

SPECIAL LEGAL COUNSEL GUIDELINES



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TABLE OF CONTENTS

I. INTRODUCTION1

II. RETENTION1

III. CONFLICTS OF INTEREST2

 A. Initial Conflicts Check2

 B. Conflicts2

 C. Continuing Obligation3

IV. RESPONSIBILITIES OF THE PASSAIC VALLEY SEWERAGE COMMISSION.....3

V. SPECIAL LEGAL COUNSEL RESPONSIBILITIES..... 3

 A. Identification of Objectives/Relationship Attorney3

 B. Exceptions to Guidelines3

 C. Communication.....4

 D. Secondary Law Firms4

 E. Ethical Standard4

 F. Malpractice Insurance4

 G. File Retention.....4

VI. CONFIDENTIALITY.....5

VII. CASE MANAGEMENT, REPORTING AND BUDGETING5

 A. Management Plan, Budget and Status Reports5

 1. Litigation and Advice Matters5

 2. Bond and Other Transactions.....6

 B. Pleadings, Motions and Other Documents.....7

 C. Discovery7

VIII. SETTLEMENT AND ALTERNATIVE DISPUTE RESOLUTION.....7

IX.	STAFFING AND BILLING POLICY	8
A.	Staffing of Matters	8
B.	Rates.....	9
C.	Invoices.....	9
D.	Invoice Format	10
E.	Fees	10
F.	Legal Research.....	11
G.	Disbursements and Costs	11
1.	Generally.....	11
2.	Court Reporter Expenses	11
3.	Court Filing Fees.....	12
4.	Express Mail and Couriers.....	12
5.	Photocopying	12
6.	Postage	12
7.	Telephone and Facsimile Transmissions	12
8.	Third Party Services.....	12
H.	Travel	13
1.	Alternatives to Travel Encouraged	13
2.	Air and Rail Travel	13
3.	Automobile Travel	13
4.	Meals.....	13
I.	Expense Reimbursement.....	14
X.	MEDIA	14
XI.	GRATUITIES	14

ACCEPTANCE OF THE PASSAIC VALLEY SEWERAGE COMMISSION'S
SPECIAL LEGAL COUNSEL GUIDELINES15

APPENDIX A.....16

I. INTRODUCTION

At times, the Passaic Valley Sewerage Commission (“PVSC”) will retain Special Legal Counsel to represent its interests due to a variety of reasons, including the need for specialized legal expertise, the existence of a conflict of interest, or to handle internal workload overflow. PVSC will engage Special Legal Counsel that is committed to providing the highest quality legal services to PVSC in the most cost-effective manner. Special Legal Counsel is expected to represent PVSC with integrity, professionalism, and a sense of urgency in resolving legal problems. While PVSC requires Special Legal Counsel to provide legal services of the highest quality, Special Legal Counsel is also expected to make all efforts to deliver those services efficiently and cost-effectively.

PVSC has issued these Special Legal Counsel Guidelines (“Guidelines”) in order to standardize processes and procedures in connection with its legal matters. These Guidelines set forth PVSC’s expectations and define an effective working relationship with Special Legal Counsel, in order to streamline processes and improve cost savings. Special Legal Counsel should promptly contact PVSC’s General Counsel with any questions relating to the application of these Guidelines. These Guidelines are effective for all work performed beginning August 1, 2011, supersede previously issued guidelines and, unless exceptions are approved in writing, constitute the terms under which Special Legal Counsel is engaged.

All attorneys, professional staff and third party vendors who work on behalf of PVSC must be familiar with and adhere to these Guidelines. However, nothing in these Guidelines is in any way intended to interfere with Special Legal Counsel’s professional judgment or duties as an advocate representing the interests of PVSC. PVSC reserves the right to amend these Guidelines at any time, providing written notification to Special Legal Counsel within thirty (30) days of any substantive changes becoming effective.

II. RETENTION

PVSC will retain Special Legal Counsel through a written retention letter that will be mailed to Special Legal Counsel. New Jersey law contains additional requirements applicable to retentions as generally described in the retention packet. Please note that several requirements involve submitting additional information on the forms provided and/or referenced.

Special Legal Counsel must properly execute the original of the retention letter. Special Legal Counsel must also complete and execute whatever additional forms the retention letter may require, and must provide whatever additional documentation or information the retention letter and the attachments thereto request. Special Legal Counsel must return the original, paper version of the executed retention letter, and paper versions of the executed forms, together with all other required information and documents, to PVSC’s General Counsel, in accordance with the instructions contained in the retention letter.

Invoices for services will not be eligible for payment until Special Legal Counsel has returned to PVSC’s General Counsel the retention letter and all documents properly completed and executed, and until counsel has satisfied all requirements for retention as specified in the retention letter and its attachments.

