
MASSACHUSETTS WATER RESOURCES AUTHORITY

GENERAL REVENUE BOND RESOLUTION

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**MASSACHUSETTS WATER RESOURCES AUTHORITY
GENERAL REVENUE BOND RESOLUTION**

WHEREAS, the Massachusetts Water Resources Authority (the "Authority") was created by the Massachusetts Water Resources Act (the "Act"), Chapter 372 of the Acts of 1984, of The Commonwealth of Massachusetts (the "Commonwealth"), as amended, as a body politic and corporate and a public instrumentality and an independent public authority to perform an essential public function; and

WHEREAS, the Act empowers the Authority to operate, regulate, finance and improve the delivery of water and sewage collection, disposal and treatment systems and services in its service area, and to encourage conservation; and

WHEREAS, the Act empowers the Authority to issue its bonds, notes or other evidences of indebtedness to achieve any of its corporate purposes; and

WHEREAS, the Act requires the Authority to establish and adjust charges of special or general application which the Authority may reasonably determine for the services, facilities and commodities furnished or supplied by the Authority which charges shall be established in respect to the Authority's waterworks and sewer operations, respectively, in an amount sufficient to provide for, among other things, the payment of all Current Expenses (as defined in the Act), debt service on the Authority's bonds, requirements of reasonable reserves and all other costs of operating, maintaining, replacing, improving, extending and enlarging the Authority's sewer and waterworks systems; and

WHEREAS, the Act provides that the charges of the Authority, whether of general or special application, shall not be subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions; and

WHEREAS, the Authority wishes to provide for the payment at maturity or upon redemption of its outstanding \$150,000,000 Guaranteed Bond Anticipation Notes, 1988 Series B and \$300,000,000 Guaranteed Bond Anticipation Notes, 1989 Series A (the "Prior Notes"); and

WHEREAS, the Authority wishes to authorize the issuance, from time to time, of bonds, notes and other evidences of indebtedness secured as hereinafter provided and to use the proceeds derived from the sale thereof to carry out its corporate purposes, including, without limitation, financing in whole or in part the costs of any Project (as defined in the Act) and the refunding of bonds, notes or other evidences of indebtedness incurred in respect of such costs.

NOW, THEREFORE, be it resolved by the Board of Directors of the Massachusetts Water Resources Authority as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 101. Definitions. In this Resolution the following terms shall have the following meaning unless the context otherwise requires:

"Account" shall mean any account established pursuant to Section 502 hereof.

"Accountant" shall mean Coopers & Lybrand or any independent certified public accountant (or a firm thereof) of recognized standing, selected by the Authority and satisfactory to the Trustee and may be the accountant regularly auditing the books of the Authority.

"Act" shall mean the Massachusetts Water Resources Authority Act, being Chapter 372 of the Acts of 1984 of The Commonwealth of Massachusetts, as amended from time to time, unless expressly stated to refer to the Act as in effect on a specific date.

"Adjusted Debt Service" for any period of time, with respect to any category of Secured Bonds and for any Series of such Secured Bonds shall mean, as of any date of calculation, the Debt Service for such period of time with respect to such Series except that, if any Refundable Principal Installment of such Series is included in Debt Service for such period of time, Adjusted Debt Service shall mean Debt Service determined as if such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the date identified in the Supplemental Resolution authorizing such Series (which date may be no later than the last date on which such Series could have been stated to mature under the Act as in effect on the date of issuance of such Series), in installments which would have required level annual payments of the sum of Principal Installments and interest over such period. Interest deemed payable in any period of time after the actual due date of any Refundable Principal Installment of any Series of Secured Bonds shall be calculated at the applicable Refundable Principal Installment Pro Forma Interest Rate (using the actuarial method of calculation).

"Advance-Refunded Municipal Bonds" means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations, or Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations, held in trust for the payment thereof which obligations are rated in the highest rating category by each Rating Agency.

"Advisory Board" shall mean the advisory board as constituted pursuant to the Act.

"Aggregate Adjusted Debt Service" shall mean, for any Fiscal Year, and with respect to Bonds or Subordinated Bonds, the aggregate of the Adjusted Debt Service on all Series of Bonds or Subordinated Bonds for such Fiscal Year.

"Authority" shall mean the Massachusetts Water Resources Authority, a body corporate and politic and a public instrumentality created and existing under and by virtue of the Act, or any other public instrumentality of the Commonwealth which shall hereinafter succeed to the powers of the Authority in accordance with the provisions of Section 21 of the Act as in effect on the date of adoption of this Resolution.

"Authorized Newspaper" shall mean "The Bond Buyer," "The Wall Street Journal" or any newspaper or financial journal which is customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, printed in the English language, containing financial news, and of general circulation in the City of Boston and the City of New York.

"Authorized Representative" shall mean, with respect to the Authority, the Chairman, the Vice Chairman, the Executive Director, the Director of the Division of Finance and Development or the Treasurer of the Authority and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the Authority to perform such act or sign such document.

"Average Annual Adjusted Debt Service" shall mean, for a Fiscal or Bond Year with respect to any category of Secured Bonds and for any Series of such Secured Bonds, the sum of Adjusted Debt Service for each year in which such Secured Bonds will be Outstanding divided by the number of years that such Secured Bonds will be Outstanding.

"Board of Directors" shall mean the board of directors of the Authority as constituted pursuant to the Act.

"Bond" or "Bonds" shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered pursuant to Section 206 of this Resolution and shall also mean any Parity Bond Anticipation Notes and any Parity Reimbursement Obligation incurred with respect to Bonds, but shall not mean Subordinated Bonds, other Bond Anticipation Notes or other Indebtedness.

"Bond Anticipation Notes" shall mean any of the notes issued pursuant to Section 208 hereof and shall include, unless the context otherwise indicates, Parity Bond Anticipation Notes.

"Bond Counsel's Opinion" shall mean an opinion signed by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., or any attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of public instrumentalities, selected by the Authority and satisfactory to the Trustee and may be an attorney or firm regularly providing services to the Authority.

"Bond Year" shall mean, with respect to any Series of Bonds, the twelve-month period, if any, set forth in the Supplemental Resolution authorizing any such Series.

"Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which any Fiduciary is authorized or required by law to be closed for business.

"Capital Budget" shall mean the capital expenditure budget of the Authority as in effect from time to time in accordance with Section 8(b) of the Act and Section 713 hereof.

"Capital Improvements" shall mean extensions, improvements, enlargements, betterments, alterations, renewals and replacements of the System or other property of the Authority (including land, equipment and other real or personal property), which (i) is used or useful in connection with the System or any part thereof, (ii) is constructed, acquired, or made by or on behalf of the Authority subsequent to the date of adoption of this Resolution, and (iii) is properly chargeable (whether or not so charged by the Authority) according to generally accepted accounting principles, as additions to utility plant accounts.

"Capitalized Interest" shall mean, for any particular Series of Indebtedness, that portion of the proceeds of such Series, if any, required by the Supplemental Resolution authorizing such Series to be deposited in a Subaccount established for such Series in the Capitalized Interest Account in the Debt Service Fund or the Subordinated Debt Service Fund, as the case may be, for the purpose of funding the payment of a portion of the interest to come due on such Series.

"Capitalized Interest Account" shall mean, as the context indicates, the Account by that name established in the Debt Service Fund or the Subordinated Debt Service Fund pursuant to Section 502(b) hereof.

"Certificate" shall mean, when used with respect to the Authority, an Accountant, the Consulting Engineer, the Rate Consultant or an insurance consultant, a signed document or report, as the context indicates, of such person or firm, which in the case of the Authority shall be signed by an Authorized

Representative, attesting to or acknowledging the matters therein stated or setting forth matters to be determined pursuant to this Resolution.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including any regulations promulgated thereunder or applicable thereto.

"Combined Bond Coverage Requirement" for any twelve-month period shall mean an amount equal to the sum of:

- (i) the Primary Bond Coverage Requirement and
- (ii) the sum of all Required Supplemental Bond Coverage Deposits for such period.

"Common Account" shall mean, as the context indicates, the Common Account established in the Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund pursuant to Section 502(e) hereof.

"Commonwealth" shall mean The Commonwealth of Massachusetts.

"Commonwealth Obligation Fund" shall mean the Commonwealth Obligation Fund established pursuant to Section 502(a) hereof.

"Commonwealth Obligations" shall mean obligations of the Authority payable to the Commonwealth, including without limitation obligations with respect to principal of, premium, if any, or interest on Commonwealth debt required to be paid by the Authority under applicable law, amounts payable to the Commonwealth pursuant to Section 5(b) of the Act, state taxes, payments in lieu of taxes collected by the Commonwealth on behalf of any municipality, payments on account of administrative costs of the Watershed Division and state governmental charges of all other kinds, but not including Water Pollution Abatement Obligations; and shall also include Special Payment Obligations, which shall be payable equally and ratably with all other Commonwealth Obligations.

"Community Obligation and Revenue Enhancement Fund" shall mean the Community Obligation and Revenue Enhancement Fund established pursuant to Section 502(a) hereof.

"Construction Fund" shall mean the Construction Fund established pursuant to Section 502(a) hereof.

"Consulting Engineer" shall mean Black & Veatch or any independent engineer or firm of engineers selected by the Authority pursuant to Section 710 hereof.

"Cost of Issuance Fund" shall mean the Cost of Issuance Fund established pursuant to Section 502(a) hereof.

"Costs" as applied to any Project, shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the Authority, of undertaking and carrying out such Project including, without limitation, any item of "cost" as defined in the Act.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the Authority and related to the authorization, sale and issuance of Indebtedness including, without limitation, any item of "costs of issuance" of Indebtedness as defined in the Act.

"Credit Facility" shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, the senior long term debt obligations of which (or the holding company of any bank) are rated in either of the highest two rating categories by each Rating Agency which provides for payment of all or a portion of the Principal Installments or interest due on any Series of Secured Bonds or provides funds for the purchase of such Secured Bonds or portions thereof.

"Current Expense Budget" shall mean the annual operating budget of the Authority adopted for a particular Fiscal Year, as amended or supplemented, by the Board of Directors acting in accordance with applicable powers, procedures, responsibilities and limitations established by the Act.

"Current Expenses" shall mean any expenses incurred by or for the account of the Authority or reimbursable by or to the Authority for maintaining, repairing or operating the System and engaging in other activities authorized by the Act including, without limiting the generality of the foregoing, any item of "current expense" as defined in the Act, amounts defined herein as Operating Expenses, Debt Service, Commonwealth Obligations or Water Pollution Abatement Obligations, and other current expenses required or permitted by law to be paid by or reimbursable to the Authority.

"Debt Service" for any period of time shall mean, as of any date of calculation and with respect to any Series of Indebtedness, an amount equal to the sum of (i) interest payable during such period of time on Indebtedness of such Series (including any interest payable on any Parity Bond Anticipation Notes), except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (ii) the Principal Installments of the Indebtedness of such Series payable during such period of time. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Indebtedness of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) as to any future period, Variable Rate Indebtedness will bear interest at the greater of (A) the rate or rates which were assumed by the Authority in the current Operating Budget to be borne by such Variable Rate Indebtedness during such period or (B) the weighted average of the actual rate or rates borne by such Variable Rate Indebtedness over the preceding month, or (C) but only for the first Fiscal Year in which such Variable Rate Indebtedness is Outstanding, the interest rate stipulated by the Authority in the Supplemental Resolution authorizing such Indebtedness.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to Section 502(a) hereof.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established pursuant to Section 502(a) hereof.

"Debt Service Reserve Fund Requirement" shall mean the aggregate of the Series Debt Service Reserve Fund Requirements for all outstanding Series of Bonds.

"Defeasance Obligations" shall mean the obligations described in clauses (a), (b) or (j) of the definition of Investment Securities herein; provided that such obligations shall not be redeemable prior to the maturity date or stated redemption date relied upon in satisfying the conditions of Section 1201 hereof.

"Depository" shall mean any bank or trust company selected by the Authority, as the case may be, as a depository of moneys to be held under the provisions of this Resolution, and may include the Trustee.

"Designated Debt" shall mean any Series of Subordinated Bonds with respect to which there shall be in effect a Qualified Swap.

"Disbursement Request" shall mean the written request signed by an Authorized Representative of the Authority and required to be delivered to the Trustee pursuant to Section 503 hereof to effect disbursements from the Construction Fund and shall be in substantially the form set forth in the applicable Supplemental Resolution.

"Event of Default" shall mean any event specified in Section 1001 hereof.

"Fiduciary" shall mean the Trustee or any Paying Agent or Depositary.

"Financial Guaranties" shall mean one or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or the holding company of any such banking institution) have (at the time of issue of such letter of credit) a rating in either of the two highest categories from each Rating Agency; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers or multiline insurers the obligations insured by which are eligible for a rating in either of the two highest categories from each Rating Agency; in each case providing for the payment of sums for the payment of Principal Installments of and interest on Secured Indebtedness in the manner provided in Sections 510 and 511; and providing further that any such Financial Guaranty must be drawn upon on a date which is at least seven (7) days prior to the expiration date of such Financial Guaranty in an amount equal to the deficiency which would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration date as provided in a related Supplemental Resolution.

"Fiscal Year" shall mean the twelve-month period commencing July 1 of any calendar year and ending June 30 of the succeeding calendar year or such other twelve month period as may be provided by the Act or authorized by the Authority pursuant to the Act. In the event that a different fiscal year is authorized, references herein to July 1 or June 30 shall refer, respectively, to the first and last day of such fiscal year.

"Fixed Rate Indebtedness" shall mean, as of any date of determination, any Indebtedness bearing interest at a fixed rate for the remainder of its term.

"Fund" shall mean any fund established pursuant to Section 502 hereof.

"General Account" shall mean the General Account of the Community Obligation and Revenue Enhancement Fund established pursuant to Section 502(a).

"General Fund" shall mean the General Fund established pursuant to Section 502(a).

"Government Obligations" means direct general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Grant Agreements" shall mean any and all agreements between the Authority (by original execution or by transfer from the MDC pursuant to the Act) and the United States of America or the Commonwealth, or any agency, department, bureau, commission or other instrumentality of either thereof, all as the same may be amended or supplemented from time to time, providing for or relating to the provision of Grant Receipts to the Authority.

"Grant Receipts" shall mean any money received by or on behalf of the Authority under or pursuant to a Grant Agreement as or on account of a grant or contribution, heretofore or hereafter made, in aid of or with respect to any Project (including without limitation any such moneys received by the Commonwealth or the MDC in trust for the Authority pursuant to Sections 4 and 5 of the Act as or on account of a grant or contribution, heretofore made, in aid of or with respect to any improvement to the System).

"Indebtedness" shall mean any indebtedness for borrowed money of the Authority, including without limitation all Bonds, Subordinated Bonds, Bond Anticipation Notes, Reimbursement Obligations, Special Subordinated Indebtedness and the Prior Notes but shall not include Special Payment Obligations.

"Insurance Reserve Fund" shall mean the Insurance Reserve Fund established pursuant to Section 502(a).

"Insurance Reserve Fund Requirement" shall mean the amount recommended to the Authority by a Consulting Engineer or an insurance consultant pursuant to Section 515(d) as necessary to adequately reserve against risks for which the Authority does not currently maintain insurance in compliance with Section 708(a).

"Investment Securities" shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority or by a duly appointed subcommittee of its Board of Directors and in effect at the time of the making of such investment:

(a) Government Obligations;

(b) Certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Mortgage Corporation; Student Loan Marketing Association; Federal Home Loan Banks; Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; Federal Land Banks; or any other agency or instrumentality of the United States of America; or the International Reconstruction Development Bank;

(d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by Congress;

(e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (ii) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured

debt is rated in one of the three highest long-term rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the three highest rating categories of such Rating Agency, and provided further that with respect to (i) and (ii) any such obligations are held by the Trustee or a bank, trust company or national banking association (other than the issuer of such obligations, unless the issuer is the Trustee);

(f) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above with any registered broker/dealer or with any commercial bank, provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(g) Money market funds rated in the highest rating category by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest category of such Rating Agency;

(h) Commercial paper rated in the highest rating category by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest category of such Rating Agency;

(i) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c), (d) and (f) above;

(j) Advance-Refunded Municipal Bonds;

(k) Short-term or long-term obligations the interest on which is excludable from gross income for Federal income tax purposes and that are rated in the three highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and if rated by any other Rating Agency, rated in the three highest rating categories of such Rating Agency, or shares of investment companies or cash equivalents which are authorized to invest primarily in such obligations;

(l) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth;

(m) investment contracts with, or guaranteed by, banks or other financial institutions whose long-term unsecured debt or claims-paying ability is rated in one of the three highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the three highest rating categories of such Rating Agency; and

(n) any other investment authorized pursuant to an amendment or supplement hereto pursuant to Section 801(i).

Obligations of any Fiduciary or an affiliate thereof may be Investment Securities, provided that they otherwise qualify.

"Local Body" shall mean, a city, town, district, commission or other political subdivision or instrumentality of the Commonwealth receiving water supply or sewer services from the Authority and responsible for providing by itself or through an officer, board, department or division thereof local water supply or local sewer services; provided that in any case where local water supply or local sewer services within the territorial boundaries of a Local Body are provided in whole or in part by a political subdivision or public instrumentality of the Commonwealth separate from such Local Body, the term Local Body shall mean, within the service area thereof, that political subdivision or public instrumentality.

"Local Body Default" shall mean a default in the payment of any Rates and Charges due to the Authority by a Local Body, as certified by an Authorized Representative of the Authority in accordance with the provisions of Section 716(a).

"MDC" shall mean the Metropolitan District Commission.

"Moody's" shall mean Moody's Investors Service, Inc.

"Net Revenues" shall mean with respect to a period of time all Revenues accrued in such period in accordance with generally accepted accounting principles less the Operating Expenses incurred or payable during such period in accordance with generally accepted accounting principles; provided, however, that the proceeds of revenue anticipation notes shall not constitute Revenues and the principal amount of such notes shall not constitute Operating Expenses for the purpose of calculating Net Revenues.

"Note Payment Fund" shall mean the Note Payment Fund established pursuant to Section 502(a).

"Operating Budget" shall mean the Operating Budget duly adopted by the Authority in the same manner as its Current Expense Budget, except as provided in Section 712, as amended from time to time, in accordance with Section 712 hereof, which Operating Budget may constitute a portion of, or an exhibit or appendix to, such Current Expense Budget.

"Operating Expenses" shall mean the Authority's expenses, whether or not annually recurring, of maintaining, repairing and operating the System and engaging in other activities authorized by the Act including, without limiting the generality of the foregoing, amounts for administrative expenses including costs of salaries and benefits and amounts required to finance pension benefits earned by employees of the Authority, as provided in the Act; cost of insurance, payments for engineering, financial, accounting, legal and other services rendered to the Authority; payments under any interest rate exchange, cap, or other hedge agreement which have been designated by the Authority as Operating Expenses for purposes of this Resolution in such agreement; costs incurred or payable by the Authority with respect to the System Real Property (as defined in the Act); costs of issuance not financed in the Costs of a Project paid by the Authority; and payments of interest on revenue anticipation notes and other Current Expenses; but not including depreciation, recognition upon disposal or other retirement of a capital asset, Debt Service payable from any Fund or Account established hereunder, Commonwealth Obligations, Water Pollution Abatement Obligations, Special Payment Obligations, and expenses described in Section 709(c)(i) hereof.

"Operating Fund" shall mean the Operating Fund established pursuant to Section 502(a) hereof.

"Operating Reserve Fund" shall mean the Operating Reserve Fund established pursuant to Section 502(a) hereof.

"Operating Reserve Fund Requirement" shall mean, with respect to a Fiscal Year, the amount determined pursuant to Section 712(b) hereof.

"Option Bonds" shall mean Secured Bonds which by their terms may be tendered by and at the option of the owner thereof for purchase or payment by the Authority prior to the stated maturity thereof.

"Outstanding", when used with reference to Bonds or any other Indebtedness, shall mean, as of any date, all Bonds or other evidences of Indebtedness theretofore or thereupon being authenticated and delivered under this Resolution except:

(a) any Bonds or other evidences of Indebtedness cancelled by the Trustee at or prior to such date;

(b) any Bond or other evidence of Indebtedness (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust hereunder either:

(i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest,

(ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or

(iii) any combination of (i) and (ii) above,

and, if such Bond or other evidence of Indebtedness or portion thereof is to be redeemed, for which notice of redemption has been given as provided in Article VI, or the applicable Supplemental Resolution, or provision satisfactory to the Trustee has been made for the giving of such notice;

(c) any Bond or other evidence of Indebtedness in lieu of or in substitution for which other Bonds or other evidences of Indebtedness have been authenticated and delivered; and

(d) any Bond or other evidence of Indebtedness deemed to have been paid as provided in Section 1201(b).

"Owner" or "holder" or words of similar import shall mean, when used with reference to a Bond or another evidence of Indebtedness, the person in whose name the Bond or other evidence of Indebtedness is registered.

"Parity Bond Anticipation Notes" shall mean Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by Section 501(a) hereof.

"Parity Reimbursement Obligation" shall mean a Reimbursement Obligation the payment of which is secured by a pledge of, and a lien on, Revenues on a parity with the lien created by Section 501(a) or Section 501(b) hereof.

"Paying Agent" shall mean any paying agent for the Secured Bonds of any Series, and its successor or successors and any other person which may at any time be substituted in its place pursuant to this Resolution.

"Payment Date" shall mean, with respect to any class of Secured Bonds, each date on which interest or a Principal Installment or both shall be due and payable on any of such Outstanding Secured Bonds according to their respective terms.

"Primary Bond Coverage Ratio" shall mean 1.2, as adjusted from time to time pursuant to Section 705(d).

"Primary Bond Coverage Requirement" shall mean, for any twelve-month period, the product of the Primary Bond Coverage Ratio and the Required Debt Service Fund Deposits for all Outstanding Bonds for such period.

"Principal Installment" shall mean, as of any date of calculation and with respect to any Series of Secured Indebtedness, so long as any obligations of such Series are Outstanding, (i) the principal amount of obligations of such Series due on a certain future date for which no Sinking Fund Installments have been established or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for obligations of such Series. For the purposes of the preceding sentence, "Principal Amount" shall include (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the "principal amount" with respect to any Bonds or Subordinated Bonds which do not pay full current interest for all or any part of their term, (y) the Tender Option Price of any Option Bonds which may be tendered to the Authority for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility which is not in default and (z) the principal amount of any Parity Reimbursement Obligation. Principal Installment shall, however, not include the principal of Bond Anticipation Notes.

"Prior Notes" shall have the meaning accorded such term in the preambles to this Resolution.

"Prior Resolution" shall mean the Massachusetts Water Resources Authority Guaranteed Note Resolution adopted by the Authority on April 16, 1986, together with all supplements thereto.

"Pro Forma Bond Issue" shall mean when used with reference to the Debt Service Reserve Fund Requirement or the Subordinated Debt Service Reserve Fund Requirement in connection with a Series of Variable Rate Indebtedness, the hypothetical fixed rate long-term bond issue set forth in the Supplemental Resolution authorizing such Series, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Variable Rate Indebtedness to which it relates and (ii) such interest rate or rates as the Authority shall reasonably deem to be the equivalent of the rates which would have been borne by such Series of Variable Rate Indebtedness if such Series had been issued as a Series of Fixed Rate Indebtedness; provided that such interest rate shall be not less than 80% of the "30-year revenue bond index" then most recently published by The Bond Buyer or, if such index is no longer published such other substantially comparable index as determined by the Authority with the approval of the Trustee.

"Project" shall mean any undertaking or other activity by or on behalf of the Authority to maintain, improve or enlarge the System or to maintain, improve or enlarge any facilities owned or operated by any Local Body the maintenance, improvement or enlargement of which directly or indirectly

affects the Waterworks Operations or Sewer Operations of the Authority or to acquire, construct, maintain, improve or enlarge any other facilities or properties to be lawfully owned or operated by the Authority including, without limitation, any "project" as defined in the Act.

"Qualified Swap" shall mean an interest rate exchange, cap or other hedge agreement (a) whose Designated Debt is all or part of a particular Series of Subordinated Bonds and (b) which has been designated to the Trustee by the Authority as a Qualified Swap with respect to such Subordinated Bonds.

"Rate Consultant" shall mean an individual or firm selected by the Authority pursuant to Section 711 hereof.

"Rate Stabilization Fund" shall mean the Rate Stabilization Fund established pursuant to Section 502(a).

"Rates and Charges" shall mean all charges, whether denominated as charges, fees, rates, assessments or otherwise, established by the Authority for the water supply or sewer services provided by the Authority.

"Rating Agencies" shall mean Moody's Investors Service Inc. and Standard & Poor's Corporation and their respective successors and assigns if such rating agencies are maintaining a rating on the Secured Bonds at the request of the Authority, and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Secured Bonds and which is maintaining a rating on the Secured Bonds at the request of the Authority.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 502(a).

"Rebate Fund Requirement" means, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Series Resolution authorizing the issuance of a Series of Indebtedness as the amount required to be maintained in the Rebate Fund with respect to such Indebtedness.

