

NIAGARA FALLS PUBLIC WATER AUTHORITY

and

MANUFACTURERS AND TRADERS TRUST COMPANY
as Trustee

GENERAL REVENUE BOND RESOLUTION

Dated as of May 1, 2003

TABLE OF CONTENTS

	Page
ARTICLE I	
GENERAL PROVISIONS.	3
SECTION 1.1.	Authority for the Resolution 3
SECTION 1.2.	Resolution to Constitute Contract..... 3
SECTION 1.3.	Scope of Resolution 4
SECTION 1.4.	Construction..... 4
SECTION 1.5.	Definitions..... 4
SECTION 1.6.	Form of Documents 19
ARTICLE II	
CONCERNING THE BONDS	19
SECTION 2.1.	Authorization of 2003 Bonds..... 19
SECTION 2.2.	Place, Manner and Source of Payment of Bonds..... 20
SECTION 2.3.	Execution of Bonds..... 20
SECTION 2.4.	Authentication of Bonds 20
SECTION 2.5.	Bonds Are Negotiable Instruments..... 21
SECTION 2.6.	Transfer and Exchange of Bonds; Book-Entry System 21
SECTION 2.7.	Provisions for Bond Register System 22
SECTION 2.8.	Ownership of Bonds 24
SECTION 2.9.	Temporary Bonds..... 24
SECTION 2.10.	Mutilated, Destroyed, Lost or Stolen Bonds..... 24
ARTICLE III	
ISSUANCE OF ADDITIONAL INDEBTEDNESS	25
SECTION 3.1.	Purposes of Additional Parity Indebtedness 25
SECTION 3.2.	Conditions Precedent to the Issuance of Additional Parity Indebtedness..... 25
SECTION 3.3.	Exceptions for Certain Additional Parity Indebtedness..... 27
SECTION 3.4.	Application of Proceeds of Additional Parity Indebtedness 28
SECTION 3.5.	Additional Parity Indebtedness on Parity 29
SECTION 3.6.	Subordinated Indebtedness 29
SECTION 3.7.	Credit Notes 29
ARTICLE IV	
CONSTRUCTION FUND AND COSTS OF ISSUANCE FUND	30
SECTION 4.1.	Establishment of Construction Fund..... 30
SECTION 4.2.	Payments from Construction Fund 30

TABLE OF CONTENTS

(continued)

	Page
SECTION 4.3. Costs of Issuance Fund	31
SECTION 4.4. Sale of Property.....	31
ARTICLE V REVENUES AND FUNDS	32
SECTION 5.1. Pledge of Revenues: Security Interest	32
SECTION 5.2. Revenue Fund; Application of Revenues	32
SECTION 5.3. Special Operating Fund.....	34
SECTION 5.4. Debt Service Fund.....	34
SECTION 5.5. Debt Service Reserve Fund.....	35
SECTION 5.6. Reserve Fund Credit Facility	36
SECTION 5.7. Bond Redemption and Accumulated Surplus Fund.....	38
SECTION 5.8. Rebate Fund	38
SECTION 5.9. Transfer to Bond Redemption and Accumulated Surplus Fund	39
SECTION 5.10. Discontinuation of Funds	40
SECTION 5.11. Additional Funds or Accounts	40
ARTICLE VI SECURITY FOR AND INVESTMENT AND DEPOSIT OF FUNDS.....	40
SECTION 6.1. Deposits and Security Therefor	40
SECTION 6.2. Investment of Funds.....	41
SECTION 6.3. Valuation of Funds.....	41
ARTICLE VII REDEMPTION OF BONDS	42
SECTION 7.1. Bonds Subject to Redemption.....	42
SECTION 7.2. Notice of Redemption	42
SECTION 7.3. Payment of Redemption Price	43
SECTION 7.4. Destruction of Bonds	43
ARTICLE VIII INSURANCE.....	44
SECTION 8.1. Damage or Destruction of the System; Application of Insurance Proceeds.....	44
ARTICLE IX PARTICULAR COVENANTS OF THE AUTHORITY	45
SECTION 9.1. Payment of Bonds and Other Indebtedness	45
SECTION 9.2. No Impairment of Bondholders' Rights	45
SECTION 9.3. Further Action.....	45