III. CONFLICTS OF INTEREST

A. Initial Conflicts Check

Prior to engagement, Special Legal Counsel shall perform a thorough check for actual or potential conflicts of interest, as defined by the applicable rules of professional conduct, which may arise from Special Legal Counsel's representation of PVSC. Special Legal Counsel must use best efforts to identify and discuss with PVSC's General Counsel any potential conflicts of a philosophic or policy-driven nature (*i.e.*, positional conflicts) that may compromise a position taken by PVSC (*e.g.*, if the firm is presently advocating, or intends to advocate, a position adverse to the position of PVSC). Any conflict must be discussed with PVSC's General Counsel as soon as it becomes known. PVSC reserves the right to make an independent determination as to whether Special Legal Counsel has an actual or potential conflict of interest as discussed below.

The acceptance of an engagement on a matter by Special Legal Counsel without written disclosure of any conflicts constitutes a representation by Special Legal Counsel that a conflicts check has been conducted and that there are no conflicts.

B. Conflicts

PVSC has a duty to protect the public interest. As part of this responsibility, PVSC sets policies to ensure that the legal system is maintained in a manner that safeguards the public's confidence in the integrity and impartiality of its administration. For this reason, PVSC prohibits Special Legal Counsel from representing private parties before PVSC, even in connection with non-adversarial proceedings. For example, Special Legal Counsel is prohibited from representing a private party before PVSC in connection with applications for PVSC approvals.

In addition, Special Legal Counsel cannot represent private parties with interests adverse to PVSC in matters in which PVSC is involved as a party. Special Legal Counsel cannot represent PVSC in matters involving private parties, if the firm concurrently represents those private parties in other matters. Furthermore, Special Legal Counsel cannot take an adversarial position against PVSC on behalf of any private clients during the course of Special Legal Counsel's representation of PVSC. PVSC cannot consent to any conflict of interest under New Jersey law.

Special Legal Counsel is precluded from undertaking the representation of another client if the representation presents a substantial risk that Special Legal Counsel's responsibilities to PVSC would limit its ability to provide independent advice or diligent and competent representation to either PVSC or the other client.

In accordance with the disclosure obligations set forth above, Special Legal Counsel must promptly and fully disclose to PVSC's General Counsel any potential conflict of interest. PVSC, after consultation with Special Legal Counsel, shall have the sole discretion to determine whether an impermissible conflict exists, or whether other circumstances exist that would undermine the public's confidence in the legal system.

C. Continuing Obligation

The obligation to disclose conflicts continues throughout the course of the representation. Special Legal Counsel must review conflicts of interest on an ongoing basis as new matters are opened. Any new attorney/client relationships that potentially create a conflict shall be reported to PVSC's General Counsel immediately.

IV. RESPONSIBILITIES OF THE PASSAIC VALLEY SEWERAGE COMMISSION

PVSC designates its General Counsel to supervise Special Legal Counsel. PVSC's General Counsel has the ultimate responsibility for the matter, including financial and strategic decisions. Only PVSC's General Counsel has authority to direct Special Legal Counsel in the handling of the matter. Special Legal Counsel shall not initiate contact with any other PVSC representative unless specifically authorized by PVSC's Executive Director or General Counsel. If another PVSC representative asks Special Legal Counsel to proceed in a certain fashion or to perform certain activities with respect to a specific legal matter, Special Legal Counsel must report the request to PVSC's Executive Director or General Counsel and obtain direction prior to proceeding.

PVSC's General Counsel should provide clear, specific instructions; communicate PVSC's objectives; closely monitor the management plan and budget; follow the progress of the matter; keep Special Legal Counsel informed of important developments; and act as liaison between Special Legal Counsel and PVSC.

V. SPECIAL LEGAL COUNSEL RESPONSIBILITIES

A. Identification of Objectives/Relationship Attorney

PVSC should clearly define the objectives to be achieved, and Special Legal Counsel should have a clear understanding of its role in achieving those objectives. Special Legal Counsel is expected to offer clear recommendations for all major decisions related to a matter. PVSC's General Counsel will ensure that Special Legal Counsel has access to all relevant business information and contacts needed to form any such recommendation. Special Legal Counsel must consult with PVSC's General Counsel before acting on any major decision. Special Legal Counsel shall designate a relationship attorney to be the principal contact for PVSC (the "Relationship Attorney").

B. Exceptions to Guidelines

It is Special Legal Counsel's responsibility to discuss with PVSC's General Counsel all questions concerning the application of these Guidelines before proceeding on a course of action not specifically authorized by the Guidelines. If an exception to the Guidelines is deemed necessary by Special Legal Counsel, a written request must be submitted and written approval must be obtained from PVSC's General Counsel. PVSC will not reimburse Special Legal Counsel for any fees or expenses incurred, which are not authorized by these Guidelines, unless an exception is approved in writing by PVSC's General Counsel.