"Record Date" shall mean, unless otherwise determined by a Supplemental Resolution for a particular Series of Secured Indebtedness, the fifteenth day of the month immediately preceding any month in which there occurs a Payment Date.

"Redemption Price" shall mean, when used with respect to a Secured Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to this Resolution.

"Refundable Principal Installment" shall mean any Principal Installment for any Series of Bonds or Subordinated Bonds which the Authority intends to pay with moneys which are not Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds or Subordinated Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only until the date of adoption of the Rates and Charges for the Fiscal Year (after which time such Refundable Principal Installment shall be treated as payable in level payments of the sum of the Principal Installments and interest over a five-year period commencing in such Fiscal Year at an interest rate determined by the Authority, set forth in a Certificate, based on then prevailing interest rates for obligations such as the Bonds or the Subordinated Bonds, as the case may be) in which such Principal Installment comes due unless the Authority has delivered to the Trustee a Certificate of an Authorized Representative to the effect that it has made provision for the payment of such Principal Installment from a source other than Revenues.

"Refundable Principal Installment Pro Forma Interest Rate" shall mean, when used with reference to a Refundable Principal Installment, such hypothetical fixed interest rate as the Authority shall designate in the Supplemental Resolution authorizing such Refundable Principal Installment, based on then prevailing interest rates for obligations such as the Bonds or the Subordinated Bonds, as the case may be, to be the net interest cost which would have been borne by the Bonds or the Subordinated Bonds, as the case may be, constituting such Refundable Principal Installment if they had been payable on a level debt service basis over a period from the due date of such Refundable Principal Installment through the date identified in the Supplemental Resolution authorizing such Refundable Principal Installment (which date may be no later than the last date on which such Refundable Principal Installment could have been stated to mature under the Act as in effect on the date of issuance of such Refundable Principal Installment).

"Refunding Secured Bond" shall mean any Secured Bond authenticated and delivered on original issuance pursuant to Section 206, 206A or Section 207 for the purpose of refunding any Outstanding Secured Bonds, or thereafter authenticated and delivered in lieu of or substitution for such Secured Bond pursuant to this Resolution.

"Regularly Scheduled Qualified Swap Payments" shall mean the regularly scheduled payments under the terms of a Qualified Swap which are due absent any termination, default or dispute in connection with such Qualified Swap.

"Reimbursement Obligation" shall mean the obligation of the Authority described in Section 210(b) hereof to reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder together with interest thereon, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

"Renewal and Replacement Reserve Fund" shall mean the Renewal and Replacement Reserve Fund established pursuant to Section 502(a) hereof.

"Renewal and Replacement Reserve Fund Requirement" shall mean the amount shown on the Operating Budget then in effect as required to be the balance of such Fund for the Fiscal Year.

"Required Debt Service Fund Deposits" shall mean for, any period of time, all deposits made to the Principal and Interest Accounts of the Debt Service Fund for such period whether pursuant to Section 506(a), 523(b) (including earnings retained in the Debt Service Fund pursuant to such Section) or any other provision of this Resolution; provided, however, that such deposits shall not include amounts transferred from the Capitalized Interest Account or amounts paid from assistance from the Commonwealth Sewer Rate Relief Fund referred to in clause (iv) of Section 526 or other funds of the Authority that are not Revenues and are not transferred from other Funds or Accounts established hereunder.

"Required Supplemental Bond Coverage Deposits" shall mean, for any period of time, all deposits to be made to the Community Obligation and Revenue Enhancement Fund pursuant to Section 506(a) during such period.

"Reserve Account" shall mean the Reserve Account of the Community Obligation and Revenue Enhancement Fund established pursuant to Section 502(a).

"Resolution" shall mean this General Revenue Bond Resolution, as the same may be amended or supplemented.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 502(a).

"Revenues" shall mean and include all income, revenue, receipts, and other moneys derived by the Authority from its operation of the System and engaging in other activities authorized by the Act and all accounts, general intangibles and contract or other rights to receive the same, whether existing at the date of adoption of this Resolution or thereafter coming into existence and whether held by the Authority at such date or thereafter acquired, and the proceeds thereof including, without limiting the generality of the foregoing, all "revenue" as defined in the Act and receipts from Rates and Charges and, except to the extent provided in Sections 708 and 706, the proceeds of insurance and condemnation awards received with respect to, and proceeds from the sale or other disposition of any portion of, the System, and shall include, without limiting the foregoing, all interest and investment income on moneys held in any Fund, Account or Subaccount which are deposited in the Revenue Fund, the Operating Fund or the Debt Service Fund, but not including the proceeds of any Indebtedness authorized pursuant to Section 709 hereof or any Grant Receipts (except to the extent otherwise provided herein or in any other resolution of the Authority), any revenues, receipts or other moneys not constituting Revenues under Section 709(c), repayments of principal of loans made from the Revolving Loan Fund, amounts described in Section 526 or any amounts permitted hereunder to be received and held outside of the various Funds and Accounts established by the Resolution.

"Revenues Available for Bond Debt Service" shall mean, with respect to a twelve-month period, Net Revenues for such period plus (i) amounts transferred from the Rate Stabilization Fund to the Revenue Fund during such period, and (ii) amounts transferred from the Operating Reserve Fund to the Operating Fund in such period; provided, however, for purposes of calculating Revenues Available for Bond Debt Service, the sum of clauses (i) and (ii) above shall not exceed the product of (x) the difference between the Primary Bond Coverage Ratio and 1.0, if any, and (y) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period; and provided, further, that for purposes of calculating Revenues Available for Bond Debt Service the amount included pursuant to clause (i) above shall not exceed the product of (x) 0.1 and (y) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period. Revenues deposited to the General Fund which are subsequently transferred to the Rate Stabilization Fund shall not be included in Revenues Available for Bond Debt Service in the year that such Revenues are deposited to the General Fund.

"Revenues Available for Subordinated Debt Service" shall mean with respect to a Fiscal Year, Revenues Available for Bond Debt Service less Required Debt Service Fund Deposits on all Series of Bonds Outstanding during such Fiscal Year.

"Revolving Loan Fund" shall mean the Revolving Loan Fund established pursuant to Section 502(a) hereof.

"S&P" shall mean Standard & Poor's Corporation.

"Secured Bonds" or "Secured Indebtedness" shall mean all Bonds and all Subordinated Bonds.

"Series" or "Series of Secured Bonds" shall mean all of the Secured Bonds authenticated and delivered on original issuance identified pursuant to the Supplemental Resolution authorizing such Secured Bonds as a separate Series of Secured Bonds and any Secured Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to this Resolution regardless of variations in maturity, interest rate or other provisions.

"Series Debt Service Reserve Fund Requirement" shall mean with respect to a Series of Bonds the amount equal to the lesser of (i) 100% of the Average Annual Adjusted Debt Service for such Bonds,

(ii) 10% of the original net proceeds of such Bonds, (iii) 125% of the average annual Debt Service on such Bonds, or (iv) the maximum amount of Debt Service due on such Bonds in any succeeding Bond Year. For purposes of this definition, "net proceeds" of a Series of Bonds means the face amount of such Series minus original issue discount plus any premium received on such Series.

For the purpose of calculating the applicable Series Debt Service Reserve Fund Requirement with respect to any Series of Variable Rate Indebtedness, the Adjusted Debt Service on such Series shall be determined by reference to the Pro Forma Bond Issue for such Series set forth in the Supplemental Resolution authorizing such Series.

"Sewer Operations" shall mean the "sewer division" established pursuant to Section 8(a) of the Act.

"Sinking Fund Installment" shall mean, as of any particular date of calculation, the amount required by this Resolution or any Supplemental Resolution to be paid by the Authority on a future date for the retirement of the principal amount of Outstanding Bonds or Subordinated Bonds which are stated to mature subsequent to such future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond or Subordinated Bond.

"Special Account" shall mean, with respect to the Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund, one or more of the Special Accounts established by a Supplemental Resolution pursuant to Section 502(b).

"Special Credit Facility" shall mean, with respect to any Series of Secured Bonds or portion thereof, a Credit Facility (a) which provides funds for (i) the direct payment of the Principal Installments of and interest on such Secured Bonds when due or (ii) the payment of the Principal Installments of and interest on such Secured Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the Authority for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose) and (b) which (i) requires the Authority to directly reimburse the issuer of such Credit Facility for amounts paid thereunder and (ii) provides that such obligation is a Parity Reimbursement Obligation.

"Special Payment Obligations" shall mean payment obligations under any interest rate exchange, cap or other hedge agreement or other long-term contract which have been designated as payable from the Commonwealth Obligation Fund in such agreement.

"Special Subordinated Indebtedness" shall mean Indebtedness incurred pursuant to Section 709 hereof.

"Subaccount" shall mean one of the separate Subaccounts established within an Account or Fund, with respect to a particular Series of Secured Bonds.

"Subordinated Bond Coverage Requirement" shall mean the requirement, if any, set forth in a Supplemental Resolution authorizing the issuance of a Series of Subordinated Bonds.

"Subordinated Bonds" shall mean bonds or indebtedness issued or incurred pursuant to Section 206A and shall also mean any Subordinated Parity Bond Anticipation Notes and any Parity Reimbursement Obligation incurred with respect to Subordinated Bonds.

"Subordinated Debt Service Fund" shall mean the Subordinated Debt Service Fund established pursuant to Section 502(a).

"Subordinated Debt Service Reserve Fund" shall mean the Subordinated Debt Service Reserve Fund established pursuant to Section 502(a) hereof.

"Subordinated Debt Service Reserve Fund Requirement" shall mean the aggregate of the amounts, if any, required to be deposited in the Subordinated Debt Service Reserve Fund pursuant to all Supplemental Resolutions authorizing the issuance of Subordinated Bonds.

"Subordinated Parity Bond Anticipation Notes" shall mean Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by Section 501(b) of the General Resolution, subject to the provisions of Section 309 and Section 310 of the Sixth Supplemental Resolution.

"Supplemental Bond Coverage Ratio" shall mean .1, as adjusted from time to time pursuant to Section 705(d).

"Supplemental Bond Coverage Requirement" for any Fiscal Year shall mean, unless the context otherwise indicates, the Required Debt Service Fund Deposits for all Bonds Outstanding as of the beginning of such Fiscal Year, times the Supplemental Bond Coverage Ratio.

"Supplemental Resolution" shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds or Subordinated Bonds or otherwise amending or supplementing this Resolution, adopted in accordance with Article VIII.

"System" shall mean collectively the "Waterworks System" and the "Sewer System" as such terms are defined in Sections 1(o) and 1(v) of the Act.

"Tax Exempt Indebtedness" shall mean Indebtedness the interest on which is excluded from gross income of the holder thereof for federal income tax purposes which was accompanied by a favorable Bond Counsel's Opinion regarding such exclusion on the date of such Indebtedness.

"Tender Option Price" shall mean, with respect to any Option Bond tendered for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond, an amount equal to the principal amount of such Option Bond.

"Trustee" shall mean State Street Bank and Trust Company, Boston, Massachusetts, and its successor or successors and any other person which may at any time be substituted in its place pursuant to this Resolution.

"Variable Rate Indebtedness" shall mean, as of any date of determination, any Indebtedness on which the interest rate borne thereby may vary during any part of its remaining term.

"Water Pollution Abatement Fund" shall mean the Water Pollution Abatement Fund established pursuant to Section 502(a) hereof.

"Water Pollution Abatement Obligations" shall mean obligations incurred and owing to the state water pollution abatement trust first established pursuant to Chapter 275 of the Acts of 1989 of the Commonwealth.

"Waterworks Operations" shall mean the "waterworks division" established pursuant to Section 8(a) of the Act.

"Watershed Division" shall mean the Division of Watershed Management established by Section 42 of Chapter 372 of the Acts of 1984 of the Commonwealth.

Section 102. Interpretation. (a) In this Resolution, unless the context otherwise requires:

(1) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Resolution.

(2) The terms "hereby", "hereof", "herein", "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Resolution.

(3) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(4) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(5) Words importing the redemption or redeeming or calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond.

(6) Any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference, and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

(7) Wherever in this Resolution the consent of the Trustee shall be required, such consent shall include the consent of any person who shall at the time be the holder of all the Outstanding Bonds, but only if there be such a person and if such person shall have consented within a reasonable period of time.

(8) This Resolution shall be governed by and construed in accordance with the applicable laws of the Commonwealth.

(9) Any publication to be made under the provisions of this Resolution in successive weeks or on successive dates may be made in each instance upon any business day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers. If, because of the temporary or permanent suspension of the publication or general circulation of any of the Authorized Newspapers or for any other reason, it is impossible or impractical to publish any notice pursuant to this Resolution in the manner herein provided, then such publication in lieu thereof as shall be made by or with the approval of the Trustee shall constitute a sufficient publication of such notice.

(10) The date upon which any Sinking Fund Installment is required to be made pursuant to this Resolution or a Supplemental Resolution authorizing the issuance and delivery of Secured Bonds shall be deemed to be the date upon which such Sinking Fund Installment is payable and the Outstanding Secured Bonds to be retired by application of such Sinking Fund Installment shall be deemed to be the Secured Bonds entitled to such Sinking Fund Installment.

(11) Wherever in this Resolution reference is made to Bonds being "tendered for purchase or payment" such reference shall also include Bonds tendered to any person designated in a Supplemental Resolution to receive such tenders.

(12) Any reference to the payment of a Secured Bond shall be a reference to the payment of the Principal Installments or Redemption Price thereof and interest thereon.

(13) Any reference herein to generally accepted accounting principles shall refer to generally accepted accounting principles applicable to government enterprises such as the Authority.

(14) Any reference herein to the exclusion of interest on any Indebtedness from gross income of the holder thereof for federal income tax purposes shall refer only to obligations accompanied by a favorable Bond Counsel's Opinion regarding such exclusion on the date of issuance of such Indebtedness.

(b) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Authority, the Fiduciaries and the Bondholders any right, remedy or claim under or by reason of this Resolution of any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Authority, shall be for the sole and exclusive benefit of the Authority, the Fiduciaries and the Bondholders.

(c) If any one or more of the covenants or agreements provided herein on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements, shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF SECURED BONDS

SECTION 201. Authorization of Secured Bonds. This Resolution creates an issue of Secured Bonds of the Authority to be designated as "General Revenue Bonds" and creates a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of and interest on all the Secured Bonds. Secured Bonds of the Authority which are Subordinated Bonds shall bear the additional designation "Subordinated." Each Series of Secured Bonds may bear such designation as the Authority shall determine by Supplemental Resolution. The aggregate principal amount of the Secured Bonds which may be executed, authenticated and delivered under this Resolution is not limited except as provided in this Resolution or in the Act or as otherwise may be limited by law.

SECTION 202. Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Secured Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Authority with the holders of Secured Bonds and shall

be deemed to be and shall constitute a contract between the Authority, the Trustee and the holders from time to time of the Secured Bonds. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority with respect to the Bonds shall be for the equal benefit, protection and security of the holders of any and all Bonds, and the pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority with respect to the Subordinated Bonds shall be for the equal benefit, protection and security of the holders of any and all Subordinated Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank with the other holders of Bonds, or Subordinated Bonds, as the case may be, without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

SECTION 203. Obligation of Secured Bonds. The Secured Bonds shall be general obligations of the Authority and the full faith and credit of the Authority are hereby pledged for the payment of the Secured Bonds. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal of, premium or interest on any Secured Bond and neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of, premium or interest on any Secured Bond.

SECTION 204. Authorization of Secured Bonds in Series. In order to provide sufficient funds for the Costs of Projects or for the purpose of refunding any Indebtedness issued by the Authority to pay the Costs of Projects, Series of Secured Bonds of the Authority are hereby authorized to be issued from time to time without limitation as to amount except as herein provided or as provided in the Act or as otherwise may be limited by law and such Secured Bonds shall be issued subject to the terms, conditions and limitations established in this Resolution and in one or more Supplemental Resolutions authorizing such Series as hereinafter provided. Nothing herein contained shall preclude the consolidation into a single Series for purposes of issuance and sale of Secured Bonds of the same classification otherwise permitted by this Resolution to be issued at the same time in two or more separate Series, but for the purpose of satisfying the requirements of Section 206 or 207 hereof, as the case may be, or the requirement of a Supplemental Resolution authorizing a Series of Subordinated Bonds, the Secured Bonds otherwise permitted by this Resolution to be issued as a separate Series shall be considered separately as if the Secured Bonds were in fact to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution.

SECTION 205. Issuance and Delivery of Secured Bonds. After their authorization by a Supplemental Resolution, Secured Bonds of a Series may be executed by or on behalf of the Authority and delivered to the Trustee for authentication and, upon compliance with the requirements, if any, set forth in such Supplemental Resolution and with the requirements of Section 206 or 206A, or Section 207, as the case may be, the Trustee shall thereupon authenticate and deliver such Secured Bonds to or upon the order of the Authority.

SECTION 206. Conditions Precedent to Delivery of a Series of Bonds. The Bonds of a Series shall be executed by the Authority for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of:

- (a) a Bond Counsel's Opinion to the effect that (i) the Authority has the right and power to adopt this Resolution under the Act; (ii) this Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable against the Authority; (iii) this Resolution creates the valid pledge which it purports to create of the Revenues, proceeds of Bonds and other amounts on deposit in any of the Funds

held by the Trustee hereunder, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; (iv) the Bonds of such Series are valid and binding general obligations of the Authority enforceable in accordance with their terms and the terms of this Resolution; (v) all conditions required by the Resolution precedent to the issuance of the Bonds have been met and upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued in accordance with the Act and this Resolution; and (vi) the issuance of such Bonds will not adversely affect the exclusion of interest on any previously issued Outstanding Indebtedness from gross income of the holder thereof for federal income tax purposes; provided that such Bond Counsel's Opinion, as to the matters in clauses (ii) and (iv) above, may take an exception on account of the laws of bankruptcy, reorganization and insolvency and of other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles;

(b) a written order as to the delivery of such Bonds, signed by an Authorized Representative of the Authority;

(c) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Representative of the Authority, which shall specify:

- (i) the authorized principal amount and Series designation of such Bonds, the Bond Year, if any, for such Series and the Credit Facility, if any, related thereto, and if such Credit Facility is a Special Credit Facility, the Special Account, if any, to be established in the Debt Service Reserve Fund;
- (ii) the purposes for which such Series is being issued, which shall be one or more of the following: (1) the making of deposits into the Construction Fund, (2) the making of deposits in the amounts, if any, required by this Resolution or any such Supplemental Resolution into any of the Funds and Accounts established pursuant to Article V of this Resolution or such Supplemental Resolution or (3) the refunding of the Prior Notes or any Outstanding Bonds, Bond Anticipation Notes, Reimbursement Obligations or Indebtedness;
- (iii) the date, and the maturity date or dates, of the Bonds of such Series;
- (iv) if such Bonds will pay current interest for all or any part of their term, the interest rate or rates of the Bonds of such Series, or the manner of determining such rate or rates, the Payment Dates therefor and the method of payment thereof and, if such Bonds will not pay full current interest for all or any part of their term, the rate or rates to be borne by, the method of accrual or compounding, if any, and the other terms and conditions of such Bonds including the designation, or manner of determining, the "principal amount" of such Bonds;
- (v) if any Bonds of such Series constitute Variable Rate Indebtedness, the limitation, if any, on the numerical rate or rates of interest which such Bonds may bear at any time and the terms of the Pro Forma Bond Issue applicable thereto;
- (vi) the minimum denomination of, and the manner of dating, numbering and lettering, the Bonds of such Series, but such Bonds shall be in denominations

equal to the minimum denomination or any multiple thereof or as may otherwise be authorized by such Supplemental Resolution;

- (vii) the place or places of payment of the Bonds of such Series and the Paying Agent or Paying Agents for such Bonds or the manner of designating and appointing the same;
- (viii) if any Bonds of such Series are redeemable, the Redemption Prices and the redemption terms for the Bonds of such Series;
- (ix) the amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series;
- (x) if so determined by the Authority, provisions for the sale of the Bonds of such Series;
- (xi) if any of the Bonds of such Series are Option Bonds, (A) the terms and conditions of the exercise by the owners thereof of the payment options granted thereby and (B) the authorization of the Credit Facility, if any, relating thereto;
- (xii) the forms of the Bonds of such Series and of the Trustee's certificate of authentication;
- (xiii) the respective amounts, if any, to be deposited from the proceeds of such Series, in the Subaccount for such Series established in the Capitalized Interest Account in the Debt Service Fund pursuant to Section 502(c), and in the Common Account of the Debt Service Reserve Fund including the Financial Guaranties, if any, therefor;
- (xiv) the Principal Installments, if any, for such Series which will be Refundable Principal Installments together with the Refundable Principal Installment Pro Forma Interest Rate and a schedule showing the Adjusted Debt Service for such Series; and
- (xv) any other provisions deemed advisable by the Authority as shall not conflict with the provisions hereof;

(d) the proceeds of such Series for deposit in the Funds, Accounts and Subaccounts established hereunder as specified in this Resolution and the Supplemental Resolution for such Series or as otherwise specified in such Supplemental Resolution and in an amount together with other available moneys (which may include Revenues) at least sufficient to comply with the provisions of Section 401(b);

(e) a Certificate of an Authorized Representative of the Authority showing that the total principal amount of Indebtedness Outstanding, after giving effect to the issuance of such Series of Bonds, will not exceed the limits imposed by the Act;

(f) except in the case of any Series of Refunding Secured Bonds issued pursuant to Section 207(a)(i) or any Parity Bond Anticipation Notes,

(i) a Certificate of an Authorized Representative of the Authority certifying that for the most recent period of twelve consecutive months preceding the date on which such Bonds are to be issued for which such information is available, Revenues Available for Bond Debt Service were at least equal to the Combined Bond Coverage Requirement, provided that for any Series of Bonds issued on or prior to June 30, 1990 the requirement of this Section 206(f)(i) shall be deemed satisfied; and

(ii) either

(A) a Certificate of the Consulting Engineer certifying that for both the Fiscal Year in which such Bonds are to be issued and the Fiscal Year immediately following, projected Revenues Available for Bond Debt Service, assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the sum of (1) the Primary Bond Coverage Requirement for all Series of Bonds Outstanding in such Fiscal Year, taking into account the Series of Bonds to be issued and any other Series of Bonds which is projected to be issued on or before the last day of such Fiscal Year, and (2) the Required Supplemental Bond Coverage Deposits for such Fiscal Year, taking into account the Series of Bonds to be issued and any other Series of Bonds which is projected to be issued on or before the last day of such Fiscal Year; or

(B) a Certificate of the Consulting Engineer certifying that

(1) for the Fiscal Year in which such Bonds are to be issued, projected Revenues Available for Bond Debt Service, calculated without assuming any increase in Rates and Charges other than those then approved in accordance with Section 705(a), and assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the sum of (x) the Required Debt Service Fund Deposits for all Series of Bonds then Outstanding in such Fiscal Year, taking into account the particular Series of Bonds to be issued, (y) any amounts required to be deposited in the Operating Reserve Fund, the Insurance Reserve Fund or the Renewal and Replacement Reserve Fund to satisfy the applicable Requirement for such Fund and (z) the Required Supplemental Bond Coverage Deposits, taking into account the particular Series of Bonds to be issued; and

(2) for the Fiscal Year immediately following the Fiscal Year in which such Bonds are to be issued, projected Revenues Available for Bond Debt Service as calculated for Section 206(f)(ii)(B)(1), but adjusted to reflect any increases in Operating Expenses shown on the Authority's proposed or final Operating Budget for such following Fiscal Year or, if such Budget has not been submitted, as adjusted to reflect an increase in Operating Expenses not less than the average percentage increase in Operating Expenses over the previous three Fiscal Years, are at least equal to the sum of (x) the Required Debt Service Fund Deposits on all Series of Bonds included for purposes of Section 206(f)(ii)(B)(1)(x), (y) any amounts required to be deposited in the Operating Reserve Fund to satisfy the applicable Requirement for such Fund in such Fiscal Year, and (z) the Required Supplemental Bond Coverage Deposits, if any.

(g) a Certificate of the Authorized Representative of the Authority, dated as of the date of such delivery, stating that there is no Event of Default by the Authority with respect to the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution, provided, however, that the Authority need deliver no such certification with respect to compliance with Section 705 for a Series of Refunding Secured Bonds issued pursuant to Section 207(a)(i) hereof;

(h) in the case of any Series for which Capitalized Interest has been provided by the Supplemental Resolution authorizing such Series (i) the written direction of an Authorized Representative of the Authority to establish the sub-account for such Series in the Capitalized Interest Account in the Debt Service Fund and (ii) the amount of the proceeds of such Series to be deposited therein; and

(i) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution adopted pursuant to Article VIII.

SECTION 206A. Conditions Precedent to Delivery of a Series of Subordinated Bonds. The Subordinated Bonds of a Series shall be executed by the Authority for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of the items, opinions and certificates required by Section 206, (except for the requirements of Section 206(f)) restated as appropriate for the issuance of Subordinated Bonds and any items, opinions or certificates required by the Supplemental Resolution authorizing such Subordinated Bonds.

