglia, Township Clerk