C. Communication

In addition to performing assigned legal work in a competent and timely manner and making informed, ethical decisions on behalf of PVSC, Special Legal Counsel shall keep PVSC's General Counsel informed of all material developments. Special Legal Counsel must provide regular, timely, and effective communication to PVSC's General Counsel.

D. Secondary Law Firms

During the course of a matter, if it becomes necessary to retain a secondary law firm and/or local counsel, Special Legal Counsel will consult with PVSC's General Counsel, and provide recommendations for hiring a firm. Once retention has been approved, PVSC's General Counsel will determine if the secondary firm should: (1) be managed by, and invoices passed through, Special Legal Counsel; or (2) invoice PVSC directly.

E. Ethical Standards

PVSC conducts itself in accordance with the highest ethical standards and expects the same of its Special Legal Counsel. Special Legal Counsel should advise PVSC's General Counsel of PVSC's responsibilities under applicable laws and regulations and any legal risks in a proposed course of action. If Special Legal Counsel believes that a PVSC employee or representative has or will engage in illegal or unethical activity as a representative or agent of PVSC, the Relationship Attorney must immediately advise PVSC's General Counsel. No PVSC employee or representative has the authority to instruct Special Legal Counsel to act in an unethical manner in connection with any matter.

PVSC will terminate its relationship with any Special Legal Counsel who fails to adhere to the foregoing ethical standards in connection with Special Legal Counsel's representation of PVSC.

F. Malpractice Insurance

Special Legal Counsel representing PVSC is expected to maintain legal malpractice insurance coverage that is reasonable and prudent in relation to the types and sizes of matters handled. Special Legal Counsel shall, upon execution of a retention letter, promptly provide PVSC's General Counsel with copies of any applicable policies required under this section. Each policy provided must be certified by the agent or underwriter to be a true copy. If Special Legal Counsel does not have coverage or if coverage is cancelled and not immediately replaced with comparable coverage, Special Legal Counsel must immediately report this to PVSC's General Counsel.

G. File Retention

For Litigated Matters: Special Legal Counsel shall retain pleadings, correspondence, discovery materials, deposition transcripts and similar documents and work product for a period of no less than seven (7) years from the date the matter is concluded or for the time period specified by rule or law in the jurisdiction in which the matter was pending, whichever is longer. Special Legal Counsel shall notify PVSC in writing no less than sixty (60) days prior to

destroying any file. Along with the written notification, Special Legal Counsel shall submit an inventory of any original PVSC documents contained in the file to be destroyed and a certification that any electronic version of the file will also be destroyed or deleted.

For Bond and Other Transactions, and Advice Matters: Documents shall be retained in accordance with the same policies applicable to litigated matters unless applicable law mandates any longer retention schedule. However, bond counsel and transactional/advice counsel shall retain all transcripts of transactions and memoranda of advice indefinitely unless otherwise directed by PVSC's General Counsel.

VI. CONFIDENTIALITY

In the course of representing PVSC, Special Legal Counsel frequently gains access to nonpublic and confidential information. PVSC requires Special Legal Counsel to maintain the confidentiality of such information both during and after the course of the firm's representation of PVSC. Special Legal Counsel must have in place appropriate procedures to ensure the protection of all such information. Special Legal Counsel must follow all statutory, regulatory, and ethical provisions relating to privacy, confidentiality and nondisclosure of all privileged, proprietary and confidential information. Special Legal Counsel must take appropriate measures to ensure that all legal and non-legal personnel are familiar with this requirement and are effectively supervised in this regard.

Special Legal Counsel must consult with PVSC's General Counsel before disseminating any potentially sensitive information acquired from PVSC or developed or learned while representing PVSC. In addition, third party vendors engaged by Special Legal Counsel that acquire or have access to confidential or proprietary material of PVSC (including work product) should be requested to sign the confidentiality agreement attached as Appendix A. It is the responsibility of Special Legal Counsel to obtain signed confidentiality agreements from third party vendors and to retain them.

VII. CASE MANAGEMENT, REPORTING AND BUDGETING

A. Management Plan, Budget and Status Reports

1. Litigation and Advice Matters

Both during the retention process and at the outset of each engagement, Special Legal Counsel should discuss with PVSC's General Counsel PVSC's goals and objectives, and possible strategies for achieving the goals and objectives identified. Within thirty (30) days of assignment of a matter, Special Legal Counsel shall submit a management plan and budget for each new matter or project, unless directed otherwise in writing by PVSC's General Counsel. The management plan and budget are tools for both Special Legal Counsel and PVSC's General Counsel to assist in monitoring legal expenses and to facilitate communication concerning the identification and achievement of the objectives of the engagement.

The management plan for litigation matters shall include an analysis of: (1) an overview of the factual background and all related legal issues; (2) a proposed litigation budget, including

likely costs of the litigation to PVSC; (3) possible outcomes and the projected likelihood of each outcome; (4) probable and ultimate verdict range; (5) settlement value and recommendations; and (6) proposed strategy and tactics for termination or resolution. The management plan for advice matters shall include: (1) a listing of the issues to be addressed; and (2) the timeframe for each issue.