SECTION 207. Conditions Precedent to Delivery of Refunding Secured Bonds.

(a) One or more Series of Refunding Secured Bonds may be issued pursuant to this Section 207 at any time to refund any Outstanding Secured Bonds provided that either (i), but only with respect to Bonds issued to refund Bonds, (A) Aggregate Adjusted Debt Service on the Bonds immediately after the issuance of such Refunding Secured Bonds for each Fiscal Year shall be no greater than Aggregate Adjusted Debt Service immediately prior to the issuance of such Refunding Secured Bonds and (B) the final maturity of all Bonds Outstanding immediately after the issuance of such Refunding Secured Bonds shall be no later than the final maturity immediately prior to the issuance of such Refunding Secured Bonds or (ii) the requirements of Subsection 206(f), or with respect to an issue of Subordinated Bonds, the requirements of any Supplemental Resolution with respect to the issuance of additional Subordinated Bonds, shall have been satisfied after giving effect to the proposed refunding, all as shown in a Certificate signed by an Authorized Representative of the Authority (and, as to the matters in 206(f)(ii), a Certificate signed by the Consulting Engineer) and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Secured Bonds. Refunding Secured Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds, Accounts and Subaccounts required by the provisions of the Supplemental Resolution authorizing such Secured Bonds.

(b) All Refunding Secured Bonds of a Series issued under this Section 207 shall be executed by the Authority for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon receipt by the Trustee (in addition to the documents required by Section 206(a), (b), (c), (d), (e) and (g) and subsection (a) of this Section 207), of:

- (i) irrevocable instructions to the Trustee satisfactory to it, to give due notice of redemption of all the Secured Bonds to be redeemed on a redemption date or dates specified in such instructions;
- (ii) if the Secured Bonds to be refunded are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of any refunding of such Secured Bonds on a specified date prior to their maturity, as provided in Article VI and Section 1201;
- (iii) either (A) moneys (which may include all or a portion of the proceeds of the Refunding Secured Bonds to be issued) in an amount sufficient to effect payment of the Principal Installments and the applicable redemption price, if any, of the Secured Bonds to be refunded, together with accrued interest on such Secured Bonds to the maturity or redemption date thereof, as the case may be, or (B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of Section 1201, which Defeasance Obligations and moneys shall be held in trust and used only as provided in Section 1201; provided that in either case the sufficiency of such moneys or Defeasance Obligations for such purpose shall be independently verified to the satisfaction of the Trustee by the Certificate of an Accountant; and
- (iv) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution adopted pursuant to Article VIII.

SECTION 208. Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Secured Bonds, the Authority may, by resolution, authorize the issuance of notes (and renewals thereof) in anticipation of such Secured Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Secured Bonds in anticipation of which such notes are issued. The proceeds of such Secured Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. The Authority may pledge the Revenues to the payment of the interest on such notes which pledge may be on a parity with the pledge securing all Bonds in which event such interest shall be payable from the Debt Service Fund. The Authority may also pledge the Revenues and moneys on deposit in the General Fund and the Rate Stabilization Fund to the payment of the principal of such notes but such pledge shall be subordinate to the pledge securing the payment of the Secured Bonds. A copy of the Resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption.

SECTION 209. Special Subordinated Indebtedness. The Authority may, at any time, or from time to time, issue Special Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on such amounts in such Funds as may from time to time be available for the purpose of payment thereof as provided in Section 709; provided, however, that (i) such Special Subordinated Indebtedness shall be issued only for any one or more of the purposes and subject to the conditions set forth in Section 709 and the proceeds of such Special Subordinated Indebtedness shall be applied only for such purpose or purposes, and (ii) any pledge of or lien on amounts held by the Trustee shall be, and shall

be expressed to be subordinate in all respects to the pledge created by this Resolution as security for the Secured Bonds.

SECTION 210. Credit Facilities.

(a) In connection with the issuance of any Series of Secured Bonds hereunder, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal Installments, or Redemption Price or interest due or to become due on such Secured Bonds, providing for the purchase of such Secured Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Secured Bonds by the Authority. In connection therewith the Authority may enter into agreements with the issuer of such Credit Facility providing for, among other things: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Secured Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(b) The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Secured Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be deemed to be Outstanding, for purposes of this Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, Revenues on a parity with the lien created by Section 501(a) or Section 501(b) hereof (a "Parity Reimbursement Obligation"). Any such Parity Reimbursement Obligation shall be deemed to be a Secured Bond of the Series of Secured Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation related.

(c) Any such Credit Facility shall be for the benefit of and secure such Series of Secured Bonds or portion thereof as specified in the applicable Supplemental Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF SECURED BONDS

SECTION 301. Title of Secured Bonds. Subject to the provisions of Section 302, each Secured Bond shall be entitled, shall bear such letters or numbers and such Series designation as shall be determined in the Supplemental Resolution authorizing the Secured Bonds of the Series of which such Bond is one.

SECTION 302. Legends. The Secured Bonds of each Series shall contain or have endorsed thereon a statement to the effect that neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal of, premium or interest on any such Bond and neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of, premium or interest on any such Bond and may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom or otherwise as may be determined by the Authority prior to delivery thereof.

SECTION 303. Place and Medium of Payment; Form. Unless otherwise determined by a Supplemental Resolution authorizing a particular Series of Secured Bonds, each Secured Bond shall be payable at the principal corporate trust office of the Trustee, or of any Paying Agent appointed or provided for such Secured Bond, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The Secured Bonds of each Series shall be issued in the form of fully registered bonds without coupons payable to a named person or registered assigns. Notwithstanding the foregoing, however, if the Authority shall deliver or cause to be delivered to the Trustee a Bond Counsel's Opinion to the effect that the issuance of a Series of Secured Bonds (i) in coupon form payable to bearer or (ii) payable in coin or currency of any other sovereign nation or in any other manner then commonly in use in any recognized international securities or commodities market, in any case will not adversely affect the exclusion of interest thereon from gross income of the holders thereof for federal income purposes, the Authority may adopt a Supplemental Resolution also providing for the issuance of Secured Bonds in such form payable in such manner, together with such modifications to this Resolution as are necessary and appropriate for such Series of Secured Bonds. The Authority may provide in an applicable Supplemental Resolution for the issuance of one or more Series of Secured Bonds in book-entry form, together with such modifications to this Resolution as are necessary and appropriate for such Series of Secured Bonds.

SECTION 304. Payment of Interest. Interest on Secured Bonds of each Series shall be payable, in the manner provided in the Supplemental Resolution authorizing the issuance of such Series, to the person in whose name such Secured Bonds are registered, as shown on the registry books of the Authority kept for such purpose at the office of the Trustee, at the close of business on the Record Date.

SECTION 305. Interchangeability of Secured Bonds. Upon surrender thereof at the principal corporate trust office of the Trustee, as registrar, with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Secured Bonds may, at the option of the owner thereof and upon payment by such owner of any charges which the Trustee may make as provided in Section 307, be exchanged for an equal aggregate principal amount of Secured Bonds of the same Series, tenor and maturity, of any of the authorized denominations.

SECTION 306. Negotiability, Transfer and Registry.

(a) Each Secured Bond shall be transferable only upon the books of the Authority, which shall be kept for that purpose at the principal corporate trust office of the Trustee, by the owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by such owner or his duly authorized attorney. Upon such transfer, the Authority shall issue in the name of the transferee a new Secured Bond or Secured Bonds of the same aggregate principal amount, Series, tenor and maturity as the surrendered Secured Bond.

(b) The Authority and each Fiduciary may deem and treat the person in whose name any Secured Bond shall be registered upon the books of the Authority as the absolute owner thereof, whether such Secured Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of such Secured Bond and for all other purposes and all such payments shall be valid and effectual to satisfy and discharge the liability upon such Secured Bond to the extent of the sum or sums so paid and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Resolution, in so treating any such registered owner.

SECTION 307. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Secured Bonds or transferring Secured Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Secured Bonds in accordance with the provisions of this Resolution. All Secured Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. For every such exchange or transfer of Secured Bonds whether temporary or definitive, the Authority or the Trustee may, as a condition precedent to the privilege of making such exchange or transfer, make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Trustee shall be required to transfer or exchange Secured Bonds of any Series for a period of fifteen days next preceding the mailing of any notice of redemption or to transfer or exchange any Secured Bonds called for redemption.

SECTION 308. Secured Bonds Mutilated, Destroyed, Stolen or Lost. In any case any Secured Bond shall become mutilated or be destroyed, stolen or lost, the Authority shall execute, and thereupon the Trustee shall authenticate and deliver a new Secured Bond of like Series, maturity, tenor and principal amount as the Secured Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Secured Bond, or in lieu of and substitution for the Secured Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Secured Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and Trustee may incur. All Secured Bonds so surrendered to the Trustee shall be cancelled by it. Any such new Secured Bonds issued pursuant to this Section in substitution for Secured Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Secured Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Secured Bonds issued under this Resolution, in any moneys or securities held by the Authority or the Fiduciaries for the benefit of the holders of Secured Bonds.

SECTION 309. Preparation of Definitive Secured Bonds; Temporary Secured Bonds.

(a) Until the definitive Secured Bonds of any Series are prepared, the Authority may execute, in the same manner as is provided in Section 310, and, upon the request of the Authority, the Trustee shall authenticate and deliver, in lieu of definitive Secured Bonds, but subject to the same provisions, limitations and conditions as the definitive Secured Bonds except as to the denominations thereof and as to interchangeability and registration of Secured Bonds, as permitted by law, one or more temporary Secured Bonds substantially of the tenor of the definitive Secured Bonds in lieu of which such temporary Secured Bond or Secured Bonds are issued in such denominations as may be authorized by the Authority, and with such omissions, insertions and variations as may be appropriate to temporary Secured Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender therefor of such temporary Secured Bonds the Trustee shall authenticate and, without charge to the holder thereof, deliver in exchange therefor, definitive Secured Bonds of the same aggregate principal amount, Series, tenor and maturity as the temporary Secured Bonds surrendered. Until so exchanged the temporary Secured Bonds shall in all respects be entitled to the same benefits and security as definitive Secured Bonds authenticated and issued pursuant to this Resolution.

(b) If the Authority shall authorize the issuance of temporary Secured Bonds in more than one denomination, the holder of any temporary Secured Bond or Secured Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Secured Bond or Secured Bonds or like aggregate principal amount, Series, tenor and maturity of any other authorized denomination or

denominations, and thereupon the Authority shall execute and the Trustee shall authenticate and, in exchange for the temporary Secured Bond or Secured Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 308, shall deliver a temporary Secured Bond or Secured Bonds of like aggregate principal amount, Series and maturity in such other authorized denomination or denominations as shall be requested by such holder.

(c) All temporary Secured Bonds surrendered in exchange either for another temporary Secured Bond or Secured Bonds or for a definitive Secured Bond or Secured Bonds shall be forthwith cancelled by the Trustee.

SECTION 310. Execution and Authentication.

(a) After their authorization by a Supplemental Resolution, Secured Bonds of a Series may be executed by or on behalf of the Authority and delivered to the Trustee for authentication. The Secured Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of an Authorized Representative of the Authority and the corporate seal of the Authority (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of the Secretary of the Authority, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Secured Bonds shall cease to be such officer or employee before the Secured Bonds so signed and sealed shall have been actually delivered, such Secured Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Secured Bonds had not ceased to hold such offices or be so employed. Any Secured Bond of a Series may be signed and sealed on behalf of the Authority by such persons as at the actual time of the execution of such Secured Bond shall be duly authorized or hold the proper office in or employment by the Authority, although at the date of the Secured Bonds of such Series such person may not have been so authorized to have held such office or employment.

(b) The Secured Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Secured Bonds, executed manually by the Trustee. No Secured Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Secured Bond executed on behalf of the Authority shall be conclusive evidence that the Secured Bond so authenticated has been duly authenticated and delivered under this Resolution and that the owner thereof is entitled to the benefits hereof.

SECTION 311. Inapplicability of Article. The provisions of this Article III shall not apply to any Parity Reimbursement Obligation, unless any one or more of the provisions hereof are made applicable by the Supplemental Resolution authorizing the Series of Secured Bonds of which such Parity Reimbursement Obligation is deemed to be a part pursuant to Section 210 hereof.

ARTICLE IV

APPLICATION OF SECURED BOND PROCEEDS

SECTION 401. Application of Secured Bond Proceeds and Authority Contributions; Deposits to the Debt Service Reserve Fund.

(a) The proceeds (including accrued interest) of sale of the Secured Bonds of each Series, together with any moneys transferred by the Authority from amounts held by the Authority under the

Prior Resolution or the Authority's general funds in connection with the issuance of such Secured Bonds, shall be applied simultaneously with the delivery of such Secured Bonds for the purposes of making deposits in the Funds, Accounts and Subaccounts, as shall be provided by the Supplemental Resolution authorizing such Series and all amounts not otherwise deposited shall be deposited in the Construction Fund; provided, however, that in the case of Refunding Secured Bonds, all such amounts not otherwise deposited shall be applied to the refunding purposes thereof in the manner provided in such Supplemental Resolution.

(b) From the proceeds of the sale of each Series of Bonds or from such other moneys made available by the Authority, there shall be deposited in the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit in each Subaccount of such Fund equal to the applicable Series Debt Service Reserve Fund Requirement, after giving effect to the issuance of such Series of Bonds. All amounts so deposited shall be credited to the Common Account in the Debt Service Reserve Fund, unless the Supplemental Resolution authorizing a Series of Bonds has established a Special Account in the Debt Service Reserve Fund, as provided in Section 502(b). In such event, such Supplemental Resolution shall set forth the amount, if any, to be deposited in the Special Account and the amount to be deposited in the Common Account.

ARTICLE V

FUNDS AND ACCOUNTS

SECTION 501. The Pledge Effected by this Resolution.

(a) There are hereby pledged for the payment of the Bonds, in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application thereof for or to the purposes and on the terms and conditions herein and therein set forth including, without limitation, Sections 506, 520, 709 and 1003 hereof: (i) all Revenues; (ii) all moneys or securities in any of the Funds, Accounts and Subaccounts (except the Operating Fund, the Rebate Fund, the Note Payment Fund and the Subordinated Debt Service Reserve Fund) together with the investment earnings thereon except to the extent such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Resolution, and (iii) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to this Resolution. It is the intention of the Authority that, to the fullest extent permitted by law, this pledge shall be valid and binding from the time when it is made, that the Revenues, moneys, securities and other funds so pledged and then or thereafter received by the Authority shall immediately be subject to the lien of such pledge and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

(b) Subject only to the prior pledge created for the payment of the Bonds in Subsection 501(a), and on the terms and conditions set forth therein with respect to such prior pledge, the property described in clauses (i)-(iii) of said Subsection 501(a) (except moneys or securities in the Debt Service Fund and the Debt Service Reserve Fund) and the Subordinated Debt Service Reserve Fund are hereby further pledged to the payment of the Subordinated Bonds.

SECTION 502. Establishment of Funds and Accounts.

(a) The following Funds and Accounts are hereby established:

- (i) Construction Fund, containing a

- (A) Waterworks System Account; and
- (B) Sewer System Account;
- (ii) Cost of Issuance Fund;
- (iii) Revenue Fund;
- (iv) Operating Fund;
- (v) Debt Service Fund, containing a
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;
- (vi) Subordinated Debt Service Fund, containing a
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;
- (vii) Debt Service Reserve Fund containing a Common Account;
- (viii) Subordinated Debt Service Reserve Fund containing a Common Account;
- (ix) Community Obligation and Revenue Enhancement Fund, containing a
 - (A) General Account; and
 - (B) Reserve Account;
- (x) Commonwealth Obligation Fund;
- (xi) Rebate Fund;
- (xii) Operating Reserve Fund;
- (xiii) Insurance Reserve Fund;
- (xiv) Renewal and Replacement Reserve Fund;
- (xv) Water Pollution Abatement Fund;
- (xvi) Rate Stabilization Fund;
- (xvii) Revolving Loan Fund;
- (xviii) General Fund; and
- (xix) Note Payment Fund.

(b) Any Supplemental Resolution providing for the issue of a Series of Secured Bonds shall establish separate Subaccounts, which separate Subaccounts shall be designated by reference to the Series or issue with respect to which they are established, in the following Funds and Accounts:

- (i) if any proceeds of such Series are deposited therein, the Waterworks System Account and the Sewer System Account of the Construction Fund;
- (ii) the Principal Account, Interest Account, Redemption Account and, if any proceeds of such Series are deposited therein, Capitalized Interest Account of the Debt Service Fund or Subordinated Debt Service Fund, as appropriate;
- (iii) the Common Account of the Debt Service Reserve Fund or Subordinated Debt Service Reserve Fund, as appropriate; and
- (iv) the General Account of the Community Obligation and Revenue Enhancement Fund; and
- (v) if any proceeds of such Series are deposited therein, the Cost of Issuance Fund.

The requirement that separate Subaccounts be established in the Funds and Accounts set forth above is for the purpose of facilitating the issuance of Secured Bonds the interest on which is excluded

from gross income of the holder for federal income tax purposes and the Authority may discontinue the establishment and use of such Subaccounts or may amend the allocation of deposits and withdrawals as between Subaccounts within a particular Fund provided that there is delivered to the Trustee a Bond Counsel's Opinion to the effect that such discontinuance or amendment will not adversely affect such exclusion of interest and provided, further, that after such discontinuance or amendment all Subaccounts of the Debt Service Reserve Fund and the Community Obligation and Revenue Enhancement Fund shall remain available for the payment of all Bonds equally and ratably and, subject to the rights of the holders of the Bonds, all Subaccounts of the Subordinated Debt Service Reserve Fund and the Community Obligation and Revenue Enhancement Fund shall remain available for the payment of all Secured Bonds equally and ratably.

(c) Any Supplemental Resolution which provides for a Special Credit Facility to secure the payment of the Principal Installments of and interest on the Secured Bonds authorized thereby or to secure the payment of the Tender Option Price of any Option Bonds authorized thereby, may establish one or more "Special Accounts" in the Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund.

(d) The Trustee shall, at the request of the Authority, establish within any Fund held by the Trustee such Accounts as shall be designated in a Supplemental Resolution or in the written instructions of an Authorized Representative of the Authority and shall in like manner establish within any Fund or Account such Subaccounts as shall be so designated.

(e) Unless otherwise expressly provided in this Resolution, all of the Funds, Accounts and Subaccounts shall be held by the Trustee, except the Operating Fund and the Construction Fund or any Accounts or Subaccounts therein, which may be held by one or more Depositories.

SECTION 503. Construction Fund.

(a) There shall be deposited from time to time in the Subaccounts of the Waterworks System Account and Sewer System Account of the Construction Fund (i) the proceeds of insurance, if any, maintained by the Authority against physical loss of or damage to the System, or of contractors' performance bonds with respect thereto, pertaining to the period of construction of any Project, and the proceeds of any condemnation, as determined by the Authority in accordance with Section 708; (ii) the balance remaining of the proceeds of any Bond Anticipation Notes issued to pay the Costs of a Project after payment or provision for payment of such Notes; (iii) any amounts required to be deposited therein pursuant to this Resolution or any Supplemental Resolution; (iv) any moneys transferred from the Rate Stabilization Fund pursuant to Section 517 or from the General Fund pursuant to Section 519 (which moneys shall be held separately from Subaccounts in the Construction Fund holding proceeds of the sale of any Secured Bonds or any earnings thereon) and (v) any other amounts received by the Authority for or in connection with the Waterworks System and the Sewer System, respectively, and determined by the Authority to be deposited therein, which are not otherwise required to be applied in accordance with this Resolution.

(b) Except as otherwise provided in Sections 508(e) and 509(e) and in Section 523, amounts in the Construction Fund shall be expended only to pay Costs of a Project in the manner provided in this Section.

(c) (i) The Depository shall make payments from the Construction Fund, except payments and withdrawals pursuant to Sections 508(e), 509(e) and 523, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this subsection. Before any such payment shall be made, the Authority shall file with the Depository its Disbursement Request therefor (in the form set forth in a

Supplemental Resolution) signed by an Authorized Representative of the Authority, stating in respect of each payment to be made at least (A) the name and address of the person, firm or corporation to whom payment is due, which may be the Authority in the case of reimbursements due to it or amounts to be disbursed subsequently by it, (B) the amount to be paid, and (C) the particular item of Cost to be paid and that the Cost in the stated amount is a proper charge against the Construction Fund which has not been previously paid. The Depository shall issue its check for each payment required by such Disbursement Request or shall by interbank transfer or other method arrange to make payment required by such Disbursement Request and promptly provide the Authority with written evidence thereof.

(ii) If the Authority shall requisition moneys which it shall hold pending later disbursement to a person, firm or corporation other than the Authority, the Authority shall deposit such moneys in a separate account and shall keep accurate records and accounts of the investment earnings on such moneys until such later disbursement.

(d) Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor in any of the other Funds and Accounts established under this Resolution, amounts in the Construction Fund shall be applied to the payment of Bonds and Subordinated Bonds when due in accordance with Sections 508(e) and 509(e).

(e) At any time from time to time the Trustee may transfer amounts on deposit therein between a particular Subaccount within the Waterworks System Account and the corresponding Subaccount within the Sewer System Account upon receipt of a Certificate of an Authorized Representative of the Authority requesting such transfer. Subsequent to any such transfer, the Authority shall make appropriate adjustments in its books and records relating to the Waterworks and Sewer Operations, respectively.

(f) At any time that the Authority determines by resolution to undertake any Project to be financed in whole or in part by Secured Bonds not then issued, the Authority may establish within the Construction Fund one or more separate Temporary Project Accounts for such Project. There shall be deposited in any such Temporary Project Account (i) to the extent provided in the resolution of the Authority authorizing the same, the proceeds of any notes issued in anticipation of a Series of Secured Bonds to finance the Cost of such Project and (ii) any other amounts (not required by the Resolution to be otherwise deposited) as determined by the Authority. Amounts in a Temporary Project Account shall be applied by the Authority to the Cost of the Project for which such account was established upon requisition as required in Section 503(c). Upon the delivery of the first Series of Secured Bonds issued in whole or in part to finance the Cost of such Project any balance in a Temporary Project Account applicable to such Project, unless otherwise provided in the Supplemental Resolution authorizing such Series, shall be withdrawn and deposited in the applicable Waterworks System or Sewer System Subaccount established for such Series.

(g) If the Authority at any time cannot certify that it reasonably expects the moneys on deposit in any Subaccount of the Construction Fund which constitute the proceeds of Tax Exempt Indebtedness to be expended for the Costs of a Project, then the moneys as to which the Authority cannot so certify shall be transferred to the Redemption Account and held in a Subaccount therein and applied solely to the redemption of Secured Bonds of the Series to which such moneys relate on the first date on which such Secured Bonds may be called without premium (unless the Authority shall elect to call such Secured Bonds earlier at a premium). Pending application to such redemption, such moneys shall be not be invested at a yield exceeding the yield on the related Series of Secured Bonds unless the Authority shall have provided a Bond Counsel's Opinion to the effect that investment of such moneys at a greater yield would not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes.

SECTION 504. Cost of Issuance Fund.

(a) There shall be deposited from time to time in a separate Subaccount of the Cost of Issuance Fund for each Series of Secured Bonds issued hereunder any amounts required to be deposited therein pursuant to the terms of a Supplemental Resolution with respect to such Series.

(b) Moneys in the Cost of Issuance Fund shall be paid upon the filing by the Authority with the Trustee its requisition therefor (in the form set forth in a Supplemental Resolution) signed by an Authorized Representative of the Authority, stating in respect of each payment to be made at least (A) the name and address of the person, firm or corporation to whom payment is due, which may be the Authority in the case of reimbursement due to it or amounts to be disbursed subsequently by it, (B) the amount to be paid, and (C) the particular item of Cost of Issuance to be paid and that the Cost of Issuance in the stated amount is a proper charge against the Cost of Issuance Fund which has not been previously paid. The Depositary shall issue its check for each payment required by such requisition or shall by interbank transfer or other method arrange to make payment required by such requisition and promptly provide the Authority with written evidence thereof.

(c) Any amounts remaining in a Subaccount in the Cost of Issuance Fund within 180 days of the issuance of the Series of Secured Bonds to which such Subaccount relates shall be deposited in the related Sewer System Subaccount, or if no such Subaccount has been established, in the related Water System Subaccount, or, if no such Subaccount has been established, in a special subaccount established in the Construction Fund which the Authority shall designate as a Waterworks or Sewer System Subaccount related to such Series.

SECTION 505. Deposit of Revenues.

(a) The Authority shall promptly cause all Revenues received to be deposited in the Revenue Fund held by the Trustee.

(b) There shall also be deposited into the Revenue Fund by the Trustee or any other Fiduciary all other amounts required by this Resolution to be so deposited.

SECTION 506. Flow of Funds From the Revenue Fund.