TABLE OF CONTENTS

(continued)

	Page
SECTION 9.4. Creation of Liens on Pledged Revenues	45
SECTION 9.5. No Extension of Time for Payment of Interest.....	45
SECTION 9.6. Accounts and Periodical Reports and Certificates.....	46
SECTION 9.7. Authority Budget	46
SECTION 9.8. Engineer	46
SECTION 9.9. Rate Consultant.....	46
SECTION 9.10. Financing Statements	47
SECTION 9.11. Federal Tax Covenants	47
SECTION 9.12. Maintenance of the Financing Agreement.....	47
SECTION 9.13. Issuance of Obligations.....	47
ARTICLE X EVENTS OF DEFAULT AND REMEDIES	48
SECTION 10.1. Events of Default Defined	48
SECTION 10.2. Bonds Declared Due and Payable.....	48
SECTION 10.3. Enforcement of Remedies by Trustee.....	49
SECTION 10.4. Effect of Discontinuance of Action	50
SECTION 10.5. Control of Proceedings	51
SECTION 10.6. Restriction on Bondholders' Action	51
SECTION 10.7. Appointment of Receiver	51
SECTION 10.8. Extension of Maturity of Bonds.....	52
SECTION 10.9. Modifications with Respect to Credit Facilities Pursuant to Supplemental Resolutions.....	52
SECTION 10.10. Priority of Payments After Default.....	52
ARTICLE XI CONCERNING THE TRUSTEE.....	54
SECTION 11.1. Acceptance of Trust; Abrogation of Right to Appoint Trustee.....	54
SECTION 11.2. No Responsibility for Recitals	54
SECTION 11.3. Power to Act Through Agents: Liability Limited.....	54
SECTION 11.4. Compensation; Indemnification.....	54
SECTION 11.5. No Duty to Effect or Renew Insurance.....	55
SECTION 11.6. Notice of Default; Right to Investigate.....	55
SECTION 11.7. Obligation to Act on Defaults	55

TABLE OF CONTENTS

(continued)

	Page
SECTION 11.8. Records	55
SECTION 11.9. Reliance on Requisitions, etc.	55
SECTION 11.10. Trustee May Deal in Bonds	56
SECTION 11.11. Advances to Cure Defaults	56
SECTION 11.12. Construction of Resolution	56
SECTION 11.13. Resignation of Trustee	56
SECTION 11.14. Removal of Trustee.....	56
SECTION 11.15. Appointment of Successor Trustee	57
SECTION 11.16. Qualification of Successor Trustee	57
SECTION 11.17. Instruments of Succession.....	57
SECTION 11.18. Merger of Trustee	58
ARTICLE XII EVIDENCE OF RIGHTS OF BONDHOLDERS	58
SECTION 12.1. Proof from Registered Owners	58
SECTION 12.2. Proof of Writing.....	58
SECTION 12.3. Proof of Bonds Held	58
SECTION 12.4. Presumptions.....	58
ARTICLE XIII SUPPLEMENTAL RESOLUTIONS	59
SECTION 13.1. Supplemental Resolutions Without Bondholders' Consent.....	59
SECTION 13.2. Supplemental Resolutions with Bondholders' Consent.....	60
SECTION 13.3. Effect of Supplemental Resolutions.....	61
SECTION 13.4. Opinion of Counsel as to Supplemental Resolution; Reliance on Counsel	61
SECTION 13.5. Voting Rights of Credit Facility Provider.....	61
ARTICLE XIV DEFEASANCE.....	61
SECTION 14.1. Defeasance	61
SECTION 14.2. Surplus Funds.....	63
ARTICLE XV MISCELLANEOUS PROVISIONS.....	63
SECTION 15.1. Benefit of Covenants.....	63
SECTION 15.2. No Further Beneficiaries.....	63
SECTION 15.3. Waiver of Notice.....	63

TABLE OF CONTENTS
(continued)