The budget should reflect major assumptions, conform to the established management plan, identify specific work phases and provide an estimate of the cost of each phase, identifying projected fees and disbursements. At a minimum, for litigated matters, each budget must provide an estimate of fees and costs for each of the following phases and/or tasks: initial pleadings; motion to dismiss; interviews of witnesses, including PVSC employees and representatives; written discovery requests and responses; document review and analysis; preparation for depositions; take and defend depositions; identify and retain experts; obtain expert reports (including communications with experts and review of expert reports); analyze adversary's expert reports (including consultation with own expert); prepare dispositive motions; prepare non-dispositive motions; trial preparation (broken down by motions in limine, trial briefs, exhibit preparation, preparation of witness outlines, witness preparation, jury charges, verdict sheets, etc.); trial; and post-trial proceedings. In certain cases, PVSC may set a template budget based on past experiences in similar cases. In such event, PVSC's General Counsel will promptly notify Special Legal Counsel.

PVSC reserves the right to revise any budget prepared by Special Legal Counsel. Special Legal Counsel and PVSC should collaborate with respect to any revisions to the budget; however, PVSC has final authority to approve any budget. Special Legal Counsel shall notify PVSC's General Counsel immediately of all developments that may cause a budget to vary significantly. The budget shall not be subject to adjustment absent significant unforeseen developments, and then only as approved in writing by PVSC's General Counsel. PVSC will not reimburse Special Legal Counsel for any amount in excess of the approved budget, unless an updated budget has been submitted by Special Legal Counsel and approved by PVSC's General Counsel in writing.

Subsequent to the submission of the management plan and budget, Special Legal Counsel shall submit quarterly status reports, unless intervening events necessitate more frequent reports or as otherwise required by PVSC's General Counsel. For litigated matters, the status reports must include the current posture of the case, the status of discovery, assessment of liability and damages, settlement assessment and recommendations, and any other material issues requiring PVSC's attention. For advice matters, the status reports must include the status of providing the advice, whether additional issues have arisen which need to be addressed, and adjustments, if any, to the timeframes for addressing such issues. PVSC will not process any invoices unless Special Legal Counsel is in full compliance with this section.

2. Bond and Other Transactions

For bond and other transactions, Special Legal Counsel shall be expected to provide a fee cap for the transaction prior to commencing work, which fee cap must be approved by PVSC. During the course of work on the transaction, if Special Legal Counsel believes that the transaction has materially changed such that the fee cap will be exceeded, Special Legal Counsel

must submit a written request for an increase in the fee cap for approval by PVSC as soon as Special Legal Counsel becomes aware that the original fee cap will be exceeded. No payments above the fee cap shall be made unless and until a revised fee cap has been approved in writing by PVSC.

B. Pleadings, Motions and Other Documents

Decisions to prepare and file substantive pleadings on behalf of PVSC shall be made jointly by Special Legal Counsel and PVSC's General Counsel. Before commencing work on any brief or legal memorandum, Special Legal Counsel shall ask PVSC's General Counsel whether any prior legal research, briefs, memoranda, or work product has been prepared on the issue and if it can be used in the current matter. Any decision to prepare pleadings not addressed in the management plan and budget requires written approval of PVSC's General Counsel. Unless otherwise directed, Special Legal Counsel shall forward a draft copy of all pleadings to PVSC's General Counsel for review no less than three (3) business days before the filing deadline, where practical. Only in exceptional circumstances should the lead time be less than twenty-four (24) hours.

Any affidavits prepared by Special Legal Counsel for signature by a PVSC employee or representative must be reviewed and authorized in advance by PVSC's General Counsel. Special Legal Counsel is encouraged to use certifications or declarations in lieu of affidavits in jurisdictions where they are allowed.

Unless otherwise instructed, Special Legal Counsel shall forward copies of all substantive pleadings and correspondence to PVSC's General Counsel. In addition, Special Legal Counsel shall notify PVSC's General Counsel, as early as possible, regarding all significant dates, including all major discovery deadlines, court appearances, and trial dates.

C. Discovery

Special Legal Counsel will partner with PVSC's General Counsel on items relating to document collection, review, and production, and other discovery-related matters. PVSC is committed to identifying and working toward a process that mitigates risk and is cost-effective, while meeting all discovery obligations imposed by applicable rules, practices, and orders.

VIII. SETTLEMENT AND ALTERNATIVE DISPUTE RESOLUTION

PVSC encourages early settlement discussions where appropriate. Special Legal Counsel should promptly bring settlement opportunities to PVSC's General Counsel's attention. PVSC's General Counsel must authorize any settlement communication or the use of Alternative Dispute Resolution ("ADR"). All recommendations to settle a case and offers of settlement from opposing counsel shall be promptly communicated to PVSC's General Counsel.