(a) On the last Business Day of each month the Trustee shall, after making any transfers required pursuant to Sections 507(c), 510(b), 511(b), 512(b), 513(d), 514(c), 515(c), 516(c) and 516A(b), from the amounts on deposit in the Revenue Fund, make the following deposits in the following order:

- (i) To the Operating Fund, the amount necessary to make the amount on deposit therein equal to Operating Expenses for the next succeeding three months, as shown on the Operating Budget filed with Trustee pursuant to Section 712.
- (ii) To the Debt Service Fund:
 - (A) on a pro rata basis the amount necessary to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate which was assumed in calculating the amount required for a prior deposit pursuant to Section 506(a)(ii)(B);

- (B) on a pro rata basis to each Subaccount of the Interest Account, after taking into account any moneys transferred or to be transferred from the corresponding Subaccount of the Capitalized Interest Account if one has been established for the applicable Series, the amount necessary to increase the amount on deposit in each such Subaccount so that it equals interest included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month (assuming, in the case of Variable Rate Bonds, no further adjustments in the applicable interest rate);
- (C) on a pro rata basis to each Subaccount of the Principal Account the amount necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Principal Installment included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue (assuming such Principal Installment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month; provided, however, that no deposit shall be required to be made with respect to a Bond prior to twelve months before the next Principal Installment coming due on such Bond; and
- (D) on a pro rata basis to each Subaccount of the Redemption Account the amount, if any, necessary to increase the amount on deposit in each such Subaccount so that it equals the Redemption Price of Outstanding Bonds of the applicable Series then called for redemption (other than from Sinking Fund Installments) as of any date on or prior to the last day of the next succeeding month, after taking into account amounts on deposit in the applicable Subaccount within the Principal Account, if any, available to pay such Bonds called for redemption.

The Trustee shall not be required to make any payments into the Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of this Resolution granted to secure payment of Bonds pursuant to Section 1201. In determining the amount of any payment to any Account of the Debt Service Fund, the Trustee shall take into account all cash and investments then in such Fund and held for the same purpose and shall, when appropriate, reduce or increase the amount of any payment accordingly.

(iii) To the Subordinated Debt Service Fund:

- (A) on a pro rata basis the amount necessary to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Subordinated Bonds over the rate which was assumed in calculating the amount required for a prior deposit pursuant to Section 506(a)(iii)(B);
- (B) on a pro rata basis, to each Subaccount of the Interest Account, after taking into account any moneys transferred or to be

transferred from the corresponding Subaccount of the Capitalized Interest Account if one has been established for the applicable Series, the amount necessary to increase the amount on deposit in each such Subaccount so that it equals interest included in Adjusted Debt Service next coming due on Outstanding Subordinated Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month (assuming, in the case of Subordinated Variable Rate Bonds, no further adjustments in the applicable interest rate);

- (C) on a pro rata basis to each Subaccount of the Principal Account the amount necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Principal Installment included in Adjusted Debt Service next coming due on Outstanding Subordinated Bonds of the applicable Series accrued and unpaid and to accrue (assuming such Principal Installment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month; provided, however, that no deposits shall be required to be made with respect to a Subordinated Bond prior to twelve months before the next Principal Installment coming due on such Subordinated Bond;
- (D) on a pro rata basis to each Subaccount of the Redemption Account the amount, if any, necessary to increase the amount on deposit in each such Subaccount so that it equals the Redemption Price of Outstanding Subordinated Bonds of the applicable Series then called for redemption (other than from Sinking Fund Installments) as of any date on or prior to the last day of the next succeeding month, after taking into account amounts on deposit in the applicable Subaccount within the Principal Account, if any, available to pay such Subordinated Bonds called for redemption; and
- (E) on a pro rata basis to each Subaccount of the Interest Account established with respect to Regularly Scheduled Qualified Swap Payments relating to a Series of Designated Debt, the amount (if any) necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Regularly Scheduled Qualified Swap Payment next coming due with respect to such Series of Designated Debt accrued and unpaid and to accrue (assuming such Regularly Scheduled Qualified Swap Payment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month.

The Trustee shall not be required to make any payments into the Subordinated Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of this Resolution granted to secure payment of Bonds and when the aggregate amount of money in the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund is at least equal to the amount required to defease the lien of this Resolution granted to secure payment of Subordinated Bonds, all pursuant to Section 1201. In determining the amount of any payment to any Account of the Subordinated Debt Service Fund, the

Trustee shall take into account all cash and investments then in such Fund and held for the same purpose and shall, when appropriate, reduce or increase the amount of any payment accordingly.

- (iv) To the Debt Service Reserve Fund,
 - (A) to each Series Subaccount of the Common Account therein one-twelfth (1/12) the amount, if any, necessary to increase the amount on deposit in such Subaccount, determined as of the first day of the Fiscal Year, to an amount equal to the applicable Series Debt Service Reserve Fund Requirement (provided that no such deposit shall be required in a Fiscal Year following the funding of the Common Account in connection with the issuance of a Series of Bonds pursuant to Section 206(d)); and
 - (B) to each such Special Account the deposit required by any Supplemental Resolution;
- (v) to the Subordinated Debt Service Reserve Fund:
 - (A) to each Series Subaccount of the Common Account therein the amount, if any, necessary to increase the amount on deposit in such Subaccount to the level required by any Supplemental Resolution; and
 - (B) to each such Special Account the deposit required by any Supplemental Resolution.
- (vi) To each Series Subaccount of the General Account of the Community Obligation and Revenue Enhancement Fund, one-twelfth (1/12) of the difference between the Supplemental Bond Coverage Requirement with respect to such Series of Bonds and the amount on deposit in such Subaccount on the first day of the Fiscal Year; provided that, in addition to the foregoing amount, the Authority may at its election with respect to a Series of Bonds issued in such Fiscal Year deposit in a separate Subaccount of the General Account established for such Series an amount equal to the Required Debt Service Fund Deposit with respect to such Series for the current month times the Supplemental Bond Coverage Ratio.
- (vii) To the Commonwealth Obligation Fund, the amount equal to the amount of Commonwealth Obligations (including, without limitation, Special Payment Obligations) payable during the next succeeding month, as shown on the Operating Budget filed with the Trustee pursuant to Section 712.
- (viii) To the Rebate Fund, the amount of the Rebate Fund Requirement, if any, determined in accordance with the Supplemental Resolution.

(b) On each December 31 and June 30, or, if such days are not Business Days, on the next preceding Business Day, the Trustee shall, from the amounts on deposit in the Revenue Fund, and after making the deposits required by Section 506(a), make the following deposits in the following order:

- (i) To the Operating Reserve Fund, with respect to each December 31, one half of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Operating Reserve Fund Requirement for the current Fiscal Year and with respect to each June 30, the other half of such difference.
- (ii) To the Insurance Reserve Fund, with respect to each December 31, one half of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Insurance Reserve Fund Requirement for the current Fiscal Year and with respect to each June 30, the other half of such difference.
- (iii) To the Renewal and Replacement Reserve Fund, with respect to each December 31, one half of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Renewal and Replacement Reserve Requirement for the current Fiscal Year and with respect to each June 30, the other half of such difference.
- (iv) To the Water Pollution Abatement Fund, the amount necessary to increase the amount on deposit therein so that it equals the amount of Water Pollution Abatement Obligations payable during the next six months, as shown on a Schedule of Water Pollution Abatement Obligations filed with the Trustee from time to time by a Certificate of an Authorized Representative of the Authority.
- (v) To the Revolving Loan Fund, in accordance with a Certificate of an Authorized Representative of the Authority, such amount as the Authority may from time to time determine.
- (vi) Subject to the provisions of Section 506(c), the General Fund, any moneys remaining after making the deposits set forth above.

(c) On any June 30 and December 31 on which deposits are to be made pursuant to 506(b), after making the deposits required by Sections 506(b)(i)-(v), the Trustee, on direction of an Authorized Representative, shall retain all or portion of the remaining moneys in the Revenue Fund to provide additional moneys for deposits required under Section 506(a) during the next six months.

Section 507. Operating Fund.

(a) The Operating Fund shall be established as one or more accounts with one or more banks or trust companies, as the Authority shall determine, which shall be Depositories in accordance with Section 521. Moneys held in the Operating Fund shall be applied by the Authority to the payment of Operating Expenses in accordance with the Operating Budget.

(b) Moneys in the Revenue Fund shall be paid by the Trustee to the Authority for deposit into the Operating Fund pursuant to Section 506(a) hereof. From time to time, moneys on deposit in the Operating Reserve Fund may be paid by the Trustee to the Authority for deposit in the Operating Fund pursuant to Section 514.

(c) If on any June 30, or if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Operating Fund exceeds the amount equal to the next three months of Operating Expenses as shown on the Authority's Operating Budget then such excess shall be transferred to the Revenue Fund.

SECTION 508. Debt Service Fund.

(a) The Trustee shall, for each Series of Bonds Outstanding, pay (i) on each Bond Payment Date, (A) from the moneys on deposit in the applicable Subaccount within the Principal Account of the Debt Service Fund the amounts required for the payment of the Principal Installments, if any, due on such Date and (B) from the moneys on deposit in the applicable Subaccount within the Interest Account of the Debt Service Fund, including the moneys credited to the Subaccount, if any, established for such Series in the Capitalized Interest Account in such Fund, the interest due on such Date; (ii) on any redemption date other than for sinking fund redemption, (A) from the applicable Subaccount within the Interest Account of the Debt Service Fund the amounts required for the payment of accrued interest on Bonds to be redeemed on such date unless the payment of such accrued interest shall be otherwise provided and (B) from the applicable Subaccount within the Redemption Account of the Debt Service Fund, the amounts required for the payment of principal of and premium, if any, on Bonds to be redeemed (other than by sinking fund redemption); and (iii) on any date of purchase (A) from the applicable Subaccount within the Principal Account of the Debt Service Fund, the amounts required for the payment of principal of any Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Resolution; and (B) from the applicable Subaccount within the Interest Account of the Debt Service Fund, any amounts required for the payment of accrued interest on Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Resolution or unless the payment of such accrued interest shall be otherwise provided.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Debt Service Fund for each Sinking Fund Installment shall, at the direction of an Authorized Representative of the Authority, be applied (together with amounts in the applicable Subaccount within the Interest Account of the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase, such purchases to be made by the Trustee as directed in writing by an Authorized Representative of the Authority; or

(2) to the redemption of such Bonds pursuant to Article VI, if then redeemable by their terms, at or below the Redemption Price referred to in clause (1) above; provided, however, that the Trustee shall not call for redemption or purchase any Bonds pursuant to this Subsection 508(b) which have already been called for redemption pursuant to the provisions of Article VI.

(c) Upon the purchase or redemption of any Bond pursuant to subsection (b) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(d) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to Section 603, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Bonds of such Series and maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Bonds on each such redemption date, the amount required for the redemption of such Bonds.

(e) If on any Bond Payment Date there shall be insufficient moneys available in the applicable Subaccount within the applicable Account in the Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Bonds then due, after drawing any moneys available for such purpose from any applicable Credit Facility or Special Account in the Debt Service Reserve Fund, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account not yet committed to the redemption of Bonds, (ii) the General Fund, (iii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies, (iv) the Rate Stabilization Fund, (v) the Water Pollution Abatement Fund, (vi) the Renewal and Replacement Reserve Fund, (vii) the Insurance Reserve Fund, (viii) the Operating Reserve Fund, (ix) the Commonwealth Obligation Fund, (x) the Reserve Account of the Community Obligation and Revenue Enhancement Fund, (xi) the General Account of the Community Obligation and Revenue Enhancement Fund, (xii) the Common Account in the Debt Service Reserve Fund, (xiii) the Subordinated Debt Service Fund, (xiv) the Cost of Issuance Fund and (xv) the Construction Fund.

SECTION 509. Subordinated Debt Service Fund.

(a) The Trustee shall, for each Series of Subordinated Bonds Outstanding, pay (i) on each Subordinated Bond Payment Date, (A) from the moneys on deposit in the applicable Subaccount within the Principal Account of the Subordinated Debt Service Fund the amounts required for the payment of the Principal Installments, if any, due on such Date and (B) from the moneys on deposit in the applicable Subaccount within the Interest Account of the Subordinated Debt Service Fund, including the moneys credited to the Subaccount, if any, established for such Series in the Capitalized Interest Account in such Fund, the interest due on such Date; (ii) on any redemption date other than for sinking fund redemption, (A) from the applicable Subaccount within the Interest Account of the Subordinated Debt Service Fund the amounts required for the payment of accrued interest on Subordinated Bonds to be redeemed on such date unless the payment of such accrued interest shall be otherwise provided and (B) from the applicable Subaccount within the Redemption Account of the Subordinated Debt Service Fund, the amounts required for the payment of principal of and premium, if any, on Subordinated Bonds to be redeemed; and (iii) on any date of purchase (A) from the applicable Subaccount within the Principal Account of the Subordinated Debt Service Fund, the amounts required for the payment of principal of any Subordinated Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Resolution; and (B) from the applicable Subaccount within the Interest Account of the Subordinated Debt Service Fund, any amounts required for the payment of accrued interest on Subordinated Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Resolution or unless the payment of such accrued interest shall be otherwise provided. The Trustee shall also apply moneys in the Subordinated Debt Service Fund as set forth in Section 508(e) hereof. Moneys in the Subordinated Debt Service Fund shall also be transferred to the Note Payment Fund and applied to the payment of interest on notes issued pursuant to Section 208 to the extent provided in any Supplemental Resolution authorizing such notes.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Subordinated Debt Service Fund for each Sinking Fund Installment may, and if so directed by an Authorized Representative of the Authority shall, be applied (together with amounts in the applicable Subaccount within the Interest Account of the Subordinated Debt Service Fund with respect to interest on the Subordinated Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

(1) to the purchase of Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Subordinated Bonds when such Subordinated Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase, such purchases to be made by the Trustee as directed in writing by an Authorized Representative of the Authority; or

(2) to the redemption of such Subordinated Bonds pursuant to Article VI, if then redeemable by their terms, at or below the Redemption Price referred to in clause (1) above; provided, however, that the Trustee shall not call for redemption or purchase any Subordinated Bonds pursuant to this Subsection 509(b) which have already been called for redemption pursuant to the provisions of Article VI.

(c) Upon the purchase or redemption of any Subordinated Bond pursuant to subsection (b) of this Section, an amount equal to the principal amount of the Subordinated Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(d) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to Section 603, on such due date Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Subordinated Bonds of such Series and maturity. The Trustee shall so call such Subordinated Bonds for redemption whether or not it then has moneys in the Subordinated Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Subordinated Bonds on each such redemption date, the amount required for the redemption of such Subordinated Bonds.

(e) If on any Subordinated Bond Payment Date there shall be insufficient moneys available in the applicable Subaccount within the applicable Account in the Subordinated Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Subordinated Bonds then due, after drawing any moneys available for such purpose from any applicable Credit Facility or Special Account in the Subordinated Debt Service Reserve Fund, subject to any transfers to be made on such date pursuant to Section 508(e), the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account of the Subordinated Debt Service Fund not yet committed to the redemption of Bonds, (ii) the General Fund, (iii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies, (iv) the Rate Stabilization Fund, (v) the Water Pollution Abatement Fund, (vi) the Renewal and Replacement Reserve Fund, (vii) the Insurance Reserve Fund, (viii) the Operating Reserve Fund, (ix) the Commonwealth Obligation Fund, (x) the Reserve Account in the Community Obligation and Revenue Enhancement Fund, (xi) the General Account in the Community Obligation and Revenue Enhancement

Fund, (xii) the Common Account in the Subordinated Debt Service Reserve Fund, (xiii) the Costs of Issuance Fund and (xiv) the Construction Fund.

(f) In connection with the issuance or maintenance of any Designated Debt, the Authority may establish within the Interest Account of the Subordinated Debt Service Fund one or more Subaccounts for the purpose of holding funds to be applied to the payment of Regularly Scheduled Qualified Swap Payments relating to such Designated Debt. Such moneys shall be applied by the Trustee, at the direction of the Authority, to the payment of such Regularly Scheduled Qualified Swap Payments.

SECTION 510. Debt Service Reserve Fund.

(a) Amounts on deposit in each of the Subaccounts within the Common Account in the Debt Service Reserve Fund shall be applied on a pro rata basis, based on the Series Debt Service Reserve Fund Requirement for each Series of Bonds, to the extent other funds are not available therefor pursuant to Section 508 of this Resolution, solely to pay the Principal Installments of and interest on the Bonds when due. Amounts on deposit in each of the Special Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to Section 508 of this Resolution, solely to pay the Principal Installments of and interest on the Bonds of the Series to which such Special Account relates as and when specified in the applicable Supplemental Resolution. Amounts so applied shall be derived first, from cash or Investment Securities on deposit therein and, second, from draws or demands on Financial Guaranties held as a part thereof upon the terms and conditions set forth in any such Financial Guaranty or as set forth in the Supplemental Resolution authorizing use of such Financial Guaranty.

(b) If, as of June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount in any Subaccount within the Common Account exceeds the applicable Series Debt Service Reserve Fund Requirement for the Fiscal Year then ending, or the amount in any Special Account exceeds its requirement under the applicable Supplemental Resolution for the Fiscal Year then ending, after giving effect in the case of each such Account to any Financial Guaranty deposited in such Account, the Trustee shall withdraw from such Account the amount of any excess therein as of the date of such withdrawal and deposit the moneys so withdrawn first into the applicable Subaccount of the Interest Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to Section 506(a) and second to the related Subaccount of the Principal Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to Section 506(a). Any balance of such excess remaining shall be applied as provided in the previous sentence with respect to deposits required pursuant to Section 506(a) for as many succeeding months as is necessary to fully apply such excess.

(c) Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Series of Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

(d) In lieu of the required deposits and transfers to any Account in the Debt Service Reserve Fund, the Authority may cause to be deposited in any such Account Financial Guaranties in an amount equal to the difference between the applicable Debt Service Reserve Fund Requirement or Special Account requirement, as applicable, and the sums, if any, then on deposit in such Account or being deposited in such Account concurrently with such Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the applicable Account in the Debt Service Reserve Fund and applied to

the payment of a Principal Installments of or interest on any Bonds and such withdrawal cannot be met by moneys on deposit in the applicable Account. If a disbursement is made pursuant to Financial Guaranties, the Authority shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the applicable Account, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in such Account equals the applicable Requirement.

(e) In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Subaccount and Account related to the Bonds to be refunded all or any portion of the amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201, and (ii), after giving effect to any amounts being simultaneously deposited therein, the amount remaining in each Subaccount and Account after such withdrawal shall not be less than the applicable Requirement.

SECTION 511. Subordinated Debt Service Reserve Fund.

(a) Amounts on deposit in each of the Subaccounts within the Common Account in the Subordinated Debt Service Reserve Fund shall be applied on a pro rata basis, based on the Series Debt Service Reserve Requirement for each Series of Secured Bonds, to the extent other funds are not available therefor pursuant to Section 509 of this Resolution, solely to pay the Principal Installments of and interest on the Subordinated Bonds when due. Amounts on deposit in each of the Special Accounts in the Subordinated Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to Section 509 of this Resolution, solely to pay the Principal Installments of and interest on the Subordinated Bonds of the Series to which such Special Account relates as and when specified in the applicable Supplemental Resolution. Amounts so applied shall be derived first, from cash or Investment Securities on deposit therein and, second, from draws or demands on Financial Guaranties held as a part thereof upon the terms and conditions set forth in any such Financial Guaranty or as set forth in the Supplemental Resolution authorizing use of such Financial Guaranty.

(b) If, as of June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount in any Subaccount within the Common Account exceeds the applicable Subordinated Debt Service Reserve Fund Requirement for the Fiscal Year then ending, or the amount in any Special Account exceeds its requirement for the Fiscal Year then ending under the applicable Supplemental Resolution, after giving effect in the case of each such Account to any Financial Guaranty deposited in such Account, the Trustee shall withdraw from such Account the amount of any excess therein as of the date of such withdrawal and deposit the moneys so withdrawn first into the applicable Subaccount of the Interest Account of the Subordinated Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to Section 506(a) and second to the related Subaccount of the Principal Account of the Subordinated Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to Section 506(a). Any balance of such excess remaining shall be applied as provided in the previous sentence with respect to deposits required pursuant to Section 506(a) for as many succeeding months as is necessary to fully apply such excess.

(c) Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Subordinated Debt Service Reserve Fund, together with the amount in the Subordinated Debt Service Fund, is sufficient to pay all Outstanding Series of Subordinated Bonds in accordance with their respective terms, the funds on deposit in the Subordinated Debt Service Reserve Fund shall be transferred

to the Subordinated Debt Service Fund and applied to the redemption or payment at maturity of all Subordinated Bonds Outstanding.

(d) In lieu of the required deposits and transfers to any Account in the Subordinated Debt Service Reserve Fund, the Authority may cause to be deposited in any such Account Financial Guaranties in an amount equal to the difference between the applicable Subordinated Debt Service Reserve Fund Requirement or Special Account requirement, as applicable, and the sums, if any, then on deposit in such Account or being deposited in such Account concurrently with such Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the applicable Account in the Subordinated Debt Service Reserve Fund and applied to the payment of a Principal Installments of or interest on any Subordinated Bonds and such withdrawal cannot be met by moneys on deposit in the applicable Account. If a disbursement is made pursuant to Financial Guaranties, the Authority shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the applicable Account, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in such Account equals the applicable Requirement.

(e) In the event of the refunding of any Subordinated Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Subaccount and Account related to the Subordinated Bonds to be refunded all or any portion of the amounts accumulated therein with respect to the Subordinated Bonds to be refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (i) immediately thereafter the Subordinated Bonds being refunded shall be deemed to have been paid pursuant to Section 1201, and (ii), after giving effect to any amounts being simultaneously deposited therein, the amount remaining in each Subaccount and Account after such withdrawal shall not be less than the applicable Requirement.

SECTION 512. Commonwealth Obligation Fund.

(a) Moneys in the Commonwealth Obligation Fund shall be transferred to the Treasurer and Receiver General of the Commonwealth, or as directed by the Authority to any other official or agency of the Commonwealth, upon receipt by the Trustee of the Certificate of an Authorized Representative that moneys in respect of Commonwealth Obligations are due and payable by the Authority; provided that moneys in such Fund which are to be applied to Special Payment Obligations shall be transferred as directed by a Certificate of an Authorized Representative. The Trustee shall also apply moneys in the Commonwealth Obligation Fund as set forth in Sections 508(e) and 509(e) hereof.

(b) If as of any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Commonwealth Obligation Fund is in excess of the amount payable on the Commonwealth Obligations in the Fiscal Year then ending then such excess shall be transferred to the Revenue Fund.

SECTION 513. Community Obligation and Revenue Enhancement Fund.

(a) Moneys on deposit in the General Account of the Community Obligation and Revenue Enhancement Fund shall be transferred to the Reserve Account of such Fund in the event of a Local Body Default as certified to the Trustee by an Authorized Representative of the Authority pursuant to Section 716(a), in an amount equal to the amount of such defaulted payment. The Trustee shall also apply moneys in the Community Obligation and Revenue Enhancement Fund as set forth in Sections 508(e) and 509(e) hereof. Transfers from the Community Obligation and Revenue Enhancement Fund shall be allocated to each Series Subaccount therein on a pro rata basis based on the Required Debt Service Fund Deposits for the related Series of Bonds.

(b) In the event that an overdue payment which has been certified as a Local Body Default is received by the Authority, in part or in whole, from the Local Body which had defaulted after a transfer of funds pursuant to Section 513(a), the Authority shall promptly pay such amount to the Trustee and identify it appropriately and the Trustee shall (i) deposit such amount to the Revenue Fund and (ii) transfer moneys on deposit in the Reserve Account of the Community Obligation and Revenue Enhancement Fund equal to the amount of such overdue payment received to the General Account of the Fund. In addition, if the Authority shall have complied with the requirements of Section 716(a) with respect to a Local Body Default and an allowance shall have been included in the Rates and Charges as contemplated therein, as certified by the Authority, on the last Business Day of the Fiscal Year in which such assessment is made the Trustee shall transfer moneys on deposit in the Reserve Account of the Fund equal to the amount of such Default to the General Account of the Fund.

(c) So long as the Authority shall diligently comply, or be diligently proceeding to comply, with the requirements of Section 716(a), amounts on deposit in the Reserve Account of the Community Obligation and Revenue Enhancement Fund relating to a Local Body Default as well as in the General Account of such Fund shall be taken into account for purposes of calculating the balance therein and the Combined Bond Coverage Requirement. If the Authority shall not so comply, or be diligently proceeding to comply, with respect to a Local Body Default, however, amounts on deposit in the Reserve Account of the Fund which relate to such Local Body Default shall not be so taken into account.

(d) If, as of any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in any subaccount of the Community Obligation and Revenue Enhancement Fund shall exceed the Supplemental Bond Coverage Requirement for such Series for the Fiscal Year then ending, such excess shall be withdrawn and transferred first to the related Subaccount of the Interest Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to Section 506(a) and second to the related Subaccount of the Principal Account of the Debt Service Fund.