	Page
SECTION 15.4. Severability	64
SECTION 15.5. Substitute Notice.....	64
SECTION 15.6. Notices	64
SECTION 15.7. Successors and Assigns.....	65
SECTION 15.8. Headings for Convenience Only	65
SECTION 15.9. Counterparts	65
SECTION 15.10. Payments on Weekends., Holiday	65
SECTION 15.11. No Personal Liability	65
SECTION 15.12. No Indebtedness Created	65
SECTION 15.13. Agreement of the State.....	66
SECTION 15.14. Governing Law	66
SECTION 15.15. Consents	66
SECTION 15.16. Construction of Delivery by Trustee or Tender Agent	66
SECTION 15.17. Action by Authority or Credit Facility Provider	66

GENERAL REVENUE BOND RESOLUTION

WITNESSETH:

WHEREAS, capitalized terms shall have the meaning ascribed to them in this Resolution; and

WHEREAS, the Authority is a body corporate and politic, constituting a public benefit corporation of the State of New York; and

WHEREAS, the Authority is authorized under the Act to issue bonds, notes or other obligations to finance the Cost of any Project, including the acquisition of Projects by the Board from any Municipality, including the City, or for any other corporate purpose, including the establishment of reserves to secure the Bonds, the payment of principal of, premium, if any, and interest on the Bonds and the payment of incidental expenses in connection therewith; and

WHEREAS, the City has sold, transferred and otherwise conveyed the City's title and interest in the System to the Board; and

WHEREAS, pursuant to the Financing Agreement (i) the Authority, among other things, has agreed to use its best efforts to finance all or a part of the Costs of the Project by the issuance of Bonds; and

WHEREAS the Board is authorized under the Act to establish, fix and revise, from time to time, fees, rates or other charges for the use of services furnished, rendered or made available by the System;

WHEREAS, the Authority has determined that the public interest will be best served and that the purposes of the Act can be more advantageously obtained by the Authority issuing bonds, notes and other obligations hereunder in one or more series pursuant to supplemental resolutions from time to time for the purposes authorized by the Act.

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Authority as follows:

In order to secure (i) the payment of principal or redemption price of and interest on all Bonds issued and Outstanding under this Resolution according to their tenor, purport and effect, (ii) all Payment Obligations, (iii) any Subordinated Indebtedness, and (iv) the performance and observance of all the covenants, promises, stipulations, agreements, terms, provisions and conditions contained in the Bonds, any Subordinated Indebtedness and in this Resolution (i), (ii), (iii) and (iv) collectively, the "Secured Obligations"), and for and in consideration of the purchase and acceptance of the Bonds by the Beneficial Owners in the case of Bonds issued pursuant to the Book-Entry System and Registered owners in the case of Bonds issued in certificated form and of the acceptance by the Trustee of the trust hereby created, the Authority, intending to be legally bound, does hereby pledge and grant a security interest unto the Trustee and its successors in the trust and its assigns, in and to the following:

FIRST GRANTING CLAUSE

Subject only to the right of the Authority to apply Revenues to pay Authority Expenses, all right, title and interest of the Authority in and to Revenues.

SECOND GRANTING CLAUSE

All right, title and interest of the Authority in and to the Financing Agreement, provided that the Authority shall have full right to act in its own behalf under the Financing Agreement as long as there shall not have occurred and be continuing an Event of Default hereunder.

THIRD GRANTING CLAUSE

All right, title and interest of the Authority in and to all money and Investment Securities from time to time held by the Trustee in any fund or account created hereunder; provided, however, that money and Investment Securities held in the Rebate Fund established under Section 5.8 hereof shall be applied solely to pay the Rebate Amount to the United States and shall not be available for the payment of any Secured Obligations and any amounts held by the Trustee to pay the purchase price of any Bonds tendered for purchase in accordance with a Supplemental Resolution shall be held exclusively for the benefit of the Registered Owners of such Bonds.

FOURTH GRANTING CLAUSE

Any and all other property rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Authority or any other Person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

FIFTH GRANTING CLAUSE

All rights and privileges of every kind and nature appurtenant to the properties described in First, Second, Third and Fourth Granting Clauses hereof, all proceeds thereof, and all the right, title and claim whatsoever, at law as well as in equity, which the Authority now has or may hereafter acquire in and to the property described in the above Granting Clauses, or any part thereof, whether now owned or hereafter acquired.