PVSC encourages the use of ADR techniques in appropriate circumstances. Special Legal Counsel should proactively identify and bring to the attention of PVSC's General Counsel all opportunities to utilize ADR.

IX. STAFFING AND BILLING POLICY

A. Staffing of Matters

Throughout the engagement, PVSC's General Counsel and Special Legal Counsel should confer and agree on which attorney(s) within the firm will have primary responsibility for the matter and on the number, names and billing rates of the partners, associates and paralegals who will be assigned to the matter. Any request to change staffing must be discussed with PVSC's General Counsel and approved in writing in advance by PVSC's General Counsel. While it is important to have an adequate number of personnel at the right levels involved, PVSC expects Special Legal Counsel to exercise care to avoid overstaffing. Unless otherwise approved in writing in advance, PVSC will not pay for: (1) more than one attorney to attend a trial, motion hearing, conference, meeting or deposition; (2) internal firm conferences and internal written (including electronic) communication; or (3) the inclusion of associates at meetings or hearings for the purpose of "associate development." In the event that PVSC's General Counsel approves in writing internal firm conferences, PVSC will only reimburse the time of the attorney with the highest billing rate for any such conferences.

PVSC expects staffing to be efficient. Special Legal Counsel is expected to utilize the services of partners, associates, and paralegals to meet PVSC's expectations in the highest quality and most cost-effective manner. PVSC must not be billed for excessive time spent on tasks or excessive fees resulting from tasks performed by over-qualified or under-qualified professionals. If PVSC's General Counsel determines, after consultation with Special Legal Counsel, that staffing is inappropriate for particular tasks performed, the hourly rate charged may be reduced to a rate consistent with that of a lower level professional in PVSC's sole discretion. Similarly, if PVSC determines that excessive time was spent on a particular task, the time billed may be reduced within PVSC's General Counsel's sole discretion. Additionally, PVSC does not expect to see excessive time spent by a single timekeeper and will not pay for more than ten (10) hours of time by a single timekeeper in a single day unless otherwise approved in advance in writing. Routine file maintenance and other administrative functions are Special Legal Counsel's responsibility and should not be billed to PVSC. Please review the Fees section below for a list of clerical and administrative tasks that should not be billed, and will not be paid for, regardless of who performs the work.

PVSC believes that it is most efficient for a single attorney or group of attorneys to handle a matter from beginning to end. PVSC expects Special Legal Counsel to strive for continuity in staffing. PVSC will not pay for downtime or learning time that may result from staffing changes. In addition, PVSC will not reimburse Special Legal Counsel for any routine training or supervisory time, including time spent at seminars, unless specifically approved in writing in advance and included as part of the budget. PVSC will not ordinarily pay for summer associate time unless such time has been identified as part of the approved staffing plan for appropriate work such as approved research or drafting projects. PVSC will not reimburse for time spent by temporary or contract attorneys unless approved by PVSC in advance in writing. PVSC does not expect to be billed and will not pay for time submitted by librarians; secretaries; billing, filing, docketing, or document clerks; internal messengers/couriers; temporary or clerical support staff; word processors; and IT professionals.

B. Rates

PVSC will pay for actual services rendered at rates established in Requests for Qualifications or otherwise agreed to in advance. Hourly rates will remain fixed for the duration of the representation on a particular matter unless otherwise agreed to in writing. Billings submitted at a rate that exceeds the approved rate for a particular timekeeper or timekeeper level will be reduced to the approved rate. Billing rate increases should not be submitted unless previously discussed and agreed to in writing. Approved increases will be effective for charges incurred as of the date of approval.

C. Invoices

For litigated, advice, and non-bond transactional matters, Special Legal Counsel shall submit monthly invoices within thirty days of the conclusion of the billing period. All charges must reflect the work performed within the billing period or a reasonable time before the billing period. Absent good cause, PVSC will not pay for services or expenses incurred more than ninety (90) days prior to the date the invoice is submitted. For bond matters, an invoice shall be submitted within thirty (30) days of the conclusion of the transaction. Invoices will not be accepted more than ninety (90) days after a matter has been closed.

Special Legal Counsel fees shall be computed by applying the negotiated hourly rate to the time for the services expended. Hours shown must accurately reflect the time spent on the described activity and must either be the exact amount of time or the exact time rounded up or down, as the case may be, to the nearest one-tenth of an hour. Block billing -- grouping multiple activities under a single time charge -- will not be accepted, and PVSC will not pay for any time recorded in a block fashion.

The invoices shall identify the matter name, and contain a detailed statement of the time spent by each timekeeper on each activity, including a statement of the date each service was rendered, type of activity, subject matter, and all persons involved. Narrative descriptions of work performed that lack sufficient detail will be rejected. PVSC does not negotiate prompt pay discounts, and will not be responsible for late fees or other administrative charges.