(e) In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Subaccount and Account of the Community Obligation and Revenue Enhancement Fund related to the Bonds to be refunded all or any portion of the amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts first, if Bonds have been issued to refund the Bonds being refunded, to fund the Subaccount and Account of the Community Obligation and Revenue Enhancement Fund established with respect to the refunding Bonds, up to an amount equal to the Supplemental Bond Coverage Requirement for such refunding Bonds for the next Fiscal Year, second, as provided for excesses in such Subaccount in Section 513(d), and third, as otherwise provided in such written direction; provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201, and (ii), after giving effect to any amounts being simultaneously deposited therein, the amount remaining in each Subaccount and Account of the Community Obligation and Revenue Enhancement

Fund after such withdrawal shall not be less than the applicable Requirement. The Authority may direct that the withdrawal shall occur in one or more installments on one or more dates on or after the closing for the refunded bonds and on or before June 30 of the Fiscal Year. In giving effect to clause (ii) above, the Authority shall determine the applicable Requirement and applicable deposits pursuant to Section (a)(vi) for any subaccount established with respect to a Series of Bonds all or a portion of which are being refunded by calculating the Requirement as if the Bonds which are being refunded had been refunded on the last day of the preceding Fiscal Year.

SECTION 514. Operating Reserve Fund.

(a) Moneys in the Operating Reserve Fund shall be transferred to the Operating Fund to be applied to the payment of Operating Expenses upon delivery of a Certificate of an Authorized Representative of the Authority to the effect that moneys on deposit in the Operating Fund are insufficient therefor. The Trustee shall also apply moneys in the Operating Reserve Fund as set forth in Sections 508(e) and 509(e) hereof.

(b) If on any day on which a transfer pursuant to Section 506(b) is required Revenues are insufficient to make the deposits to the Operating Reserve Fund required by such Section, or if on any date the Authority delivers a Certificate to the Trustee to the effect that moneys in the Operating Fund and the Operating Reserve Fund are insufficient to meet Operating Expenses then due and payable then, subject to any transfers to be made on such date pursuant to Section 508(e) and 509(e), the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iii) the Rate Stabilization Fund; (iv) the Water Pollution Abatement Fund; (v) the Renewal and Replacement Reserve Fund; and (vi) the Insurance Reserve Fund.

(c) If on any June 30, or if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Operating Reserve Fund is in excess of the Operating Reserve Fund Requirement for the Fiscal Year then ending determined in accordance with Section 712(b), such excess shall be transferred to the Revenue Fund.

SECTION 515. Insurance Reserve Fund.

(a) Moneys in the Insurance Reserve Fund may be applied by the Authority only to the purpose and in the manner provided for the proceeds of insurance set forth in Section 708. The Trustee shall also apply moneys in the Insurance Reserve Fund as set forth in Sections 508(e), 509(e) and 514(b) hereof.

(b) If on any day on which a transfer pursuant to Section 506(b) is required Revenues are insufficient to make the deposits to the Insurance Reserve Fund required by such Section, or if on any date the Authority delivers a Certificate to the Trustee to the effect that moneys in the Insurance Reserve Fund are insufficient to meet claims properly payable from such Fund then due and payable then, subject to any transfers to be made on such date pursuant to Sections 508(e), 509(e) and 514(b), the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iii) the Rate Stabilization Fund; (iv) the Water Pollution Abatement Fund and (v) the Renewal and Replacement Reserve Fund.

(c) If on any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Insurance Reserve Fund is in excess of the Insurance Reserve Fund Requirement for the Fiscal Year then ending determined in accordance with Section 515(d), such excess shall be transferred to the Revenue Fund.

(d)(i) The Authority shall review the sufficiency of the Insurance Reserve Fund Requirement annually and no later than 120 days after the end of each Fiscal Year shall deliver to the Trustee a Certificate of an Authorized Representative setting forth the Insurance Reserve Fund Requirement for the next ensuing Fiscal Year. Notwithstanding the foregoing provision, the initial Insurance Reserve Fund Requirement shall be as set forth in the Supplemental Resolution authorizing the first series of Secured Bonds issued hereunder.

(ii) Each third Fiscal Year following the delivery of the initial Series of Bonds issued hereunder, the Authority shall cause the Consulting Engineer or an insurance consultant to review the adequacy of the Insurance Reserve Fund and the Insurance Reserve Fund Requirement and the policies of insurance then maintained by the Authority, and to deliver a report thereon to the Authority and the Trustee.

SECTION 516. Renewal and Replacement Reserve Fund.

(a) Moneys in the Renewal and Replacement Reserve Fund shall be applied as hereinafter provided to the Cost of any Capital Improvement which is not provided for by moneys available in the Construction Fund or the Operating Fund. The Trustee shall withdraw from such Fund and deposit in one or more special separate Subaccounts established for such purpose in the Construction Fund or, if the Authority has by resolution determined to subsequently finance such Capital Improvement by the issuance of Secured Bonds in a Subaccount relating to such Secured Bonds, any amount requested by the Authority but only upon receipt of a certificate of an Authorized Representative (i) specifying the Capital Improvement to which such amount will be applied, its estimated Cost and estimated completion date and (ii) certifying (a) that such Capital Improvement is reasonably required for the continued operation of the System or the maintenance of Revenues, (b) that all or a portion of the Cost of such Capital Improvement was not included in the Cost of Capital Improvements to be financed in whole or in part from the Operating Fund and (c) that only the Cost of such Capital Improvement that is in excess of the amounts available therefor in such Fund, is being or has previously been requisitioned from the Renewal and Replacement Reserve Fund. Upon completion of such Capital Improvement, any amount so deposited and not necessary to pay the Cost of such Capital Improvement shall be redeposited in the Renewal and Replacement Reserve Fund. The Trustee shall also apply moneys in the Renewal and Replacement Reserve Fund as set forth in Sections 508(e), 509(e), 514(b) and 515(b) hereof.

(b) If on any day on which a transfer pursuant to Section 506(b) is required Revenues are insufficient to make the deposits to the Renewal and Replacement Reserve Fund required by such Section, or if on any date the Authority delivers a Certificate to the Trustee to the effect that moneys in the Renewal and Replacement Reserve Fund are insufficient to meet the Costs of a Capital Improvement to be funded pursuant to Section 516(a) then due and payable then, subject to any transfers to be made on such date pursuant to Sections 508(e), 509(e), 514(b) and 515(b), the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iii) the Rate Stabilization Fund and (iv) the Water Pollution Abatement Fund.

(c) If on any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year then ending, such excess shall be transferred to the Revenue Fund or shall be retained in the Renewal and Replacement Reserve Fund upon the delivery of a Certificate of an Authorized Representative of the Authority to the effect that such amounts being retained are necessary to meet the Costs of Capital Improvements properly payable from such Fund in accordance with Section 516(a).

SECTION 516A. Water Pollution Abatement Fund.

(a) Moneys in the Water Pollution Abatement Fund shall be transferred as directed by the Authority for the payment of Water Pollution Abatement Obligations upon receipt by the Trustee of the Certificate of an Authorized Representative that moneys in respect of Water Pollution Abatement Obligations are due and payable by the Authority. The Trustee shall also apply moneys in the Water Pollution Abatement Fund as set forth in Sections 508(e), 509(e), 514(b), 515(b) and 516(b) hereof.

(b) If as of any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Water Pollution Abatement Fund is in excess of the amount payable on Water Pollution Abatement Obligations in the Fiscal Year then ending then such excess shall be transferred to the Revenue Fund.

SECTION 517. Rate Stabilization Fund. Moneys shall be transferred to the Rate Stabilization Fund from the General Fund as provided in Section 519(a). Moneys in the Rate Stabilization Fund may be transferred to a separate Subaccount of the Construction Fund upon receipt of a Certificate of an Authorized Representative to the effect that such moneys are necessary to pay the Costs of Projects for which no other funds in the Construction Fund are available. Moneys in the Rate Stabilization Fund shall be transferred to the Revenue Fund upon delivery to the Trustee of a Certificate of an Authorized Representative of the Authority or in accordance with the provisions of an Operating Budget. The Trustee shall also apply moneys in the Rate Stabilization Fund as set forth in Sections 508(e), 509(e), 514(b), 515(b) and 516(b) hereof. Moneys in the Rate Stabilization Fund shall also be transferred to the Note Payment Fund and applied to the payment of principal of and interest on notes issued pursuant to Section 208 to the extent provided in any Supplemental Resolution authorizing such notes.

SECTION 518. Revolving Loan Fund. Moneys in the Revolving Loan Fund shall be used to make loans on such terms and conditions as the Authority may deem appropriate to Local Bodies receiving water or sewer service from the Authority for the purpose of financing capital improvements to be made to the water distribution and waste-water collection systems of such Local Bodies. Repayments of principal and interest on such loans shall be transferred upon receipt by the Authority to the Trustee and deposited in the Revolving Loan Fund unless the Authority shall instruct the Trustee that repayments of interest on such loans are to be deposited in the Revenue Fund. Any such interest payments deposited in the Revenue Fund shall be deemed "Revenues." Any such loans and repayments, together with any notes or other instruments evidencing such loans and any security provided therefor and the rights to receive such repayments, and any amounts on deposit in the Revolving Loan Fund committed to funding such loans may be pledged as security for any Indebtedness incurred pursuant to Section 709(d) for the purpose of funding such loans. The Trustee shall also apply moneys in the Revolving Loan Fund as set forth in Sections 508(e), 509(e), 514(b), 515(b) and 516(b) hereof.

SECTION 519. General Fund.

(a) Moneys in the General Fund shall be transferred to the Rate Stabilization Fund upon delivery to the Trustee of a Certificate of an Authorized Representative of the Authority (i) to the effect that, for the previous Fiscal Year, the requirements of Section 705(b) shall have been satisfied and (ii) setting forth the amount of Revenues Available for Bond Debt Service for such period in excess of the Combined Bond Coverage Requirement for such period which are then on deposit in the General Fund to be transferred by the Trustee to the Rate Stabilization Fund, provided that the transfer shall not be in an amount greater than such excess. The Trustee shall also transfer moneys in the General Fund to a separate subaccount of the Construction Fund upon receipt of a Certificate of an Authorized Representative to the effect that such moneys are necessary to pay the Costs of Projects for which no

other funds in the Construction Fund are available. Moneys in the General Fund may also be transferred to the Redemption Account and applied to the redemption of Secured Bonds. Any moneys transferred to the Redemption Account pending application to redemption of Secured Bonds which constitute Tax Exempt Indebtedness shall be invested at a yield not exceeding the yield on the Secured Bonds to be redeemed unless the Authority shall deliver a Bond Counsel's Opinion to the effect that investment of such moneys at a higher yield is permitted without adversely affecting the exclusion of interest on the Secured Bonds from gross income for federal income tax purposes. The Trustee shall also apply moneys in the General Fund as set forth in Section 508(e), 509(e), 514(b), 515(b) and 516(b) hereof. Moneys in the General Fund shall also be transferred to the Note Payment Fund and applied to the payment of principal of and interest on notes issued pursuant to Section 208 to the extent provided in any Supplemental Resolution authorizing such notes.

(b) On any date, subject to the requirements of Section 508(e), 509(e), 514(b), 515(b) and 516(b), the Authority may, by a Certificate of its Authorized Representative and without any further showing, direct that moneys be transferred from the General Fund to any Fund or Account established hereunder other than the Revenue Fund, the Operating Fund, the Principal and Interest Accounts in the Debt Service Fund and the Rate Stabilization Fund.

SECTION 520. Note Payment Fund.

(a) The Authority shall deposit into a separate account of the Note Payment Fund the proceeds of any Secured Bonds issued to provide for the payment of Bond Anticipation Notes of the Authority as directed by the Supplemental Resolution for such Secured Bonds and shall deposit amounts transferred pursuant to Sections 509(a), 517 and 519(a).

(b) Moneys on deposit in a subaccount of the Note Payment Fund shall be applied to the payment of the Bond Anticipation Notes with respect to which such subaccount was established upon receipt by the Trustee of a Certificate of the Authority stating:

- (i) the subaccount of the Note Payment Fund from which such payment is to be made;
- (ii) the name of the paying agent of the Bond Anticipation Notes with respect to which the payment is to be made; and
- (iii) the amount to be paid and the Project or Projects with respect to which such payment relates.

(c) Any moneys remaining in a subaccount of the Note Payment Fund after payment of the Bond Anticipation Notes with respect to which such account was established shall be transferred to and deposited in a separate subaccount established within the Construction Fund.

SECTION 521. Depositaries.

(a) All moneys or securities held by the Trustee under the provisions of this Resolution shall constitute trust funds and the Trustee may, and shall, if directed in writing by an Authorized Representative of the Authority, deposit such moneys or securities with one or more Depositaries in trust for the Trustee. Moneys or securities in the Operating Fund shall be deposited by the Authority with one or more Depositaries in trust for the Authority. All moneys or securities deposited under the provisions of this Resolution with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of this Resolution, and each of such Funds established by this Resolution shall be a

trust fund for the purposes thereof. The Authority and the Trustee shall instruct each Depository that any moneys or securities credited to a Fund or an Account hereunder which are deposited with such Depository shall be identified to be part of such Fund or Account and subject to the pledge in favor of the Trustee created under this Resolution. Prior to the first deposit of any moneys or securities with each Depository, the Authority and the Trustee shall obtain from such Depository its agreement to serve as agent of the Trustee in holding such moneys or securities in trust in favor of the Trustee and the contract or other written instrument between the Authority and such Depository governing the establishment and operation of such account shall provide the moneys or securities from time to time deposited with such Depository shall be held by such Depository as such agent in trust in favor of the Trustee; provided that, except as otherwise expressly provided herein, the Authority shall be permitted at any time to make withdrawals from and write checks or other drafts against any account held by the Authority and established with such Depository and apply the same for the purposes specified in this Resolution and, subject to Section 523 hereof, the Authority shall be permitted to invest amounts in any such account in Investment Securities.

(b) Each Depository holding moneys or securities in trust for the Trustee shall be a bank or trust company organized under the laws of the Commonwealth or a national banking association (having its principal office within the Commonwealth), having capital stock, surplus and undivided earnings aggregating at least \$100,000,000 (or such greater amount as set forth in a Supplemental Resolution) and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of this Resolution.

(c) Moneys and securities credited to any Fund or Account may be commingled with moneys and securities credited to other Funds or Accounts for the purposes of establishing checking or other bank accounts for purposes of investing funds or otherwise; provided, however, the Trustee and the Authority shall at all times maintain or cause to be maintained accurate books and records reflecting the amounts credited to the respective Funds and Accounts held by each of them. All withdrawals from any commingled moneys or securities shall be charged against the proper Fund or Account and no moneys shall be withdrawn from commingled moneys if there is not on credit to the Fund or Account to be charged sufficient funds to cover such withdrawal.

SECTION 522. Deposits.

(a) All Revenues and other moneys held by any Depository under this Resolution may be placed in a demand or time deposit, if and as directed by the Authority, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. All such moneys deposited with a Fiduciary, acting as a Depository, may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed.

(b) All moneys deposited with the Trustee and each Depository shall be credited to the particular Fund or Account to which such moneys belong.

SECTION 523. Investment of Certain Funds.

(a) Moneys held in the Debt Service Fund, the Subordinated Debt Service Fund, and the Note Payment Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities of the type described in clauses (a), (b), (c), (d), (f), (h), (i), (j), (k), (l) or (m) of the definition of Investment Securities in Section 101, which mature not later than at such times as shall be

necessary to provide moneys when needed for payments to be made from such Funds. Subject to Section 510(d) and 511(d) hereof, moneys held in the Debt Service Reserve Fund, the Subordinated Debt Service Reserve Fund, and the Community Obligation and Revenue Enhancement Fund, shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities of the type described in clauses (a), (b), (c), (d), (i), (j), (k), (l) or (m) of the definition of Investment Securities which mature not later than at such times as shall be necessary to provide moneys when needed for payment to be made from such Fund, but in no event later than fifteen years from the date of such investment. Moneys held in any other Fund or Account established under this Resolution may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from any Authorized Representative of the Authority, which may for this purpose include one or more investment advisors designated in writing by such Representative from time to time. In making any investment in any Investment Securities with moneys in any Fund or Account established under this Resolution, the Authority may, and may instruct the Trustee to, combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

(b) Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Funds and Accounts, other than the Construction Fund, the Cost of Issuance Fund, the Operating Fund, the Note Payment Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Subordinated Debt Service Reserve Fund and the Community Obligation and Revenue Enhancement Fund shall be paid into the Revenue Fund on the last Business Day of each month. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Cost of Issuance Fund, the Operating Fund, the Debt Service Fund, the Subordinated Debt Service Fund and the Note Payment Fund shall be retained in the Fund in which such earnings accrued; provided that the Authority may direct that the earnings on moneys in the Operating Fund may be deposited in the Revenue Fund. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Construction Fund attributable to the first series of Secured Bonds issued hereunder shall be retained in the Construction Fund. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any other moneys or investments in the Construction Fund attributable to any subsequent series of Secured Bonds shall be paid on the last Business Day of each month, to the related Subaccounts of the Debt Service Fund (or the Subordinated Debt Service Fund if so specified in the applicable Supplemental Resolution) first to the Interest Account and second to the Principal Account; provided, however, that the Authority may from time to time direct that all or a portion of such earnings may be retained in the Construction Fund for any period of time if there shall be provided to the Trustee a Certificate of an Authorized Officer of the Authority on the date of such direction and on each July 1 thereafter, so long as such direction remains in effect, (i) certifying for the most recent preceding period of twelve consecutive months, Revenues Available for Bond Debt Service were at least equal to the Combined Bond Coverage Requirement and (ii) projecting that Revenues Available for Bond Debt Service will be at least equal to the Combined Bond Coverage Requirement for both the current and, if the period so directed by Authority includes it, the following Fiscal Year. Earnings retained in the Construction Fund will not be included in the calculation of Revenues Available for Bond Debt Service. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Debt Service Fund, the Debt Service Reserve Fund, and the Community Obligation and Revenue Enhancement Fund shall be paid on the last Business Day of each month, on a pro rata basis based on the required deposits to each Series Subaccount therein pursuant to Section 506(a), first to the Interest Account of the Debt Service Fund and second to the Principal Account of the Debt Service Fund; provided however, that the Authority may direct that

investment earnings on any moneys or investments in the Debt Service Reserve Fund or the Community Obligation and Revenue Enhancement Fund may be deposited for such period of time as the Authority may determine in the Revenue Fund or the Construction Fund if the Authority shall obtain a Bond Counsel's Opinion to the effect that such application of earnings shall not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and any other investment earnings on the Subordinated Debt Service Reserve Fund shall be paid on the last Business Day of each month, on a pro rata basis based on the required deposits to each Series Subaccount therein pursuant to Section 506(a), first to the Interest Account of the Subordinated Debt Service Fund and second to the Principal Account of the Subordinated Debt Service Fund; provided, however, that the Authority may direct that investment earnings on any moneys or investments in the Subordinated Debt Service Fund may be deposited for such period of time as the Authority may determine in the Revenue Fund or the Construction Fund if the Authority shall obtain a Bond Counsel's Opinion to the effect that such application of earnings shall not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes.

(c) Notwithstanding the foregoing provisions of this Section 523, the Authority may direct that investment earnings reasonably expected to be subject to the requirements of Section 148(f) of the Code or the Treasury Regulations applicable thereto may be deposited directly to the Rebate Fund to the extent desirable to comply with the requirements of section 148(f) of the Code or the Treasury Regulations applicable thereto.

(d) All Investment Securities acquired with moneys in any Fund or Account, shall be held by the Trustee in pledge or by a Depository as agent in pledge in favor of the Trustee in accordance with Section 522 hereof.

(e) Nothing in this Resolution shall prevent any Investment Securities acquired as investments of Funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States or the Federal Reserve Bank.

SECTION 524. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Fund created under the provisions of this Resolution shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to such Fund.

In computing the amount in any Fund created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations or the market value thereof, whichever is lower. As used herein the term "amortized cost", when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Any deficiency resulting from a decrease in the valuation of investments held in the Debt Service Reserve Fund may be disregarded for purposes of calculating deposits required pursuant to Section 506 (but not for purposes of deposits required pursuant to Section 401(b)) provided that the amount on deposit in the Debt Service Reserve Fund is at least 95% of the Debt Service Reserve Fund Requirement. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on

such obligation is paid. Such computation shall be made annually on June 30 for all Funds and at such other times as the Authority shall determine or as may be required by this Resolution.

Except as otherwise provided in this Resolution, the Trustee shall sell at the best price obtainable, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Representative of the Authority so to do. Whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by the Trustee, the Trustee shall sell at the best price obtainable or present for redemption such obligation or obligations designated by an Authorized Representative of the Authority necessary to provide sufficient moneys for such payment or transfer; provided, however, that if the Authority fails to provide such designation promptly after request thereof by the Trustee, the Trustee may in its discretion select the obligation or obligations to be sold or presented for redemption. The Trustee shall not be liable or responsible for any loss resulting from the making of any such investment or the sale or redemption of any obligation in the manner provided above.

SECTION 525. Rebate Fund. Upon the issuance, sale and delivery of any Series of Indebtedness subject to the Rebate Fund Requirement, the Trustee shall establish a separate account within the Rebate Fund for such Series. Funds on deposit in the Rebate Fund shall be applied as set forth in the applicable Supplemental Resolution. Unless otherwise specified in the applicable Supplemental Resolution, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be transferred to the Revenue Fund.

SECTION 526. Holding of Special Deposits. Except as otherwise provided in any Supplemental Resolution, (i) any Grant Receipts held by or for the account of the Authority in connection with the System which are required to be applied under the terms of the applicable Grant Agreement directly to the payment of Costs of acquisition, construction or alteration of a Project which is the subject of such Grant Agreement and (ii) any Grant Receipts or other moneys which have been pledged to the payment of any Special Subordinated Indebtedness issued pursuant to Section 709(b)(i) or Section 709(c) hereof (including, without limitation, proceeds of any such Indebtedness) and (iii) any moneys which are subject to refund by the Authority or held for the account of others including, without limitation, any amounts which, under any agreement by the Authority providing for adequate separation of such amounts from Revenues, are collected by the Authority on behalf of others for services rendered or commodities provided to customers of the System, any amounts deducted by the Authority from wage and salary payments to the employees of the Authority, any amounts contributed by the Authority to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the Authority and any amounts held as deposits and (iv) any assistance received by the Authority from the Commonwealth Sewer Rate Relief Fund which the Authority elects not to include in Revenues, together with any investments of such Grant Receipts or other moneys and interest and profits thereon to the extent such interest and profits are also pledged, segregated or held for the account of others or subject to refund to others, may be held by the Authority in such manner and in such depositaries or accounts, outside of the various Funds and Accounts established by this Resolution, as the Authority may otherwise by resolution provide. At the election of the Authority such Grant Receipts and other moneys may be deposited in separate accounts maintained by the Authority with the Trustee or any other Depositary; moneys described in clause (iv) of this Section 526 shall be deposited by the Trustee in the Debt Service Fund or the Subordinated Debt Service Fund upon the instructions of the Authority, which instructions shall specify the timing and amount of each such deposit and the Account or Accounts of such Funds to which the deposits are to be made.

ARTICLE VI

REDEMPTION OF SECURED BONDS

The provisions contained in the following Sections of this Article VI are applicable to each Series of Secured Bonds, except as may be otherwise set forth in a Supplemental Resolution authorizing any such Series.

SECTION 601. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Resolution.

SECTION 602. Redemption at the Election of the Authority. In the case of any redemption of Secured Bonds otherwise than as provided in Section 603, the Authority shall give written notice to the Trustee of the election so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Resolution authorizing a Series of Bonds). Such notice shall be given at least forty-five days prior to the redemption date.

SECTION 603. Redemption Otherwise Than at Authority Election. Whenever by the terms of this Resolution or a Supplemental Resolution Secured Bonds are required to be redeemed otherwise than at the election of the Authority, the Authority may subject to the provisions of any related Supplemental Resolution select the Series of Secured Bonds, the principal amounts of the Secured Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in this Resolution or a Supplemental Resolution) and in the event the Authority does not notify the Trustee of such Series, maturities and principal amounts to be redeemed on or before the 45th day preceding the redemption date, the Trustee shall select the Secured Bonds to be redeemed, give the notice of redemption and apply the moneys available therefor to redeem on the redemption date at the Redemption Price therefor, together with accrued interest to the redemption date, all of the Secured Bonds to be redeemed.

SECTION 604. Selection of Secured Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Secured Bonds of like Series and maturity, the Trustee shall select by lot, or in such other manner in its discretion as it shall deem appropriate and fair, the numbers of the Secured Bonds to be redeemed. For the purposes of this Section, Secured Bonds which have theretofore been selected for redemption shall not be deemed Outstanding.

SECTION 605. Notice of Redemption. Notice of the call for any redemption of Secured Bonds prior to maturity shall be given as provided in the Supplemental Resolution authorizing such Series of Secured Bonds.