TO HAVE AND TO HOLD all and singular the Trust Estate sold, assigned, transferred, pledged and set over by the Authority as aforesaid or intended so to be, unto the said Trustee and its successors and assigns, forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, (i) for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds issued under and secured by this Resolution without privilege, priority or distinction as to the Lien or otherwise of any of the Bonds over any of the other Bonds except as otherwise expressly provided herein, (ii) for the benefit of any and all Credit Facility Providers as their interests may

appear, and (iii) for the benefit of the holder of any Subordinated Indebtedness, expressly as provided herein;

PROVIDED, HOWEVER, that if the Authority shall (i) well and truly pay, or cause to be paid, all Secured Obligations, at the times and in the manner specified therefor according to the true intent and meaning thereof, or shall provide for the payment thereof as permitted hereunder and (ii) well and truly keep, perform and observe all of the Secured Obligations other than Payment Obligations to be kept, performed and observed by it, and (iii) pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments and performance this Resolution and the rights hereby granted, and all interest of the Trustee in the Trust Estate, shall cease, terminate and be void, and the Trustee shall forthwith release, surrender and otherwise cancel any interest it may have in this Resolution, otherwise this Resolution to be and remain in full force and effect; and

PROVIDED, FURTHER, HOWEVER, that if there is in effect a Credit Facility issued concurrently with the delivery of any series of Bonds and being security for such series of Bonds, or any replacement thereof permitted in accordance with any Supplemental Resolution pursuant to which the applicable Bonds were issued and there is not then in existence and continuing a Credit Facility Default with respect to any such Credit Facility, the pledge of the Resolution, to the Trustee as security for the Bonds shall be terminated and of no effect only if each Credit Facility Provider shall so notify the Trustee in writing;

AND IT IS HEREBY COVENANTED AND AGREED by and between the parties hereto, that the terms and provisions upon which the Bonds are to be issued, executed, authenticated, delivered and secured, and the trusts and conditions upon which the Trust Estate is to be held and disposed of, which said trust and conditions the said Trustee hereby accepts and agrees to discharge, are as follows:

ARTICLE I

GENERAL PROVISIONS.

SECTION 1.1. Authority for the Resolution. This Resolution is entered into by virtue of the Act and pursuant to its provisions, and the Authority has ascertained and hereby determines that each and every matter and thing as to which provision is made in this Resolution is necessary in order to further secure the payment of the Secured Obligations and to carry out and effectuate the purposes of the Authority in accordance with the Act.

SECTION 1.2. Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Secured Obligations and, without limitation, the Bonds by the Beneficial Owners in the case of Bonds issued pursuant to the Book-Entry System and Registered Owners in the case of Bonds issued in certificated form from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority, the Trustee and Holders of the Secured Obligations, and, without limitation, the Registered Owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of

their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided herein.

SECTION 1.3. Scope of Resolution. Nothing in this Resolution shall limit the power of the Authority to issue obligations of the Authority outside this Resolution for any lawful purpose of the Authority or from granting liens on the Pledged Revenues which are expressly subordinate to the Lien of this Resolution or from granting liens of any priority on revenues of the Authority which are not Revenues as defined herein.

SECTION 1.4. Construction. (a) In this Resolution (except as otherwise expressly provided or unless the context clearly otherwise requires) the singular includes the plural, the masculine includes the feminine, all definitions and references to documents include all amendments or supplements thereto, and all definitions and references to Persons or entities include their respective successors and assigns.

(b) Words importing the "redemption" "redeemed" or "calling for redemption" of Bonds do not include or connote the payment of Bonds at their stated maturity, or the payment of Bonds upon declaring such Bonds due and payable in advance of their maturity, or the purchase of Bonds.

(c) All references in this Resolution to designated "Articles," "Sections" and other subdivisions of this Resolution are to the designated Articles, Sections or other subdivisions of this instrument as amended from time to time. The words "herein," and "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or other subdivision unless otherwise specified.

SECTION 1.5. Definitions. The following terms whenever used in this Resolution shall have the meanings set forth in this Section except as otherwise expressly provided or unless the context clearly requires otherwise:

"Accountant" means such independent certified public accountant or accounting firm as shall at the time be employed by the Authority for the purpose of performing the functions and duties of the independent certified public accountant under this Resolution or the Act.