Every bill from Special Legal Counsel is deemed a certification by the firm and billing partner that the legal services and disbursements reflected on the bill are reasonable for the legal matter involved and necessary for the proper provision of legal services. Attorney and paralegal time and disbursements that are not necessary for the cost-effective handling of the legal matter should be deleted and will not be reimbursed.

PVSC reserves the right to audit all fees and disbursements submitted by Special Legal Counsel, and the corresponding legal file. PVSC will promptly terminate the services of any Special Legal Counsel whose billing practices raise questions about the Special Legal Counsel's integrity, honesty or compliance with the applicable rules of professional conduct or these Guidelines.

D. Invoice Format

Each invoice will include the following minimum requirements:

- Unique invoice number;
- Invoice date;
- Matter name;
- PVSC's designated matter number, if any;
- Special Legal Counsel's matter number;
- Date(s) services were performed;
- Timekeeper name or ID;
- Timekeeper title or level;
- A narrative description of the service provided or task performed for each specific task. "Block-billed" descriptions are prohibited. The description should clearly state the nature of the task performed sufficient to allow PVSC to determine why it was necessary. Incomplete or vague charge descriptions are unacceptable. Examples of incomplete or vague charges include, but are not limited to: "as analysis", "conference", "attention to matter"; "worked on discovery", "work on file", "prepare for meeting", "miscellaneous", "other", etc.;
- Time entry to the nearest one-tenth (.10) of an hour;
- Timekeeper rate;
- Charge total; and
- Detail of reimbursable expenses and disbursements at actual cost.

If Special Legal Counsel provides services on more than one matter during a billing period, a separate invoice is required for each matter.

E. Fees

PVSC will not reimburse Special Legal Counsel for basic support services, which PVSC deems to be part of Special Legal Counsel's overhead and built into its rate structure. For example, PVSC will not pay for tasks and services by secretaries, word processors, proofreaders, managing clerks, information system technicians, librarians, computer operators, internal messengers and the like, including any fees or expenses related to overtime, wages, meals, and transportation. Time spent preparing, discussing or supporting Special Legal Counsel's invoices will not be reimbursed, nor will PVSC pay for time spent preparing retainer letters, written budgets, management plans, status reports, or any other reporting tool unless otherwise agreed to in writing in advance. PVSC will not pay for clerical or administrative tasks, considered overhead included in the Special Legal Counsel billing rates, regardless of the personnel performing the task. These non-reimbursable tasks include but are not limited to: photocopying, printing, binding or scanning; Bates stamping, indexing, collating, coding of documents; filing (including indexing pleadings, opening or closing files, updating or organizing files); preparing transmittal letters or proofs of service; mailing, faxing or emailing; processing of mail or faxes; word processing; proofreading; maintenance of a calendar or tickler system, case tracking; scheduling appointments, events, depositions, conferences, deliveries or travel; data entry, loading or conversion; database administration and maintenance; review and/or processing of

vendor, expert or local counsel billing statements; interaction with vendors; investigating potential conflicts; library usage or library staff time; filing, serving or hand-delivering documents; and other general clerical and ministerial functions.

F. Legal Research

Special Legal Counsel is expected to be familiar with the basic substantive law at issue in the matter for which the firm was retained, and PVSC should not be charged for this type of research. PVSC also expects to benefit from previously prepared briefs and memoranda, and when such briefs or memoranda exist, will pay only for actual time spent updating or tailoring the same to its particular needs. All other anticipated legal research should be addressed in the budget. Legal research projects necessary in a particular litigation assignment must be approved in advance in writing by PVSC's General Counsel before the research is commenced. If legal research benefits other clients, only the proportionate share of the cost should be billed to PVSC. PVSC will pay only for the actual time spent by Special Legal Counsel or other approved timekeeper conducting the research. Fees charged by electronic or other research services, including library fees, Westlaw, Lexis, or other online services, are considered general overhead and are not reimbursable.

G. Disbursements and Costs

1. Generally

PVSC will reimburse Special Legal Counsel for reasonable, documented and itemized out-of-pocket disbursements and costs incurred on behalf of PVSC, with the exceptions and limitations set forth in these Guidelines. Special Legal Counsel's invoices to PVSC should reflect the actual cost and should not include any markup. All disbursements must be fully itemized with a description sufficient for review, identifying the number of units, price per unit and total cost. PVSC may refuse to pay for disbursements billed as "miscellaneous," billed in a group (e.g., "Travel Expenses - \$4,000.00"), or disbursements without description.

PVSC will not reimburse Special Legal Counsel for basic overhead expenses considered part of Special Legal Counsel's cost of doing business. For example, PVSC will not pay for office supplies, rent/utilities, internet service fees, cellular/blackberry or similar device charges, firm conference room charges, temporary office space, equipment rental, storage charges, printing or laser printing, case management or litigation software or systems, computer hardware or software, IT charges including database creation and/or maintenance, subscriptions, books, periodicals or publications, professional association fees, attendance at seminars, CLE programs or conferences, group outings, client entertainment, or interest on outstanding invoices.