SECTION 606. Payment of Redeemed Secured Bonds. Notice having been given in the manner provided in Section 605, the Secured Bonds so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice such Secured Bonds shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. The Trustee shall transfer to the Redemption Account and the Interest Account the moneys or investments made available by the Authority for the payment of the Redemption Price and accrued interest, respectively, of Secured Bonds called for redemption other than by mandatory sinking fund installments. If, on the redemption date, moneys for the redemption of all the Secured Bonds of any like Series and maturity to be redeemed together with interest to the redemption date, shall be held by the

Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid then, from and after the redemption date, interest on the Secured Bonds of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Secured Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne, and shall be entitled to the same rights and privileges that they would have had, had they not been called for redemption.

ARTICLE VII

PARTICULAR COVENANTS

The Authority covenants and agrees with the Trustee and the holders of Secured Indebtedness as follows:

SECTION 701. Payment of Secured Indebtedness. The Authority shall duly and punctually pay or cause to be paid (but solely from the sources herein provided) all payments due on Secured Indebtedness, including, without limitation, the Principal Installment or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the certificates evidencing such Secured Indebtedness.

SECTION 702. Offices for Servicing Secured Indebtedness. The Authority shall at all times maintain an office or agency where certificates evidencing Secured Indebtedness may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Authority in respect of certificates evidencing Secured Indebtedness or of this Resolution may be served. The Authority hereby appoints the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon the Authority.

SECTION 703. Further Assurance. At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolution, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular of the rights, assets, revenues and other moneys, securities, funds and property hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

SECTION 704. Power to Issue Secured Indebtedness and Pledge Revenues. The Authority is duly authorized under all applicable laws to authorize and issue Secured Indebtedness, including, without limitation, the Bonds, and to adopt this Resolution and to pledge the Revenues and assets purported to be pledged and assigned hereby in the manner and to the extent herein provided. The Revenues and assets so pledged and assigned are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created hereby and all corporate or other action on the part of the Authority to that end has been and will be duly and validly taken. The Secured Indebtedness, including, without limitation, Bonds, and the provisions of this Resolution are and will be the valid and legally enforceable general obligations of the Authority in accordance with their terms and the terms of this Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets, including rights pledged and assigned under this Resolution and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

SECTION 705. Covenant as to Rates and Charges; Debt Service Coverage Ratio.

(a) The Authority shall for each Fiscal Year fix and adjust Rates and Charges with respect to its Waterworks and Sewer Operations, which Rates and Charges shall be adopted by the Authority's Board of Directors strictly in accordance with the provisions of the Act as in effect on the date of adoption of this Resolution and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, so as to provide funds, in the aggregate and separately, with respect to costs and operations allocable to the Waterworks and Sewer Operations at least sufficient with other revenues of the Authority, if any, available therefor (i) to pay all Current Expenses, (ii) to pay all Debt Service on Indebtedness of the Authority as the same becomes due and payable, (iii) to create and maintain all reserves established pursuant to this Resolution or reasonably required by any other agreement securing Indebtedness of the Authority or as otherwise determined by the Authority to be necessary or desirable, (iv) to pay all costs of maintenance and replacement of the System, and costs of improving, extending and enlarging the System as determined by the Authority to be necessary or desirable, to be funded as Current Expenses in order to carry out the purposes of the Authority, (v) to provide for payments to the Commonwealth for debt service as provided in the Act, and (vi) to pay or provide for all amounts which the Authority may be obligated to pay or provide for by any law or contract including this Resolution or other agreement securing Indebtedness of the Authority and including any amount to be repaid to the Commonwealth to reimburse the Commonwealth for the debt service paid by the Commonwealth on a bond issued under Section 5(f) of the Act. The charges of the Authority for delivery of water and for sewage collection, disposal and treatment services shall be established as charges of general application to be borne by the local body utilizing such services (provided, however, that the Authority reserves the right to impose charges of special application in accordance with the Act) and shall be established at a level sufficient to meet the revenue requirements of the Authority as provided in this paragraph.

(b) Without limiting the provisions of Section 705(a), the Authority shall fix and adjust Rates and Charges, which Rates and Charges shall be adopted by the Authority's Board of Directors strictly in accordance with the provisions of the Act as in effect on the date of adoption of this Resolution and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, sufficient to provide Revenues Available for Bond Debt Service in each Fiscal Year at least equal to the Combined Bond Coverage Requirement.

(c) Without limiting the provisions of Section 705(a) or (b), the Authority shall fix and adjust Rates and Charges, which Rates and Charges shall be adopted by the Authority's Board of Directors strictly in accordance with the provisions of the Act as in effect on the date of adoption of this Resolution and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, sufficient to provide Revenues Available for Subordinated Debt Service in each Fiscal Year at least equal to the Subordinated Bond Coverage Requirement, if any.

(d) The Primary Bond Coverage Ratio and the Supplemental Bond Coverage Ratio may be adjusted from time to time by the Authority by the adoption of a Supplemental Resolution provided that:

- (i) the Authority shall have provided evidence to the Trustee that the details of such adjustment have been provided in writing to each Rating Agency then assigning a rating on Outstanding Secured Bonds and that each such Rating Agency has either (x) confirmed in writing that such adjustment will not adversely affect such ratings or (y) issued a rating on a Series of Bonds to be issued which is not less than the rating assigned by such Rating Agency to Outstanding Bonds of such

category, or any other evidence satisfactory to the Trustee that such adjustment will not adversely affect the then current ratings, if any, assigned to any Outstanding Secured Bonds by any Rating Agency; and

- (ii) the Primary Bond Coverage Ratio shall not be less than 1.1; and
- (iii) no such adjustment shall cause the sum of (x) the Primary Bond Coverage Ratio and (y) the Supplemental Bond Coverage Ratio to be less than 1.2.

(e) If in any Fiscal Year Revenues shall not satisfy the requirements of Section 705(a), or Revenues Available for Bond Debt Service or Revenues Available for Subordinated Debt Service shall not satisfy the requirements of Section 705(b) or 705(c), respectively, then the Authority shall not be deemed to be in default hereunder so long as it shall have complied or is diligently proceeding to comply with the requirements of Sections 705(f) and 705(g).

(f) On or before the last day of each Fiscal Year the Authority shall review the adequacy of its rates, fees, rentals and other charges with respect to the System and the Authority's other corporate purposes to satisfy the requirements of this Section 705 for the next succeeding Fiscal Year. If such review, or any report of a Consulting Engineer or Rate Consultant provided in connection with such review or in accordance with any Section hereof, indicates that the rates, fees, rentals and other charges with respect to the System and the Authority's other corporate purposes are, or are likely to be, insufficient to meet the requirements of this Section 705 for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that rates, fees, rentals and other charges with respect to the System and the Authority's other corporate purposes are or are likely to be insufficient to meet such requirements, the Authority shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency.

(g) Within one hundred and eighty (180) days of the close of each Fiscal Year while Bonds are Outstanding, the Authority shall deliver to the Trustee a certificate of an Authorized Representative stating, if such was the case, that the Authority satisfied the requirements of Sections 705(a), 705(b) and 705(c) in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the Authority so that it will comply with such requirements in the then current Fiscal Year. Such certificate shall be accompanied by a Certificate of an Accountant in accordance with Section 714 setting forth the amounts for the preceding Fiscal Year which are necessary to determine compliance with the requirements of Sections 705(a), 705(b) and 705(c). If the amounts set forth in the certificate of the accountants indicate that the Authority was not in compliance for such Fiscal Year with the provisions of Sections 705(a), 705(b) or 705(c), the Consulting Engineer or Rate Consultant shall review the adequacy of the Authority's rates, fees, rentals and other charges with respect to the System and shall recommend changes necessary for the Authority to be in compliance with Sections 705(a), 705(b) and 705(c) by the end of the then current Fiscal Year. The Authority covenants, to the extent permitted by and in accordance with the Act, to use its best efforts to effect such changes as are so recommended by the Consulting Engineer or Rate Consultant.

SECTION 706. Sale, Lease or Encumbrance of Property.

(a) Except as provided in this Section and authorized under the Act, no part of the System shall be sold, mortgaged, leased or otherwise disposed of or encumbered.

(b) The Authority may from time to time sell or exchange or otherwise dispose of at any time and from time to time any property or facilities constituting part of the System which either (1) are worn out or obsolete or (2) in the opinion of the Authority are no longer useful in the operation of the System

and, if the market value of such property or facilities to be sold or otherwise disposed of in any Fiscal Year, as determined by the Authority, is in excess of one tenth of one percent .1% of the book value of the entire System, the Authority delivers to the Trustee a certificate of an Authorized Representative stating, in the opinion of the signer, that the sale, exchange or other disposition of such property or facilities will not impair the ability of the Authority to satisfy the requirements of Section 705 in the then current or any future Fiscal Year. Any proceeds of such sale, exchange or other disposition not used to replace the property so sold or exchanged shall be deposited by the Authority in the Revenue Fund.

(c) To the extent permitted by the Act, the Authority may mortgage, grant security interests in, or otherwise encumber any real or personal property included in the System, or may lease as lessee any real or personal property to be used in the operation of the System, provided that the aggregate annual payments required to be made by the Authority under all such mortgages, security interests, encumbrances and leases shall not in any Fiscal Year exceed twenty-five percent (25%) of the total Current Expenses for such Fiscal Year as shown in the Current Expense Budget then in effect. The proceeds of sale, if any, of any such property mortgaged or otherwise encumbered, after satisfying the mortgage, security interest or other encumbrance secured by the same, shall be deposited in the Revenue Fund. Until so deposited, such proceeds shall not be deemed Revenues hereunder.

(d) To the extent permitted by the Act, the Authority may lease as lessor or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such lease, contract, license, easement or right does not, in its opinion (as evidenced, in the event of any such lease, contract, license, easement or right which extends for more than one year or which is irrevocable, by a Certificate of an Authorized Representative delivered to the Trustee), impede the operation by the Authority of the System. Except as provided in Section 709, any payments to the Authority under or in connection with any such lease, contract, license, easement or right (except any such payments specifically excluded from the definition of Revenues) shall constitute Revenues hereunder.

SECTION 707. Operation, Maintenance and Reconstruction.

(a) The Authority shall operate, or cause to be operated, the System properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that the operation of the System may be properly and advantageously conducted, and, if any useful part of the System is damaged or destroyed or taken through the exercise of eminent domain, the Authority shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use and the replacement of such part so taken; provided, however, that nothing in the Resolution shall require the Authority to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall have been filed with the Trustee (1) a certificate of an Authorized Representative stating that in the opinion of the signer (a) abandonment of operation of such part is economically justified and (b) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the Authority to satisfy the requirements of Section 705 in the current or any future Fiscal Year, and (2) a certificate of a Consulting Engineer concurring in such opinion of the Authorized Representative if the book value of such part of the System exceeds one percent (1%) of the book value of the entire System.

(b) The Authority shall establish and enforce reasonable rules and regulations governing the operation, use and services of the System. All compensation, salaries, fees and wages paid by the Authority in connection with the maintenance, repair and operation of the System shall be reasonable.

(c) Nothing in this Resolution shall be deemed to preclude the Authority from undertaking such other Projects or exercising such other powers unrelated to the operation of the System as may be permitted from time to time under the Act and approved by its Board of Directors.

SECTION 708. Insurance and Condemnation.

(a) The Authority shall at all times either (i) keep all property which is a part of the System and which is of an insurable nature and of the character usually insured by water or sewer utility systems similar to the Authority insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are customary, and also at all times maintain insurance against loss or damage from such hazards and risks to persons and the property of others as are usually insured against by water or sewer utility systems similar to the Authority or (ii) maintain the Insurance Reserve Fund at the Insurance Reserve Fund Requirement. In determining the amounts and types of insurance to be maintained under this Section, the Authority may rely upon the advice of a Consulting Engineer or an insurance consultant of recognized standing selected by the Authority and satisfactory to the Trustee. All policies of insurance shall be payable to the Authority or to the Trustee. On or before the last day of each Fiscal Year, the Authority shall deliver to the Trustee a certificate of an Authorized Representative listing the types and amounts of insurance then maintained by the Authority in accordance with this Section and the insurers therefor.

(b) All proceeds of insurance maintained pursuant to Section 708(a) shall be deposited in the Construction Fund and applied to the restoration, replacement or reconstruction of the property or facility lost or damaged or deposited to the Insurance Reserve Fund, the Renewal and Replacement Reserve Fund or the Operating Reserve Fund as the case may be to the extent that the costs of such restoration, replacement or reconstruction were paid from such Fund, unless the Authority determines in accordance with Section 707 not to restore, replace or reconstruct such property or facilities. Any proceeds of such insurance not applied to restoration, replacement or reconstruction or remaining after such work is completed shall be deposited in the Redemption Account and held in a Subaccount therein and applied solely to the redemption of Secured Bonds of the Series to which such moneys relate on the first date on which such Secured Bonds may be called without premium (unless the Authority shall elect to call such Secured Bonds earlier at a premium); provided that such proceeds may be deposited in the Revenue Fund at the election of the Authority if the Authority shall have provided a Bond Counsel's Opinion to the effect that such deposit will not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes; and provided further that any proceeds of insurance received by the Authority with respect to loss or damage to a Project prior to the completion of construction thereof shall be deposited in the Construction Fund and applied in accordance with Section 503. Any insurance proceeds deposited in the Redemption Account as aforesaid shall not be invested at a yield exceeding the yield on the related Series of Secured Bonds unless the Authority shall have provided a Bond Counsel's Opinion to the effect that investment of such proceeds at a greater yield will not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes.

(c) If any property or facility comprising part of the System shall be taken through the exercise of the power of eminent domain, the Authority shall apply the proceeds of any award received on account of such taking to the replacement of the property or facility so taken or deposit such proceeds in the Renewal and Replacement Reserve Fund or the Operating Reserve Fund to the extent that the costs of such replacement were paid from the Renewal and Replacement Reserve Fund or the Operating Reserve Fund, unless the Authority determines in accordance with Section 707 not to replace such property or facility. Any proceeds of such award not applied to such replacement or remaining after such work has been completed shall be deposited in the Revenue Fund, except that any proceeds resulting from the taking of all or substantially all of the System shall be deposited with the Trustee in the Redemption Account of the

Debt Service Fund for the purpose of redemption of Secured Bonds or for the defeasance of Secured Bonds as provided in Article XII.

SECTION 709. Indebtedness and Liens.

(a) Except as provided in Article II hereof or in this Section 709, the Authority shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by any Fiduciary under this Resolution; but this Section shall not prevent the Authority from issuing bonds or notes or other obligations for the corporate purposes of the Authority payable out of, or secured by a pledge of, Revenues to be derived on and after the date that the pledge of the Revenues provided in this Resolution shall be discharged and satisfied as provided in Section 1202 and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of this Resolution and the lien and pledge created by this Resolution.

(b) Notwithstanding anything herein to the contrary, so long as no default shall have occurred hereunder and be continuing, the Authority may issue at any time or from time to time:

- (i) Indebtedness issued in anticipation of Grant Receipts which may be secured solely by a pledge of the proceeds of such Indebtedness, the Grant Receipts anticipated, other amounts on deposit from time to time in any separate account established by the Authority to hold Grant Receipts, earnings thereon and other amounts not constituting Revenues hereunder; or
- (ii) Indebtedness issued in anticipation of the Revenues to be received in a particular Fiscal Year, whether unsecured or secured by a pledge of Revenues; provided that (a) any such Indebtedness shall be payable no later than one year from its date of issue (or, in the case of Indebtedness issued to renew any such Indebtedness, no later than one year from the date of issue of the original issue of Indebtedness), (b) the aggregate principal amount of such Indebtedness Outstanding at any one time in a Fiscal Year shall not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year and (c) the proceeds of such Indebtedness (other than the proceeds of Indebtedness issued to pay a prior issue of such Indebtedness) shall be deposited in the Revenue Fund; or
- (iii) Indebtedness payable from and secured by amounts on deposit in or to be deposited in the General Fund pursuant to Sections 506 and 519 hereof.

Any Indebtedness described in this Section 709(b), in addition to the security therefor described or provided for herein, may be issued as general obligations of the Authority or as special obligations payable solely from the Revenues, Grant Receipts, proceeds, moneys, securities or funds pledged as security therefor.

(c) Notwithstanding anything in the Resolution to the contrary, the Authority may issue Indebtedness secured solely by the revenues, receipts or other moneys derived by the Authority from the lease, license, operation, sale or other disposition of any facility or equipment (whether or not part of the System) hereafter constructed or acquired by or on behalf of the Authority with the proceeds of such Indebtedness. Such Indebtedness shall be special, limited obligations of the Authority payable solely out of the revenues, receipts and other moneys pledged therefor. Such revenues, receipts and other moneys shall not be considered Revenues hereunder provided that (i) neither the debt service on such Indebtedness nor any cost of the acquisition, construction, operation, maintenance or repair of any such

facility or equipment nor provision for reserves for any of the foregoing shall be paid from the proceeds of Secured Indebtedness or from Revenues (other than Revenues deposited in or available for deposit in the General Fund pursuant to Section 506 hereof) or shall be included in Operating Expenses, (ii) any such revenues, receipts and moneys in excess of such debt service, cost of acquisition, construction, operation, maintenance and repair and reserves shall be deposited in the Revenue Fund (and upon such deposit shall be deemed Revenues), and (iii) prior to the issue of any such Indebtedness, the Authority shall deliver to the Trustee a Certificate of the Consulting Engineer certifying that the lease, license, operation, sale or other disposition of such facility or equipment and the application of the revenues, receipts and other moneys derived therefrom to the operation, maintenance and repair thereof and the payment of the debt service on the Indebtedness issued therefor and the provision of reserves for the foregoing, will not result in any decrease in the Revenues projected by such Consulting Engineer to be received by the Authority during the succeeding five Fiscal Years (including the Fiscal Year in which such Indebtedness is issued).

(d) Notwithstanding anything in the Resolution to the contrary, the Authority may issue Indebtedness secured by a pledge of moneys in the Revolving Loan Fund which either (i) have been committed to loans to Local Bodies or (ii) represent payments made by Local Bodies on loans previously made from the Revolving Loan Fund, or by moneys in the General Fund. Any lien granted on such moneys in the Revolving Loan Fund to secure such Indebtedness shall be senior to the pledge of Section 501 hereof but any lien granted on moneys in the General Fund to secure such Indebtedness shall be junior to such pledge. Any such Indebtedness shall be issued pursuant to a separate resolution of the Authority and each instrument evidencing such Indebtedness shall state expressly that the holders of such Indebtedness shall have no rights to the Revenues or other moneys held in Funds and Accounts established hereunder except for moneys in the Revolving Loan Fund or in the General Fund as described in Section 709(d).

SECTION 710. Consulting Engineer. The Authority shall, until the Secured Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Consulting Engineer by this Resolution, employ an independent engineer or engineering firm having a nationwide and favorable repute for skill and experience in such work and, except in the case of the firm serving as Consulting Engineer at the time of the adoption of this Resolution, who shall be acceptable to the Trustee; provided, however, that the acceptance of the Trustee shall not be unreasonably withheld, and if the Trustee shall fail to so accept, it shall deliver to the Authority a statement of its reasons for such failure. In rendering any report, certificate or opinion required pursuant to this Resolution, the Consulting Engineer may rely upon information, certificates, opinions or reports required to be provided by others pursuant to this Resolution, and upon other sources which the Consulting Engineer considers reliable, and other considerations and assumptions as deemed appropriate by the Consulting Engineer. Subject to Section 1204, copies of any such report, certificate or opinion shall be delivered to the Trustee and made available by the Trustee to any holder of Secured Indebtedness or their duly authorized representative for inspection.

SECTION 711. Rate Consultant. The Authority shall, until the Secured Indebtedness and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Rate Consultant by this Resolution, employ an independent accountant or firm of independent accountants, or a management consultant or management consulting firm, or independent engineer or engineering firm (which may also be the Consulting Engineer), having, in any case, a nationwide and favorable repute for skill and experience in such work and, except in the case of the firm serving as the Rate Consultant at the time of the adoption of this Resolution, who shall be acceptable to the Trustee; provided, however, that the acceptance of the Trustee shall not be unreasonably withheld, and if the Trustee shall fail to so accept, it shall deliver to the Authority a statement of its reasons for such failure. In rendering any report, certificate or opinion

required pursuant to this Resolution, the Rate Consultant may rely upon information, certificates, opinions or reports required to be provided by others pursuant to this Resolution, and upon other sources which the Rate Consultant considers reliable, and other considerations and assumptions as deemed appropriate by the Rate Consultant. Subject to Section 1204, copies of any such report, certificate or opinion shall be delivered to the Trustee and made available by the Trustee to any holder of Secured Indebtedness or their duly authorized representative for inspection.

SECTION 712. Operating Budget.

(a) Not less than thirty (30) days prior to the beginning of each Fiscal Year the Authority shall prepare and deliver to the Trustee a preliminary Operating Budget, and not less than one day prior to the beginning of each Fiscal Year, shall adopt, in accordance with applicable powers, procedures, responsibilities and limitations established by the Act and file with the Trustee a copy of the Operating Budget, duly certified by an Authorized Representative of the Authority, showing on a monthly basis the estimated Operating Expenses to be paid from the Operating Fund and Commonwealth Obligations to be paid from the Commonwealth Obligation Fund, as well as the Revenues or other moneys held hereunder estimated to be available to pay such Operating Expenses and Commonwealth Obligations (including the amount of each item constituting a component thereof) for the ensuing Fiscal Year, together with any other information required to be set forth therein by this Resolution; provided, however, that the Operating Budget for the Fiscal Year, or portion thereof, in which the first Series of Secured Bonds is issued, may be adopted by any Authorized Officer. Such Operating Budget may set forth such additional information as the Authority may determine. The Authority shall not incur aggregate Operating Expenses and Commonwealth Obligations in any Fiscal Year in excess of the amount budgeted in the Operating Budget, as amended and supplemented for such Fiscal Year, except in case of emergency or as required by law and shall promptly file with the Trustee a written report of any such excess expenditure signed by an Authorized Representative and as soon as practicable thereafter adopt and file with the Trustee an amendment to the Operating Budget.

(b) In conjunction with adoption and filing, or any amendment, of the Operating Budget, the Authority shall certify the Operating Reserve Fund Requirement for the Fiscal Year to which such Budget relates; provided that (i) the Operating Reserve Fund Requirement shall not be less than one-sixth (1/6) of the annual Operating Expenses set forth in such Budget and (ii) the Authority's certificate shall be consistent with the latest recommendation of the Consulting Engineer made in conjunction with its report pursuant to Section 714(c) hereof. In addition, the Authority shall at the same time certify the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year to which such Budget relates; provided that the Authority's certificate shall be consistent with the latest recommendation of the Consulting Engineer made pursuant to Section 714(c) hereof. In addition, the Authority will certify the assumed interest rate on each Series of Variable Rate Indebtedness then Outstanding for which deposits will be required to be made pursuant to Sections 506(a)(ii) or 506(a)(iii) hereof. If the Authority shall not certify the Operating Reserve Fund Requirement or the Renewal and Replacement Reserve Fund Requirements as aforesaid, the requirement for the Fiscal Year shall be the Requirement in effect for the previous Fiscal Year until the new requirement is certified as aforesaid. Notwithstanding the foregoing, the initial Operating Reserve Fund Requirement and Renewal and Replacement Reserve Fund Requirement shall be as set forth in the Supplemental Resolution authorizing the first series of Secured Bonds hereunder.

(c) If for any reason the Authority shall not have adopted the Operating Budget as provided in Section 712(a), the Operating Budget for the then current Fiscal Year shall be deemed to be the Operating Budget for the ensuing Fiscal Year until a new Operating Budget is adopted.

(d) The Authority may at any time adopt an amended Operating Budget for the then current or ensuing Fiscal Year, but no such amended Operating Budget shall supersede any prior Budget until the

Authority shall have filed with the Trustee and the Advisory Board a copy of such amended Operating Budget and shall have complied in all respects with the requirements of the Act applicable to the Current Expense Budget in adopting any amended Operating Budget.

(e) In addition to the Authority's right to amend the Operating Budget pursuant to Section 712(d), the Authority may reallocate amounts budgeted to specific items or months within the Operating Budget then in effect at any time by delivery of a Certificate of its Authorized Representative provided that no such reallocation shall result in an increase in the sum of the aggregate Operating Expenses and Commonwealth Obligations for the Fiscal Year covered by such Operating Budget.

SECTION 713. Capital Budget.

(a) Not less than forty-five (45) days prior to the beginning of each Fiscal Year the Authority shall prepare and file with the Trustee a proposed program of Projects to be undertaken by the Authority during such Fiscal Year and the next two ensuing Fiscal Years, identifying the Projects to be carried out, the estimated Costs thereof and the period of construction thereof, together with a proposed Capital Budget for the Projects to be undertaken in at least the first of such Fiscal Years. Not less than one day prior to the beginning of each Fiscal Year the Authority shall adopt and file with the Trustee a final Capital Budget for the Projects or parts thereof to be undertaken by the Authority in such Fiscal Year. The Capital Budget shall show all projected expenditures as well as the sources of moneys projected to be available to meet the same. The Capital Budget shall further identify the Projects to be undertaken, the nature of the work, the estimated Costs thereof and the estimated completion date of each Project.