"Accreted Value" means at any particular time, the value of any Capital Appreciation Indebtedness used for the purpose of determining any required principal amount for Bondholders' consents or approvals, the amount of Bonds Outstanding, the redemption price of such Indebtedness or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default, all as provided in the Supplemental Resolution authorizing the issuance of any such Capital Appreciation Indebtedness.

"Accrued Debt Service" means for any calendar month, the sum of Accrued Interest and Accrued Principal for that month for all Outstanding Bonds.

"Accrued Interest" means for any calendar month, the interest component of Debt Service Requirements which has accrued or will accrue on any particular series of Outstanding Bonds during that month less (i) any interest component which accrues during such period, which is to be paid from money or Investment Securities or the earnings thereon, which money

or Investment Securities are on deposit in a separate fund or account, such as a capitalized interest sub-account, or are otherwise segregated for such purpose, and (ii) any interest which has accrued but is not due and payable within the twelve (12) month period immediately following such accrual. For purposes of this definition the interest component which has accrued but is not due and payable within the twelve (12) month period immediately following such accrual shall be included as Accrued Interest in twelve (12) equal consecutive monthly installments commencing on the twelfth month preceding the payment date. A Supplemental Resolution authorizing the issuance of Additional Parity Indebtedness, with the consent of each Credit Facility Provider, may modify or amend this definition of Accrued Interest for such Additional Parity Indebtedness.

"Accrued Principal" means for any calendar month, the principal component of Debt Service Requirements which has "accrued" or will "accrue" on a particular series of Outstanding Bonds during that month less any principal component which accrues during such period but is to be paid from money or Investment Securities or the earnings thereon which money or Investment Securities are on deposit in a separate fund or account or are otherwise segregated for such purpose. For purposes of this definition, it shall be assumed that the principal component accrues in twelve (12) equal monthly installments commencing on the twelfth month preceding the date on which payment is due, except that (i) with respect to the principal component of a series of Bonds which is payable more frequently than annually, the principal component shall accrue in equal monthly installments from one payment date to the next; (ii) if the first principal payment date on a series of Bonds is less than twelve (12) months after the issuance of such series of Bonds, the principal component due on such first payment date shall accrue in equal monthly installments from the date of issuance to the first payment date, and (iii) with respect to Balloon Indebtedness, the principal component maturing or payable on one date shall be deemed to accrue in the month in which such component matures or is payable and not in monthly installments prior to such date. In all events, principal shall be determined to accrue in monthly amounts sufficient to assure the full amount due on any principal payment date and to be paid from the Debt Service Fund will be on deposit in the Debt Service Fund on the payment date. If an Event of Default occurs and Bonds have been declared to be due and payable as provided in this Resolution, then, in each calendar month, the entire unpaid principal of all Bonds which have been accelerated shall be deemed to have accrued in that calendar month. A Supplemental Resolution authorizing the issuance of Additional Parity Indebtedness, with the consent of each Credit Facility Provider, may modify or amend this definition of Accrued Principal with respect to such Additional Parity Indebtedness.

"Acquisition Agreement" means the Acquisition Agreement dated as of April 1, 2003 by and between the City and the Board as the same may be from time to time amended and supplemented.

"Acquisition Date" means the date of issuance of the 2003 Bonds.

"Act" means collectively (i) the Niagara Falls Public Water Authority Act, being Title 10-B of Article 5 of the Public Authorities Law as enacted by Chapter 275 of the Laws of 2002 of the State, as it may from time to time be amended, (ii) the Niagara Falls Water Board Act, as enacted by Chapter 325 of the Laws of 2002 of the State, as it may from time to time be

amended, and (iii) any rules or regulations promulgated by the Authority or the Board pursuant to the Act as the same may from time to time be modified or amended.

"Act of Bankruptcy" means with respect to any Person the occurrence of one of the following events: (a) the Person shall become insolvent or shall fail to pay its debts generally as they become due, or shall admit in writing its inability to pay any of its indebtedness; (b) the Person shall file a case under the Federal Bankruptcy Code to be declared a bankrupt or for reorganization; (c) the Person shall consent to, or petition or apply to any authority for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any part of its properties; (d) any such receiver, liquidator, trustee or similar official shall otherwise have been appointed and shall not have been removed, dismissed or stayed within sixty (60) days of such appointment; or (e) insolvency, reorganization, arrangement, or liquidation proceedings (or similar proceedings) shall have been instituted by or against the Person, and if instituted against the Person, shall not have been dismissed within sixty (60) days of being instituted.