2. Court Reporter Expenses

PVSC will reimburse Special Legal Counsel for actual costs incurred for court reporters and transcripts. PVSC may contract with court reporters for a special rate. Therefore, Special Legal Counsel must consult with PVSC's General Counsel before hiring a court reporter. In the event that PVSC does not request a specific court reporter, Special Legal Counsel should obtain the lowest possible charge for court reporting fees, including any possible volume discounts.

PVSC will pay for only one copy (electronic and hard) of a transcript. Transcription expenses must identify the court reporter and the services provided (i.e., number of transcripts or pages, hard copies or tapes, etc.).

3. Court Filing Fees

PVSC will reimburse the actual cost of any approved court filings.

4. Express Mail and Couriers

Express mail and courier fees are considered general overhead and are not reimbursable, unless otherwise approved in advance by PVSC's General Counsel.

5. Photocopying

PVSC will reimburse photocopying charges not exceeding \$0.08 per page for black and white, and \$0.80 for color. Oversized and custom copying projects should be handled using the most economical option. If the nature of a copying project makes an outside copying service more economical and confidentiality is maintained through the execution of the confidentiality agreement attached as Appendix A, PVSC expects Special Legal Counsel to make those arrangements.

6. Postage

Postage expenses are considered general overhead and are not reimbursable.

7. Telephone and Facsimile Transmissions

Telephone charges (including conference call charges) and facsimile transmissions, local and long distance, are considered general overhead and are not reimbursable. Electronic transmission of documents (scanning and emailing) is the preferred method.

8. Third Party Services

The written approval of PVSC's General Counsel must be obtained prior to retaining any third party service providers, excepting legal process servers and court reporters.

Special Legal Counsel has the responsibility to ensure that there are no conflicts between any third party and PVSC. In addition, all third party vendors must execute the confidentiality agreement attached as Appendix A. The fee and disbursement policies as outlined in these Guidelines shall be made available to, and followed by, third parties. It is Special Legal Counsel's responsibility to confirm that all third party billings are in compliance with these Guidelines.

Invoices from third party vendors should be paid directly by Special Legal Counsel, incorporated into Special Legal Counsel's invoice to PVSC, and should include the appropriate detail. Copies of third party invoices may be requested by PVSC and should be retained in accordance with Internal Revenue Service ("IRS") guidelines. There may be times when it

would be more appropriate for PVSC to pay a third party vendor directly. If so, and after consultation with PVSC's General Counsel, the invoice should be sent to PVSC's General Counsel for processing.

H. Travel

1. Alternatives to Travel Encouraged

Alternatives to travel such as conference calls or videoconference are strongly encouraged and should be used by Special Legal Counsel whenever practicable. All travel time must be clearly identified on the invoice in a separate time entry.

2. Air and Rail Travel

All air and rail travel must be first approved by PVSC's General Counsel in writing and should be anticipated by Special Legal Counsel and taken into consideration in the preparation of the budget. Unless an exception is specifically approved in advance, PVSC will not reimburse airfares or rail fares that exceed the standard coach fare. It is expected that Special Legal Counsel will take advantage of any available discounts. PVSC expects that travel time on its matters will be used as productively as possible and legitimate charges billed to PVSC at the full hourly rate, but only if the timekeeper in question actually worked only on PVSC matters while traveling and a description of the work is provided. Otherwise, non-productive travel time shall be billed at a rate not exceeding 50% of Special Legal Counsel's regular rate, unless a different rate has been previously set by written agreement. If the travel involves another client, PVSC expects to be billed only for its proportionate share of both time and related expenses.

3. Automobile Travel

Automobile travel shall be billed at a rate not exceeding 50% of Special Legal Counsel's regular rate, unless a different rate has been previously set by written agreement. PVSC will reimburse Special Legal Counsel for automobile travel expenses (necessitated by PVSC business) at a rate not exceeding the prevailing IRS-allowed mileage rate for business travel (unless a lesser rate is negotiated). Local automobile travel (less than 30 miles one way from home or office) will not be reimbursed by PVSC. PVSC will reimburse the actual costs of taxicab, train or bus travel necessitated by PVSC business and not part of Special Legal Counsel's commuting cost. If a rental car is the most economical option, PVSC will reimburse up to intermediate/mid-size class.

4. Meals

PVSC will not reimburse Special Legal Counsel for meals unless a particular meal is necessitated by travel for PVSC business, is reasonable in cost, and is approved in writing. Reimbursable meals must be substantiated by a receipt reflecting the date, location, name of the establishment, names of the persons present and nature of PVSC business necessitating the meal. Under no circumstances will PVSC reimburse for alcoholic beverages.