(b) The Authority may from time to time amend or supplement the Capital Budget for the Fiscal Year then in progress by filing with the Trustee a certificate of an Authorized Representative setting forth the amendment or supplement.

SECTION 714. Accounts and Reports.

(a) The Authority shall maintain its books and accounts in accordance with generally accepted accounting principles applicable to water or sewer utilities such as the Authority and in accordance with such other principles of accounting as the Authority deems appropriate. Said books and accounts shall at all times be subject to the inspection of the Trustee and the Holder or Holders of not less than one per cent (1%) in principal amount of Outstanding Secured Bonds of any category or their representatives duly authorized in writing.

(b) The Authority shall annually, within one hundred and eighty (180) days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such year, accompanied by financial statements, audited by and containing the report of an Accountant relating to the operations and properties of the System for such Fiscal Year and setting forth in reasonable detail its financial condition as of the end of such year and the income and expenses for such year, and including a summary of the receipts in and disbursements from the Funds and Accounts maintained under the Resolution during such Fiscal Year and the amounts held therein at the end of such Fiscal Year. Each report of such accountant or firm of accountants shall state that the financial statements of the Authority were prepared in accordance with generally accepted accounting principles, or shall state in what respects such financial statements do not conform with such generally accepted accounting principles. If in connection with such annual audit such Accountant submits any written recommendations as to internal accounting controls or related matters, such recommendations shall also be filed with the Trustee. Each annual report shall be accompanied by a certificate of the accountant or firm of accountants auditing the same to the effect that in the course of and within the scope of their examination of such financial statements made in accordance with generally accepted auditing standards nothing came to their attention that would lead them to believe that a default

had occurred under the Resolution or, if such is not the case, specifying the nature of the default. Subject to Section 1204, copies of any such report or certificate shall be delivered to the Trustee and made available by the Trustee to any holder of Secured Indebtedness or their duly authorized representative for inspection.

(c) Within one hundred and twenty (120) days after the close of every third Fiscal Year following the Fiscal Year in which the initial Series of Bonds hereunder is issued the Authority shall file with the Trustee a copy of a certificate of a Consulting Engineer setting forth in reasonable detail (1) its findings as to whether the properties of the System have been maintained during such three-year period, and are then being maintained, in good repair and sound operating condition, (2) its estimate of the amount, if any, required to be expended to place such properties in such condition and the approximate time required therefor, (3) its recommendations, if any, as to improved management and proper maintenance, repair, and operation of, and capital improvements to, the System during the ensuing three-year period, (4) its recommendations as to the adequacy of the Renewal and Replacement Reserve Fund Requirement and the then current Operating Budget and Capital Budget and (5) its recommendations as to the adequacy of the Authority's rates, fees, rentals and other charges. If such certificate sets forth that the properties of the System are not then being maintained in good repair and sound operating condition, the Authority shall restore the properties to good repair and sound operating condition as promptly as is practicable.

SECTION 715. Rates for Services. So long as any Secured Indebtedness is Outstanding, no free service related to the System shall be furnished by the Authority to any Local Body or to any person, firm, or corporation, except as set forth below. Any service rendered by the System to any Local Body or person, firm, or corporation shall be charged at the same rate and in the same manner in which any other user, within the same classification, is or would be charged for similar service. For purposes of this Section, the Authority may make classifications among users of the System as permitted by the Act, which classifications may be based on reasonable distinctions related to the Authority's corporate purposes, including without limitation (i) actual costs to the Authority of providing services, (ii) reasonable provisions in the nature of incentives and disincentives to promote conservation of resources and protection of the environment and to induce the protection, maintenance and improvement of the Sewer and Waterworks Systems and of sewer and water systems of Local Bodies, (iii) reasonable provisions reflecting the contribution made by Local Bodies through expenditures including, but not limited to, leak detection, system rehabilitation and other water management programs, sewerage inflow/infiltration reduction projects, separation of combined sewers and other projects which improve the overall efficiency of the Authority's and Local Bodies' service delivery, (iv) reasonable provisions to reflect respective Local Bodies' disproportionate historic investment in the Sewer and Waterworks Systems and in the former MDC sewer system and MDC water system used in the services delivered by the Authority, (v) reasonable interest charges and penalties for delinquency in payment and (vi) reasonable provisions allowing for the delivery of services to Local Bodies in cases of financial emergency or in exchange for services or commodities at subsidized rates or free of charge. The Authority may continue provisions for subsidization of water charges to which any Local Body is entitled in accordance with contract or other lawful obligations assumed by the Authority as successor to the MDC or otherwise entered into by the Authority prior to the adoption of this Resolution.

SECTION 716. Non-Payment of Rates; Certification to Commonwealth Treasurer.

(a) The Authority may in its discretion determine when an overdue payment shall constitute a Local Body Default, and be so certified, until such time as any such payment shall have been overdue for twelve months, whereupon the Authority shall certify such default as a Local Body Default. The Authority may make, with respect to any moneys received from a Local Body, reasonable allocations between its charges to such Local Body for the provision of waterworks or sewer services. The Authority

shall notify the Trustee within thirty (30) days of any overdue payment that remains unpaid, of the existence of such overdue payment and shall promptly notify the Trustee upon the declaration of such default as a Local Body Default. Within five Business Days of the determination of a Local Body Default, the Authority shall send to each Local Body receiving waterworks services, if such Default was with respect to waterworks services or sewer services, if such Default was with respect to sewer services from the Authority, including the defaulting Local Body, a notice, a copy of which shall be sent to the Trustee, specifying (i) that a Local Body Default has occurred; (ii) the amount of such Local Body Default; (iii) that unless such default is cured an allowance equal to such amount, including any interest or late charges on the overdue amount, shall be incorporated into the charges to each Local Body in connection with the Authority's next ensuing rate-setting process; and (iv) the approximate amount by which the Rates and Charges to be assessed against each Local Body shall be increased on account of the inclusion of such allowance in Rates and Charges. Further, the Authority shall by the earlier of (x) eighteen months from the date of such Local Body Default or (y) the next establishment by the Authority of its Rates and Charges following the Local Body Default which can feasibly incorporate the allowance referred to above, provided that the defaulting Local Body shall not have cured its default, assess each Local Body, including the defaulting Local Body, a pro rata share, based on each Local Body's share of total charges for water and sewer services, respectively, of the amount of such Local Body Default, including any interest or charges on the overdue amount, which assessment shall be in addition to the Rates and Charges required to comply with the covenants of Section 705 hereof. The Authority shall provide the Trustee with written evidence that such assessment has been made.

(b) In addition to the requirements of Section 716(a) the Authority shall take such steps as may be necessary under the provisions of the Act to collect delinquent rates or charges, and to enforce liens for non-payment of rates or charges, in a practicable and timely manner. Without limiting the foregoing, in the event that any Local Body, which has received a certification of the Authority's charges, shall fail to pay the same to the Authority when due after demand by the Authority, the Authority shall promptly certify to the Treasurer and Receiver General of the Commonwealth the amount owing to the Authority by said Local Body in accordance with Section 10(b) of the Act. The Authority shall promptly certify its charges to each Local Body and, in the event of a Local Body's failure to pay the Authority's charges, shall promptly demand the payment of same.

SECTION 717. Tax Covenants.

(a) The Authority shall take, or require to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Series of Tax Exempt Indebtedness and the continued exemption from Massachusetts income taxation of the interest on any Indebtedness, including, without limitation, the preparation and filing of any statements required to be filed by the Authority in order to establish and maintain such tax exclusion and exemption. In addition, the Authority shall not take, or permit to be taken on its behalf, any action which would adversely affect the exclusion from federal gross income, or the exemption from Massachusetts income taxation, of the interest on any Series of Tax Exempt Indebtedness.

(b) The Authority shall not permit the investment or application of the proceeds of any Series of Tax Exempt Indebtedness, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which, would cause such Indebtedness to be "arbitrage bonds" within the meaning of said section 148.

SECTION 718. Notice to Rating Agencies of Certain Contracts. The Authority shall notify each Rating Agency, prior to executing any interest rate exchange, cap or other hedge agreement, of the general terms of such agreement, whether payments under such agreement are payable as Special Payment Obligations or as Operating Expenses.

SECTION 719. General. The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

SECTION 801. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted by the Authority, which upon the filing with the Trustee of a copy thereof certified by an Authorized Representative, shall be fully effective in accordance with its terms:

(a) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on, the authentication and delivery of Secured Bonds or the issuance of other Indebtedness;

(b) to add to the covenants and agreements of the Authority in this Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect including any covenants necessary for compliance with the Code, including without limitation section 148(f) thereof or regulations promulgated thereunder;

(c) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in this Resolution;

(e) to authorize Secured Bonds of a Series and, in connection therewith specify and determine the matters and things referred to in Sections 206, 206A and 207, and also any other matters and things relative to such Secured Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Secured Bonds including, without limiting the generality of the foregoing, provisions amending or modifying this Resolution to provide for the issuance of Secured Bonds in book-entry form or in coupon form payable to bearer;

(f) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues or of any other moneys, securities or funds;

(g) to modify the Primary Bond Coverage Ratio or the Supplemental Bond Coverage Ratio in accordance with the provisions of Section 705(d);

(h) to modify any of the provisions of this Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds or Subordinated Bonds of any Series affected by the amendment Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds or Subordinated Bonds of any Series authenticated and delivered after the date of the adoption of such

Supplemental Resolution and of Bonds or Subordinated Bonds issued in exchange therefor or in place thereof;

(i) to modify the definition of Investment Securities as directed by the Authority's Board of Directors provided that the Authority shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Secured Bonds and that each such Rating Agency has either (x) confirmed in writing that such modification will not adversely affect such ratings or (y) issued a rating on a Series of Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Secured Bonds by any Rating Agency; or

(j) to subject to the lien of this Resolution additional revenues, security or collateral.

SECTION 802. Supplemental Resolutions Effective Upon Consent of Trustee.

(a) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Representative, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee.

(b) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 801, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (a) of this Section.

SECTION 803. Supplemental Resolutions Effective With Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by holders of any Secured Bonds in accordance with and subject to the provisions of Article IX, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative and upon compliance with the provisions of Article IX, shall become fully effective in accordance with its terms as provided in said Article.

SECTION 804. General Provisions.

(a) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 703 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in this Resolution it is provided shall be delivered to said Fiduciary.

(b) Any Supplemental Resolution referred to and permitted or authorized by Sections 801 and 802 may be adopted by the Authority without the consent of any of the holders of any Secured Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the Authority provided that such Bond Counsel's Opinion may take an exception on account of the laws of bankruptcy, reorganization and insolvency and of other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles.

(c) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 801, 802 or 803 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(d) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

SECTION 901. Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to any holder of the Secured Bonds shall be fully complied with if it is mailed, by first-class mail, postage prepaid only (i) to each owner of Bonds or Subordinated Bonds, respectively, then Outstanding at his address appearing upon the registry books, and (ii) to the Trustee.

SECTION 902. Powers of Amendment. Any modification or amendment of this Resolution or of the rights and obligations of the Authority and of the holders of the Secured Bonds hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 903, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given and at least two-thirds in principal amount of the Subordinated Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Secured Bonds of then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Secured Bonds of the several Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Secured Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Secured Bonds shall not be required and such Secured Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Secured Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or Subordinated Bond, or shall reduce the percentages or otherwise affect the classes of Secured Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same

adversely affects or diminishes the rights of the holders of Secured Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Secured Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all holders of Secured Bonds. For the purposes of this Section, the holders of the Secured Bonds may include the initial holders thereof, regardless of whether such Secured Bonds are being held for immediate resale.

SECTION 903. Consent of Holders of Secured Indebtedness

(a) The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 902, to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to holders of Secured Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to holders of Secured Bonds and shall be published in the Authorized Newspapers at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Secured Bonds specified in Section 902 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon the Authority, and (ii) a notice shall have been published as hereinafter provided in this Section. The Authority may fix a record date for purposes of determining holders of Secured Bonds entitled to consent to a proposed Supplemental Resolution.

(b) Any such consent shall be binding upon the holder of the Secured Bonds giving such consent and upon any subsequent holder of such Secured Bond or any bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof).

(c) At any time after the holders of the required percentages of Secured Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority a written statement that holders of such required percentages of Secured Bonds have filed their consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Secured Bonds and will be effective as provided in this Section, shall be given to the holders of Secured Bonds by the Authority by mailing such notice to such holders and, if at the time any of such Secured Bonds is in coupon form payable to bearer, by publishing the same in the Authorized Newspapers at least once not more than ninety days after holders of the required percentages of Secured Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed. The Authority shall file with the Trustee proof of the giving of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the holders of all Secured Bonds upon the filing with the Trustee of the proof of the giving of such last mentioned notice.

SECTION 904. Modifications by Unanimous Consent. Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article, the terms and provisions of this Resolution and the rights and obligations of the Authority and of the holders of Secured Bonds may be modified or amended in any respect upon the adopting and filing of a Supplemental Resolution and the consent of the

holders of all Secured Bonds then Outstanding, such consent to be given as provided in Section 903 except that no notice to the holders of Secured Bonds either by mailing or publication shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the holders of Secured Bonds.

SECTION 905. Exclusion of Secured Bonds. Secured Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article or Article X and the Authority shall not be entitled with respect to such Secured Bonds to give any consent or take any other action provided for in this Article or Article X. At the time of any consent or other action taken under this Article or Article X, the Authority shall furnish the Trustee a Certificate of an Authorized Representative, upon which the Trustee may rely, describing all Secured Bonds so to be excluded.

SECTION 906. Notation on Secured Bonds. Secured Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article provided may, and, if the Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the holder of any Secured Bonds Outstanding at such effective date and presentation of his Secured Bonds at the principal office of the Trustee or upon any transfer or exchange of any Secured Bonds Outstanding at such effective date, suitable notation as to any such action shall be made on such Secured Bond or upon any Secured Bond issued upon any such transfer or exchange by the Trustee. If the Authority or the Trustee shall so determine, new Secured Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the holder of any Secured Bond then Outstanding shall be exchanged for Secured Bonds of the same Series and maturity then Outstanding, upon surrender of such Secured Bonds with all unpaid coupons, if any, appertaining thereto.

ARTICLE X

REMEDIES ON DEFAULT

SECTION 1001. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

(a) a default in the due and punctual payment of a Principal Installment or the Redemption Price of any Secured Bonds when and as the same shall become due and payable, whether at maturity or upon earlier redemption, or otherwise; or

(b) a default in the due and punctual payment of any installment of interest on any Secured Bonds, when and as such interest installment shall become due and payable; or

(c) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part or on the part of the Authority in this Resolution, any Supplemental Resolution or in the Secured Bonds contained, and such default shall continue for a period of forty-five days after written notice thereof stating that such notice is a "Notice of Default" to the Authority by the Trustee or to the Authority and to the Trustee by the holders of not less than a majority in principal amount of the Secured Bonds Outstanding; provided that such forty-five day period shall be extended to such longer period of time as the Trustee may deem appropriate in the event of defaults which by their nature will require such longer period of

time to cure if the Authority shall commence such cure within such forty-five day period and pursue the same diligently to completion; or

(d) if the Authority (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the System, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority or of the whole or any substantial part of the System.

Upon the happening and continuance of any Event of Default, the Trustee shall give notice of such occurrence to the registered holders of the Secured Bonds. Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, the Trustee shall, in any such case, unless the principal of all the Secured Bonds then Outstanding shall already have become due and payable, declare the principal of all Secured Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Resolution or in any of the Secured Bonds contained to the contrary notwithstanding. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Secured Bonds shall have matured by their terms, all overdue installments of principal and interest upon the Secured Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under this Resolution (except the interest accrued since the next preceding interest date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Secured Bonds or under this Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of a majority in principal amount of the Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, by written notice to the Authority and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted without a direction from the holders of the Secured Bonds as aforesaid at the time of such request, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the holders of a majority in principal amount of the Bonds Outstanding or if no Bonds are Outstanding, Subordinated Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. The Trustee shall not be liable for any decision made in good faith as to whether or not to declare all Secured Bonds to be due and payable.

SECTION 1002. Accounting and Examination of Records After Default.

(a) The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under this Resolution for such period as shall be stated in such demand.

SECTION 1003. Application of Revenues and Other Moneys After Default.

(a) The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the Authority, or a Depository in any Fund, Account or Subaccount under this Resolution and (ii) as promptly as practicable after receipt thereof, the Revenues.

(b) During the continuance of an Event of Default, the Trustee shall apply such Revenues and the income therefrom as follows and in the following order:

- (1) to the payment of the reasonable and proper fees, charges and expenses (including reasonable attorneys fees) of the Fiduciaries and of any engineer or firm of engineers or accountants or firm of accountants selected by the Trustee pursuant to this Article and to the payment of any fees and expenses required to keep any Financial Guaranties or Credit Facilities in full force and effect;
- (2) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the System necessary to prevent loss of Revenues or to provide for the continued operation of the System, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the Authority for other purposes) selected by the Trustee;
- (3) to the payment of the interest and principal or Redemption Price then due on the Bonds as follows:

(i) unless the principal of all of the Bonds shall be due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to persons entitled thereto, without any discrimination or preference;

(ii) if the principal of all of the Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or

of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference;

(4) to the payment of the interest and principal or Redemption Price then due on the Subordinated Bonds, as follows:

(i) unless the principal of all of the Subordinated Bonds shall be due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, accordingly to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second, To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Subordinated Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Subordinated Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

(ii) if the principal amount of all of the Subordinated Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Subordinated Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinated Bond over any other Subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Any amounts on deposit in the Subordinated Debt Service Reserve Fund shall not be applied as set forth above to the payment of principal amount and interest on Bonds, and any amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund shall not be applied as set forth above to the payment of the principal amount and interest on Subordinated Bonds.

(c) If and when all overdue installments of interest on all Secured Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Authority under this Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Secured Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this Resolution or the Secured Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of this Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former position and rights under this Resolution, and all Revenues shall thereafter be applied as provided in Article V. No such payment over to the Authority by the Trustee or resumption of the

application of Revenues as provided in Article V shall extend to or affect any subsequent default under this Resolution or impair any right consequent thereon.

SECTION 1004. Proceedings Brought by Trustee.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the holders of the Secured Bonds under this Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Resolution.

(b) All rights of action under this Resolution may be enforced by the Trustee without the possession of any of the Secured Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

(c) The holders of a majority in principal amount of the Bonds at the time Outstanding, or if no Bonds are Outstanding, of Subordinated Bonds Outstanding, may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the holders of Secured Bonds not parties to such direction.

(d) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under this Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default; and, as a matter of right against the Authority, without notice or demand and without regard to the adequacy of the security for the Secured Bonds, the Trustee shall, to the extent permitted by law, be entitled to the appointment of a receiver of the moneys, securities and funds then held by the Authority in any Fund, Account or Subaccount under this Resolution and, subject to application of the Revenues, with all such powers as the court or courts making such appointment shall confer; but notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it under this Resolution or agreed to provided to be delivered or pledged with it under this Resolution.

(e) Regardless of the happening of an Event of Default, the Trustee shall have the power to, but (unless requested in writing by the holders of a majority in principal amount of the Secured Bonds then Outstanding, and furnished with reasonable security and indemnity) shall be under no obligation to, institute and maintain such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, as it may determine shall be necessary or expedient to prevent any impairment of the security under this Resolution, any impairment of the ability of the Authority or the Trustee to satisfy any of its agreements or obligations hereunder, or the impairment of any protection provided by this Resolution of the interests of the holders of Secured Bonds by any acts which may be unlawful or in violation of this Resolution, and such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief,

as the Trustee may determine shall be necessary or expedient to preserve or protect its interest and the interests of the holders of any Secured Bonds.

SECTION 1005. Restrictions on Action by Holders of Secured Bonds.

(a) No holder of any Secured Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Resolution or the execution of any trust under this Resolution or for any remedy under this Resolution, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the holders of at least a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding of Subordinated Bonds Outstanding, shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Section or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more holders of Secured Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Resolution, or to enforce any right under this Resolution, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of this Resolution shall be instituted, had and maintained in the manner provided in this Resolution and for the equal benefit of all holders of the Outstanding Bonds, in accordance with their rights and interests hereunder and all holders of Outstanding Subordinated Bonds, in accordance with their rights and interests hereunder.

(b) Nothing in this Resolution or in the Secured Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Secured Bonds to the respective holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any holder to enforce such payment of his Secured Bond.

SECTION 1006. Remedies Not Exclusive. No remedy by the terms of this Resolution conferred upon or reserved to the trustee or the holders of Secured Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or existing at law or in equity or by statute on or after the date of adoption of this Resolution.

SECTION 1007. Effect of Waiver and Other Circumstances.

(a) No delay or omission of the trustee or of any holder of Secured Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the holders of Secured Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the holders of Secured Bonds.

(b) Prior to the declaration of maturity of the Secured Bonds as provided in Section 1201, the holders of a majority in principal amount of the Bonds at the time Outstanding, or if no Bonds are Outstanding, of Subordinated Bonds Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the holders of all of the Secured Bonds waive any past default under this Resolution and its consequences, except a default in the payment of interest on or principal or Redemption Price of the Secured Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

ARTICLE XI

CONCERNING FIDUCIARIES

SECTION 1101. Trustee: Appointment and Acceptance of Duties. State Street Bank and Trust Company, Boston, Massachusetts, is hereby appointed Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this resolution by executing the certificate of authentication endorsed upon the Secured Bonds, and, by executing such certificate upon any Secured Bond, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Secured Bond so authenticated, but with respect to all the Secured Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this Resolution.

SECTION 1102. Paying Agents: Appointment and Acceptance of Duties.

(a) The Authority may appoint one or more Paying Agents for the Secured Bonds of any Series in the Supplemental Resolution, and the Authority may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 1113 for the appointment of a successor Paying Agent. The Trustee may be appointed a Paying Agent.

(b) Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority and to the Trustee a written acceptance thereof.

SECTION 1103. Responsibilities of Fiduciaries. The recitals of fact in this Resolution and in the Secured Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Secured Bonds issued thereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate on the Secured Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Secured Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund Account or Subaccount under this Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be liable in connection with the performance of its duties under this Resolution except for its own willful misconduct, negligence or default. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution and no implied covenants or obligations shall be read into this Resolution against the Trustee. No provision of this Resolution shall require any Fiduciary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. No Fiduciary shall be under any responsibility or duty with respect to any certificate, report or opinion delivered to it hereunder except to examine it to determine that it conforms to the provisions hereof.

SECTION 1104. Evidence on Which Fiduciaries May Act.

(a) Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by such Fiduciary under this Resolution in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of an Authorized Representative of the Authority, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authorized Representative.

SECTION 1105. Compensation. The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution. The Authority further agrees to indemnify and save each Fiduciary harmless against any liability, loss, cost, damage and expense, including reasonable attorneys fees in defending against any claim, which it may incur in connection with its appointment hereunder or in the exercise and performance of its powers and duties hereunder and which are not due to its willful misconduct, negligence or bad faith.

SECTION 1106. Certain Permitted Acts. Any Fiduciary may become the owner of any Secured Bonds or any other obligations of the Authority with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of holders of any Secured Bonds or the holders of any other obligations of the Authority or to effect or aid in any reorganization growing out of the enforcement of the Secured Bonds or any other obligations of the Authority or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Secured Bonds then Outstanding.

SECTION 1107. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to the Authority and publishing notice thereof, at the Trustee's expense, specifying the date when such resignation shall take effect, once in each week for two successive calendar weeks in an Authorized Newspaper, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or the holders of any Secured Bonds as provided in Section 1109, in which event such resignation shall take effect immediately on the appointment of such successor.

SECTION 1108. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the holders of a

majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding, of the Subordinated Bonds then Outstanding, or their attorneys-in-fact duly authorized, excluding any Secured Bonds held by or for the account of the Authority. The Trustee may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this resolution with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Authority or the holders of not less than 25% in aggregate principal amount of Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, excluding any Secured Bonds held by or for the account of the Authority. Notwithstanding the foregoing provisions, at the end of the fifth Fiscal Year following the Fiscal Year in which the first series of Secured Bonds is issued hereunder, and at the end of every fifth Fiscal Year thereafter, the Authority may remove the Trustee, except during the existence of an Event of Default, upon one hundred twenty (120) days written notice to the Trustee by filing with the Trustee an instrument signed by an Authorized Representative of the Authority.

SECTION 1109. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the holder of a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding or of the Secured Bonds then Outstanding, excluding any Secured Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of any Secured Bonds or by their attorneys-in-fact duly authorized and delivered to such successor trustee, notification thereof being given to the Authority and the predecessor Trustee; but (unless a successor trustee shall have been appointed by the holders of the Secured Bonds as aforesaid) the Authority by a duly executed written instrument signed by an Authorized Representative shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the holders of the Secured Bonds as authorized in this Section. The Authority shall publish notice of any such appointment made by it once in each week for two consecutive calendar weeks, in an Authorized Newspaper, the first publication to be made within twenty days after such appointment. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the holders of the Secured Bonds as authorized in this Section.

(b) If in a proper case no appointment of a successor trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to the Authority written notice as provided in Section 1107 or after a vacancy in the officer of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Secured Bond may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

(c) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association, and having a capital and surplus aggregating at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

SECTION 1110. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estate, properties,

rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify any Paying Agent of its appointment as Trustee.

SECTION 1111. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and, in the case of any successor Trustee, shall meet the requirements of paragraph (c) of Section 1109, in the case of a successor Paying Agent, shall meet the requirements of paragraph (a) of Section 1113, and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 1112. Adoption of Authentication. In case any of the Secured Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Secured Bonds and deliver such Bonds so authenticated; and in case any of the said Secured Bonds shall not have been authenticated, any successor Trustee may authenticate such Secured Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Secured Bonds or in this Resolution provided that the certificate of the Trustee shall have.

SECTION 1113. Resignation or Removal of Paying Agent and Appointment of Successor.

(a) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to the Authority, the Trustee, and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by the Authority. Any successor Paying Agent shall be appointed by the Authority, with the approval of the Trustee, and (subject to the requirements of Section 1102) shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least \$100,000,000, and willing and able to accept the offer on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. Defeasance.

(a) If the Authority shall pay or cause to be paid to the holders of all Secured Bonds then Outstanding, the Principal Installments and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Representative and delivered to the trustee, the covenants, agreements and other obligations of the Authority to the holders of such Secured Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys, securities and funds held by them pursuant to this Resolution which are not required for the payment or redemption of Secured Bonds not theretofore surrendered for such payment or redemption.

(b) Secured Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. Subject to the provisions of subsection (c) of this Section, any Outstanding Secured Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case any of said Secured Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish as provided in Article VI notice of redemption of such Secured Bonds (other than the Secured Bonds which have been purchased by the Trustee at the direction of the Authority as hereinafter provided prior to the publication of such notice of redemption) on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal Installments or Redemption Price, if applicable, and interest due and to become due on said Secured Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Secured Bonds are not to be redeemed within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Secured Bonds that the deposit required by (i) above has been made with the Trustee and that said Secured Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal Installments or Redemption Price, if applicable, on said Secured Bonds (other than Secured Bonds which have been purchased by the Trustee at the direction of the Authority as hereinafter provided prior to the publication of the notice of redemption referred to in clause (i) hereof); provided, however, that in connection with the provision for payment of any Secured Bonds which are then in non-certificated form, the requirements of clause (iii) above shall be deemed satisfied upon mailing of the notice required by said clause (iii) by registered mail to the securities depository which is the registered owner, or whose nominee is the registered owner, of such Secured Bonds. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 1201 to the retirement of said Secured Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Secured Bonds, all in the manner provided in this Resolution.

The Trustee shall, if so directed by the Authority (x) prior to the maturity date of Secured Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or (y) prior to the publication of the notice of redemption referred to in clause (i) above with respect to any Secured Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Secured Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Secured Bonds and the Trustee shall immediately thereafter cancel all such Secured Bonds so purchased; provided, however, that the Trustee shall receive an Accountant's Certificate showing that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Secured Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Secured Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be and a Bond Counsel's Opinion to the effect that such redemption or sale of such Defeasance Obligations will not adversely affect the exclusion of the interest on such Secured Bonds from gross income of the holders thereof for federal income tax purposes and that such redemption or sale otherwise complies with the provisions of this Resolution. The directions given by the Authority to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Secured Bonds so purchased and cancelled to be applied against the obligation of the Trustee to pay Secured Bonds deemed paid in accordance with Section 1201 upon their maturity date or dates and the portion, if any, of such Secured Bonds so purchased and cancelled to be applied against the obligation of the Trustee to redeem Secured Bonds deemed paid in accordance with this Section 1201 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases and cancellations of Secured Bonds as provided in this Section 1201 the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under this Section 1201 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Secured Bonds in order to satisfy clause (ii) of this subsection (b) of Section 1201, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any lien or pledge securing said Secured Bonds or otherwise existing under this Resolution. Except as otherwise provided in this subsection (b) of Section 1201 and subsection (c) of this Section 1201, neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Secured Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Secured Bonds or otherwise existing under this Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested at the written direction of an Authorized Representative of the Authority in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Secured Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any lien or pledge securing said Secured Bonds or otherwise existing under this Resolution.

(c) For purposes of determining whether Variable Rate Indebtedness shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, in accordance with the second sentence of subsection (b) of Section 1201, the interest to come due on such Variable Rate Indebtedness on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Indebtedness

having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment securities on deposit with the Trustee for the payment of interest on such Variable Rate Indebtedness is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Indebtedness in order to satisfy the second sentence of subsection (b) of Section 1201, the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any lien or pledge securing the Secured Bonds or otherwise existing under this Resolution.

(d) Option Bonds shall be deemed to have been paid in accordance with the second sentence of subsection (b) of this Section 1201 only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Option Bonds which could become payable to the holders of such Option Bonds upon the exercise of any options provided to the holders of such Option Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to subsection (b) of this Section, the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Option Bond shall not be considered an Option Bond for purposes of this subsection (d). If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien or pledge securing said Option Bonds or otherwise existing under this Resolution.

(e) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Secured Bonds which remain unclaimed for two years after the date when such Secured Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Secured Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the holders of any Secured Bonds shall look only to the Authority for the payment of such Secured Bonds; provided, however, that before being required to make any such payment to the Authority, the Fiduciary may, at the expense of the Authority, cause to be published at least twice, at an interval of not less than 7 days between publications, in the Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 1202. Evidence of Signatures of Holders of Secured Bonds and Ownership of Secured Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by the holders of any Secured Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such holders of any Secured Bonds in person or by their attorneys-in-fact appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorneys, shall be sufficient for any purpose of this Resolution (except as otherwise therein expressly provided) if made in any manner satisfactory to the Trustee. Proof of the holding of Secured Bonds on any date shall be provided by the registration books of the Authority maintained by the Trustee.

(b) Any request or consent by the owner of any Secured Bond shall bind all future owners of such Secured Bonds and any Secured Bond issued in exchange therefor in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

SECTION 1203. Moneys Held for Particular Secured Bonds. The amounts held by any Fiduciary for the payment due on any date with respect to particular Secured Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the holders of the Secured Bonds entitled thereto.

SECTION 1204. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any holder of any Secured Bonds, and any person that the Trustee can reasonably determine is a beneficial owner of any Secured Bonds held by or on behalf of a securities depository, and their agents and their representatives, any of whom may make copies thereof. Upon the receipt of a written request by any such beneficial owner or any holder of any Secured Bonds, or their agents or their representatives, the Trustee shall provide copies of any reports or certificates delivered to the Trustee pursuant to any provision of this Resolution. At the direction of the Authority, the Trustee shall require the party requesting such reports or certificates to pay or reimburse the Trustee for the direct costs of reproducing and mailing such reports or certificates.

SECTION 1205. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries, and the holders of the Secured Bonds, any right, remedy of claim under or by reason of this Resolution or any covenant, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the fiduciaries, and the holders of the Secured Bonds.

SECTION 1206. No Recourse on the Secured Bonds. No recourse shall be had for the payment of the principal or interest on the Secured Bonds or for any claim based thereon or on this Resolution against any member or officer of the Authority or any person executing the Secured Bonds.

SECTION 1207. Successors and Assigns. Whenever in this Resolution the Authority is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in this Resolution contained by or on behalf of the Authority shall bind and ensure to the benefit of its successors and assigns whether so expressed or not.

SECTION 1208. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution.

SECTION 1209. Payments on Saturdays, Sundays and Holidays. In any case where the date of any payment required to be made under this Resolution shall be a Saturday or a Sunday or shall be at the place designated for such payment a legal holiday or a day on which banking institutions are authorized by law to close, then such payment shall not be made on such date but shall be made on the next succeeding business day not a Saturday, Sunday or legal holiday or a day upon which banking institutions are authorized by law to close.

SECTION 1210. Effective Date. This Resolution shall take effect, after its adoption, upon execution of a Certificate of an Authorized Officer of the Authority to the effect that the final form of this Resolution has been approved.

The Sixth Supplemental Resolution adopted on February 24, 1993, pursuant to which the Authority's General Revenue Bonds (Subordinated Series), 1993 Series A were issued, contains the following additional provisions:

"Required Subordinated Debt Service Fund Deposits" shall mean, for any period of time, all deposits required to be made to the Principal and Interest Accounts of the Subordinated Debt Service Fund for such period, determined in the case of the 1993 Series A Bonds in accordance with the debt service schedule set forth in the column captioned "Net Loan Repayments" in Schedule A attached hereto, whether pursuant to Section 506(a) or Section 523(b) of the General Resolution or Section 304 of this Sixth Supplemental Resolution (including earnings retained in the Subordinated Debt Service Fund pursuant to such Sections) or any other provision of the General Resolution or this Sixth Supplemental Resolution (but shall not include amounts transferred from the Capitalized Interest Account); provided that for purposes of determining Required Subordinated Debt Service Fund Deposits, such schedule of Net Loan Repayments shall be adjusted as provided in clause (y) of Section 4(c), in Section 4(g) and in Section 5(d) of the applicable MWPAT Loan Agreement but shall not be required to be adjusted pursuant to clause (x) of Section 4(c) or pursuant to Section 4(e) unless the Authority shall determine to do so; and provided further that no adjustment pursuant to clause (y) of Section 4(c) shall be required, unless the Authority shall determine to do so, in determining Required Subordinated Debt Service Fund Deposits occurring prior to the earlier of (i) eighteen months following the date which follows the occurrence of the event resulting in the increased Net Loan Repayment or (ii) the next establishment by the Authority of its rates and charges which can feasibly incorporate the increased Net Loan Repayment resulting from such event; and provided further that such deposits shall not include amounts paid from assistance from the Commonwealth Sewer Rate Relief Fund referred to in clause (iv) of Section 526 or other funds of the Authority that are not Revenues and are not transferred from other Funds or Accounts established hereunder; provided, however, that for the purpose of this definition, for any Designated Debt for any period, the amount required to be deposited into the Interest Account of the Subordinated Debt Service Fund shall be deemed to be calculated at the higher of the fixed rate provided in the applicable Qualified Swap or the variable rate of interest actually borne by such Designated Debt (calculated, if applicable, as provided in the definition of "Debt Service" herein).

"Secured Bond Debt Service Coverage Ratio" for any period of time shall mean the ratio obtained by dividing Revenues Available for Bond Debt Service by the sum of (i) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period and (ii) the Required Subordinated Debt Service Fund Deposits for all Outstanding Subordinated Bonds (including the 1993 Series A Bonds) which are payable on a parity with or senior to the 1993 Series A Bonds for such period.

Section 305. Coverage Ratio Covenant. So long as any 1993 Series A Bonds are outstanding, the Authority covenants to fix and adjust Rates and Charges, which Rates and Charges shall be adopted by the Authority's Board of Directors strictly in accordance with the provisions of the Act as in effect on the date of adoption of this Resolution sufficient to maintain the Secured Bond Debt Service Coverage Ratio for each Fiscal Year at a level of at least 1.10, after providing for all Required Supplemental Bond Coverage Deposits and to include in its certificate submitted pursuant to Section 705(g) of the General Resolution a statement of compliance herewith; provided that if in any Fiscal Year the Authority fails to maintain such ratio at such level then the Authority shall not be deemed to be in default by reason of such failure so long as it shall have complied or be diligently proceeding to comply with the requirements of Section 705(f) and Section 705(g) of the General Resolution as though maintenance of the Secured Bond Debt Service Coverage Ratio were expressly referred to in such Section 705(f) and Section 705(g).

Section 306. Issuance of Additional Bonds. So long as any 1993 Series A Bonds are Outstanding, Secured Bonds which are paid on a parity with or senior to the 1993 Series A Bonds ("Parity

or Senior Secured Bonds") may be issued by the Authority only if there shall have been delivered to the Trustee in addition to any documents required by Article II of the General Resolution:

(a) a Certificate of an Authorized Representative of the Authority certifying that for the most recent period of twelve consecutive months preceding the date on which such Parity or Senior Secured Bonds are to be issued for which such information is available, Revenues Available for Bond Debt Service were at least sufficient to maintain a Secured Bond Debt Service Coverage Ratio of 1.10, after providing for all Required Supplemental Bond Coverage Deposits; and

(b) either (i) a Certificate of a Consulting Engineer of the Authority certifying that for both the Fiscal Year in which such Parity or Senior Secured Bonds are to be issued and the Fiscal Year immediately following, projected Revenues Available for Bond Debt Service, assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least sufficient to maintain a Secured Bond Debt Service Coverage Ratio of 1.10, after providing for all Required Supplemental Bond Coverage Deposits, taking into account the Series of Parity or Senior Secured Bonds to be issued and any other Series of Parity or Senior Secured Bonds which is projected to be issued on or before the last day of such Fiscal Year; or (ii) a Certificate of an Authorized Representative of the Authority certifying that

(A) for the Fiscal Year in which such Parity or Senior Secured Bonds are to be issued, projected Revenues Available for Bond Debt Service, calculated without assuming any increase in Rates and Charges other than those then approved in accordance with Section 705(a) of the General Resolution, and assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the sum of (x) the Required Debt Service Fund Deposits and Required Subordinated Debt Service Fund Deposits for all Series of Parity or Senior Secured Bonds then Outstanding in such Fiscal Year, taking into account the particular Series of Parity or Senior Secured Bonds to be issued, (y) any amounts required to be deposited in the Operating Reserve Fund, the Insurance Reserve Fund or the Renewal and Replacement Reserve Fund to satisfy the applicable Requirement for such Fund and (z) the Required Supplemental Bond Coverage Deposits, taking into account the particular Series of Parity or Senior Secured Bonds to be issued; and

(B) for the Fiscal Year immediately following the Fiscal Year in which such Parity or Senior Secured Bonds are to be issued, projected Revenues Available for Bond Debt Service as calculated for Section 306(b)(ii)(A) hereof, but adjusted to reflect any increases in Operating Expenses shown on the Authority's proposed or final Operating Budget for such following Fiscal Year or, if such Budget has not been submitted, as adjusted to reflect an increase in Operating Expenses not less than the average percentage increase in Operating Expenses over the previous three Fiscal Years, are at least equal to the sum of (x) the Required Debt Service Fund Deposits and the Required Subordinated Debt Service Fund Deposits on Series of Parity or Senior Secured Bonds included for purposes of Section 306(b)(ii)(A)(x) hereof, (y) any amounts required to be deposited in the Operating Reserve Fund to satisfy the applicable Requirement for such Fund in such Fiscal Year, and (z) the Required Supplemental Bond Coverage Deposits, if any, for Parity or Senior Secured Bonds included in clause (x) above.

Section 308. Certain Notices. So long as any 1993 Series A Bonds are Outstanding, the Authority agrees to provide to the Trust notice of any draw pursuant to Section 508(e) or Section 509(e) of the General Resolution or any draw on the Community Obligation and Revenue Enhancement Fund or Debt Service Reserve Fund for the purpose of paying debt service on any Secured Bond.

Section 309. Express Reservation of Rights. The Authority hereby expressly reserves the right to issue hereafter Subordinated Bonds payable from the Subordinated Debt Service Fund prior to, on a parity with or junior to the 1993 Series A Bonds, to establish one or more covenants for the sole benefit of some or all of such additional Subordinated Bonds, and to fund one or more accounts with the Subordinated Debt Service Reserve Fund for the sole benefit of some or all of such Subordinated Bonds.

Section 310. Issuance of Refunding Secured Bonds.

(a) One or more series of Parity or Senior Secured Bonds may be issued pursuant to this Section 310 at any time for the purpose of refunding any Outstanding Secured Bonds provided that either (i)(A) Aggregate Adjusted Debt Service on all Parity or Senior Secured Bonds immediately after the issuance of such refunding bonds for each Fiscal Year shall be no greater than Aggregate Adjusted Debt Service on all Parity or Senior Secured Bonds prior to the issuance of such refunding bonds and (B) the final maturity of all Parity or Senior Secured Bonds Outstanding after the issuance of such refunding bonds shall be no later than the final maturity immediately prior to the issuance of such refunding bonds or (ii) the requirements of Section 306 of the Sixth Supplemental Resolution shall be satisfied after giving effect to the proposed refunding, all as shown in a Certificate signed by an Authorized Representative of the Authority (and as to the matters in 306(b), a Certificate signed by a Consulting Engineer) and delivered to the Trustee prior to the authentication and delivery of such Series of refunding bonds.

(b) All Refunding Secured Bonds of a Series issued under this Section 310 shall be executed by the Authority for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon receipt by the Trustee of the items required by Subsection 207(b) of the General Resolution, restated, as to the matters in clause (iv) of Subsection 207(b) as appropriate for the issuance of Parity or Senior Secured Bonds.

(c) Refunding Secured Bonds of a Series may be issued under this Section to refund the 1993 Series A Bonds only if (i) the Trust's bonds secured by the 1993 Series A Bonds (the "Trust Bonds") shall no longer be Outstanding (as defined in the Trust Bond Resolution) immediately after such refunding or (ii) if any of the Trust Bonds remain Outstanding (as defined in the Trust Bond Resolution) immediately after such refunding, each Rating Agency (as defined in the Trust Bond Resolution) shall have confirmed in writing that such refunding shall not adversely affect the rating it assigns to the Trust Bonds.

(d) The provisions of this Section 310 shall remain in effect so long as any 1993 Series A Bonds are Outstanding.

Section 311. Certain Conforming Amendments to the General Resolution.

(a) So long as any 1993 Series A Bonds are Outstanding Section 513(c) of the General Resolution shall be amended by replacing the words "and the Combined Bond Coverage Requirement" with the words ", the Combined Bond Coverage Requirement and the requirements of Section 305 of the Sixth Supplemental Resolution".

The Tenth Supplemental Resolution adopted on December 8, 1993, pursuant to which the Authority's General Revenue Bonds (Subordinated Series), 1993 Series D were issued, contains the following additional provisions:

"Required Subordinated Debt Service Fund Deposits" shall mean, for any period of time, all deposits required to be made to the Principal and Interest Accounts of the Subordinated Debt Service Fund for such period, determined in the case of the 1993 Series D Bonds in accordance with the debt

service schedule set forth in the column captioned "Net Loan Repayments" in Schedule A attached hereto, whether pursuant to Section 506(a) or Section 523(b) of the General Resolution or Section 303 or Section 304 of this Tenth Supplemental Resolution (including earnings retained in the Subordinated Debt Service Fund pursuant to such Sections) or any other provision of the General Resolution or this Tenth Supplemental Resolution (but shall not include amounts transferred from the Capitalized Interest Account); provided that for purposes of determining Required Subordinated Debt Service Fund Deposits, such schedule of Net Loan Repayments shall be adjusted as provided in clause (y) of Section 4(c), in Section 4(g) and in Section 5(d) of the applicable MWPAT Loan Agreement but shall not be required to be adjusted pursuant to clause (x) of Section 4(c) or pursuant to Section 4(e) unless the Authority shall determine to do so; and provided further that no adjustment pursuant to clause (y) of Section 4(c) shall be required, unless the Authority shall determine to do so, in determining Required Subordinated Debt Service Fund Deposits occurring prior to the earlier of (i) eighteen months following the date which follows the occurrence of the event resulting in the increased Net Loan Repayment or (ii) the next establishment by the Authority of its rates and charges which can feasibly incorporate the increased Net Loan Repayment resulting from such event; and provided further that such deposits shall not include amounts paid from assistance from the Commonwealth Sewer Rate Relief Fund referred to in clause (iv) of Section 526 or other funds of the Authority that are not Revenues and are not transferred from other Funds or Accounts established hereunder.

"Secured Bond Debt Service Coverage Ratio" for any period of time shall mean the ratio obtained by dividing Revenues Available for Bond Debt Service by the sum of (i) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period and (ii) the Required Subordinated Debt Service Fund Deposits for all Outstanding Subordinated Bonds (including the 1993 Series D Bonds) which are payable on a parity with or senior to the 1993 Series D Bonds for such period.

Section 305. Certain Notices. So long as any 1993 Series D Bonds are Outstanding, the Authority agrees to provide to the Trust notice of any draw pursuant to Section 508(e) or Section 509(e) of the General Resolution or any draw on the Community Obligation and Revenue Enhancement Fund or Debt Service Reserve Fund for the purpose of paying debt service on any Secured Bond.

Section 306. Express Reservation of Rights. The Authority hereby expressly reserves the right to issue hereafter Subordinated Bonds payable from the Subordinated Debt Service Fund prior to, on a parity with or junior to the 1993 Series D Bonds, to establish one or more covenants for the sole benefit of some or all of such additional Subordinated Bonds, and to fund one or more accounts within the Subordinated Debt Service Reserve Fund for the sole benefit of some or all of such Subordinated Bonds.

Section 307. Application of Certain Provisions of the Sixth Supplemental Resolution. So long as the 1993 Series D Bonds are Outstanding, the Authority covenants to comply with the provisions of Section 305, 306, 310 and 311 of the Sixth Supplemental Resolution as if such sections were fully set forth herein.

The Fourteenth Supplemental Resolution adopted on October 4, 1995, pursuant to which the Authority's General Revenue Bonds (Subordinated Series), 1995 Series A were issued, contains the following additional provisions:

"Required Subordinated Debt Service Fund Deposits" shall mean, for any period of time, all deposits required to be made to the Principal and Interest Accounts of the Subordinated Debt Service Fund for such period, determined in the case of the 1995 Series A Bonds in accordance with the debt service schedule set forth in the column captioned "Net Loan Repayments" in Schedule A attached hereto, whether pursuant to Section 506(a) or Section 523(b) of the General Resolution or Section 303 or Section 304 of this Fourteenth Supplemental Resolution (including earnings retained in the Subordinated Debt

Service Fund pursuant to such Sections) or any other provision of the General Resolution or this Fourteenth Supplemental Resolution (but shall not include amounts transferred from the Capitalized Interest Account); provided that for purposes of determining Required Subordinated Debt Service Fund Deposits, such schedule of Net Loan Repayments shall be adjusted as provided in clause (y) of Section 4(c), in Section 4(g) and in Section 5(e) of the MWPAT Loan Agreement but shall not be required to be adjusted pursuant to clause (x) of Section 4(c) or pursuant to Section 4(e) unless the Authority shall determine to do so; and provided further that no adjustment pursuant to clause (y) of Section 4(c) shall be required, unless the Authority shall determine to do so, in determining Required Subordinated Debt Service Fund Deposits occurring prior to the earlier of (i) eighteen months following the date which follows the occurrence of the event resulting in the increased Net Loan Repayment or (ii) the next establishment by the Authority of its rates and charges which can feasibly incorporate the increased Net Loan Repayment resulting from such event; and provided further that such deposits shall not include amounts paid from assistance from the Commonwealth Sewer Rate Relief Fund referred to in clause (iv) of Section 526 or other funds of the Authority that are not Revenues and are not transferred from other Funds or Accounts established hereunder.

"Secured Bond Debt Service Coverage Ratio" for any period of time shall mean the ratio obtained by dividing Revenues Available for Bond Debt Service by the sum of (i) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period and (ii) the Required Subordinated Debt Service Fund Deposits for all Outstanding Subordinated Bonds (including the 1995 Series A Bonds) which are payable on a parity with or senior to the 1995 Series A Bonds for such period.

Section 305. Certain Notices. So long as any 1995 Series A Bonds are Outstanding, the Authority agrees to provide to the Trust notice of any draw pursuant to Section 508(e) or Section 509(e) of the General Resolution or any draw on the Community Obligation and Revenue Enhancement Fund or Debt Service Reserve Fund for the purpose of paying debt service on any Secured Bond.

Section 306. Express Reservation of Rights. The Authority hereby expressly reserves the right to issue hereafter Subordinated Bonds payable from the Subordinated Debt Service Fund prior to, on a parity with or junior to the 1995 Series A Bonds, to establish one or more covenants for the sole benefit of some or all of such additional Subordinated Bonds, and to fund one or more accounts within the Subordinated Debt Service Reserve Fund for the sole benefit of some or all of such Subordinated Bonds.

Section 307. Application of Certain Provisions of the Sixth Supplemental Resolution. So long as the 1995 Series A Bonds are Outstanding, the Authority covenants to comply with the provisions of Sections 305, 306, 310 and 311 of the Sixth Supplemental Resolution as if such sections were fully set forth herein.

The Twenty-Third Supplemental Resolution adopted on November 4, 1998, pursuant to which the Authority's Multi-Modal Subordinated General Revenue Refunding Bonds, 1998 Series D were issued, contains the following additional provisions:

Section 9.5. Express Reservation of Rights. The Authority hereby expressly reserves the right to issue hereafter Subordinated Bonds payable from the Subordinated Debt Service Fund prior to, on a parity with or junior to the Series D Bonds, to establish one or more covenants for the sole benefit of some or all of such additional Subordinated Bonds, and to fund one or more accounts within the Subordinated Debt Service Reserve Fund for the sole benefit of some or all of such Subordinated Bonds.

Section 9.6. Application of Certain Provisions of the Sixth Supplemental Resolution. So long as the Series D Bonds are Outstanding, the Authority covenants to comply with the provisions of Sections 305, 306, 310 and 311 of the Sixth Supplemental Resolution as if such sections were fully set forth herein.