I. Expense Reimbursement

To ensure compliance with PVSC's reimbursement policies, all firms shall require itemization of out-of-pocket expenses such as airline tickets, meals and hotel bills, including original receipts before making reimbursement to any attorney, employee or third party. Travel and meal expenses and receipts may be audited and shall be retained by Special Legal Counsel in accordance with applicable IRS guidelines.

Personal travel expenses will not be reimbursed. These include, but are not limited to, salon expenses, in-room or in-flight movies or entertainment, excess baggage expenses, travel agency expenses, shoe shines, toiletries, dry cleaning or laundry, and luggage.

X. MEDIA

Special Legal Counsel *shall not* make any statements to the media on behalf of PVSC or relating to PVSC matters unless specifically authorized to do so by PVSC's Executive Director or General Counsel. Special Legal Counsel may be asked on occasion to assist in the development of media responses. All media inquiries must be immediately reported to PVSC's General Counsel. PVSC does not permit Special Legal Counsel to advertise or promote their relationship with PVSC, other than to list PVSC as a representative client in the course of marketing efforts.

XI. GRATUITIES

PVSC employees and representatives are prohibited from accepting any gift, favor, service or other thing of value related in any way to PVSC employee's or representative's official duties. In addition, Executive Order No. 189 (Kean) prohibits a vendor to PVSC from offering a gift or other thing of value to a PVSC employee or representative with which the vendor transacts business or offers to transact business. This Executive Order also prohibits any PVSC employee or representative from soliciting a gift or thing of value from a PVSC vendor.

**ACCEPTANCE OF THE PASSAIC VALLEY SEWERAGE COMMISSION'S
SPECIAL LEGAL COUNSEL GUIDELINES**

I have reviewed the Passaic Valley Sewerage Commission's Special Legal Counsel Guidelines and acknowledge acceptance of the terms. I am authorized to sign on behalf of my firm. A copy of these Guidelines will be provided to all staff including our billing department to ensure compliance. I understand that I am also responsible for ensuring that any vendors engaged on behalf of the Passaic Valley Sewerage Commission will comply with these Guidelines.

Firm _____

By _____

Title _____

Date _____

APPENDIX A
CONFIDENTIALITY AGREEMENT

Confidentiality Agreement

_____ (Subcontractor), as a contractor of the law firm retained by the Passaic Valley Sewerage Commission (“PVSC”), hereby acknowledges and agrees as follows:

1. All documents and data, including but not limited to financial, statistical, personnel, customer and/or technical documents, owned or supplied by PVSC to the Subcontractor (“Documents and Data”) shall be treated as confidential. The Subcontractor shall take all necessary and reasonable precautions to ensure that PVSC’s Documents and Data are safeguarded. Use of the Documents and Data is strictly limited to that use necessary to complete the scope of work agreed upon, which may include disclosure to employees, officers or agents of any subcontractor assisting with the scope of work. Any other use, and any sale or offering of the Documents and Data in any form by the Subcontractor, or any individual or entity in the Subcontractor’s charge or employ, will be considered a violation of this Confidentiality Agreement and may result in contract termination of the agreement between Subcontractor and the law firm retained by PVSC, and the Subcontractor’s suspension or debarment from PVSC contracting. In addition, such conduct may be reported to the State Attorney General for possible criminal prosecution.

2. Subcontractor shall be responsible to ensure that all individuals or entities in the Subcontractor’s charge or employ adhere to this Confidentiality Agreement. A breach of confidentiality by any individual or entity in the Subcontractor’s charge or employ will be considered a violation of this Confidentiality Agreement by the Subcontractor.

3. In the event that Subcontractor or any individual or entity in the Subcontractor’s charge or employ receives a subpoena, demand, or other request for any of PVSC’s documents or data, Subcontractor shall promptly notify PVSC and shall not turn over any of PVSC’s documents or data without PVSC’s express, written approval.

4. The Subcontractor shall comply with all applicable State and Federal laws that require the notification of individuals in the event of unauthorized release of personally-identifiable information or other event requiring notification. In the event of a breach of any of the Subcontractor’s confidentiality obligations or other event requiring notification under applicable law (“Notification Event”), the Subcontractor agrees to assume responsibility for informing all such individuals in accordance with applicable law and to indemnify, hold harmless and defend PVSC and its employees and representatives from and against any claims, damages, or other harm related to such Notification Event.

5. Upon termination of this Confidentiality Agreement the Subcontractor shall return or erase, destroy, and render unreadable all Subcontractor copies of PVSC Documents and Data, both physical and electronic, and certify in writing that these actions have been complete within 30 days of the termination of this Confidentiality Agreement or within 14 days of the request of an agent of PVSC, whichever shall come first.

6. This Confidentiality Agreement shall terminate upon the Subcontractor's termination of the contract between the law firm retained by PVSC and Subcontractor or upon completion of the scope of work related to PVSC.

Firm _____

By _____

Title _____

Date _____