"Additional Indebtedness" means any Indebtedness incurred by the Authority and issued hereunder subsequent to the issuance of the 2003 Bonds. Additional Indebtedness may constitute Additional Parity Indebtedness, Subordinated Indebtedness, Credit Notes or any combination thereof.

"Additional Parity Indebtedness" means any Indebtedness of the Authority incurred pursuant to Article III hereof secured by a Lien on the Trust Estate on a parity basis with the 2003 Bonds.

"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 described in subparagraphs (a), (b) or (n) of the definition of Investment Securities held in trust for the payment thereof, which Advance-Refunded Municipal Bonds are rated in the highest rating category by each Rating Agency that, pursuant to the request of the Authority, maintains a credit rating with respect to such Advance-Refunded Municipal Bonds.

"Annual Budget" means the budget or amended budget for a fiscal year, as adopted by the Board in accordance with the Agreement.

"Authority" means the Niagara Falls Public Water Authority, a body corporate and politic constituting a public benefit corporation created and existing under and by virtue of the Act.

"Authority Budget" shall mean the annual budget of the Authority, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in Section 9.7 hereof.

"Authority Expenses" means all reasonable or necessary expenses of the Authority, including all salaries, administrative, general, commercial, engineering, advertising, auditing, accounting and legal expenses, insurance and surety bond premiums, fees paid to banks, insurance companies or other financial institutions for the issuance of Credit Facilities, fees payable to EFC in connection with loans from EFC to Authority, consultants' fees and charges,

payments to pension, retirement, health and hospitalization funds, costs of public hearings and public notices, ordinary and current rentals of equipment and other property, lease payments for real property or interests therein, expenses, liabilities and compensation of any Fiduciary and all other expenses necessary, incidental or convenient for the efficient operation of the Authority.

"Authority Expense Fund" means the fund created pursuant to Article V to pay Authority Expenses.

"Authorized Denominations" means (i) with respect to the 2003 Bonds, a minimum denomination of \$5,000 and integral multiples thereof and (ii) with respect to any Additional Indebtedness, a minimum denomination specified in the Supplemental Resolution under which such Additional Indebtedness is issued.

"Authorized Newspaper" means a newspaper selected by the Trustee printed in the English language and customarily published at least five (5) days each week and generally circulated within the Borough of Manhattan, City and State of New York, and when successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

"Authorized Representative" or "Authorized Officer" means, with respect to the Authority, the Chairperson, Vice Chairperson, Treasurer or Secretary thereof, or any other officer or person authorized to perform specific acts or duties by resolution duly adopted by the Governing Board of the Authority and in the case of any Credit Facility Provider, the President or any Vice President of the Credit Facility Provider, or any other officer authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors, or relevant committee thereof, of the Credit Facility Provider.

"Balloon Indebtedness" shall mean Indebtedness fifty percent (50%) or more of the initial principal amount of which matures or is payable at the option of the holders thereof on the same date, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date. In calculating the Debt Service Requirement for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Balloon Indebtedness.

"Beneficial Owners" means purchasers of Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository.

"Board" means the Niagara Falls Water Board, a body corporate and politic constituting a corporate municipal instrumentality of the State authorized to be created by the Act and created by a special act of the State Legislature.

"Bond" or "Bonds" means the 2003 Bonds and any Additional Parity Indebtedness issued pursuant to this Resolution.

"Bond Anticipation Note" means Indebtedness identified as such pursuant to a Supplemental Resolution.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or any other nationally recognized counsel experienced in matters of municipal law and the tax-exempt status of obligations under the Code, acceptable to the Authority.

"Bondholder," "Holder," "holder" and "Registered Owner" means the Depository or its nominee, if the Book-Entry System maintained by the Depository pursuant to Section 2.6 is in effect, or the person in whose name any Bond is registered in the Bond Register System maintained by the Trustee pursuant to Section 2.7 hereof.

"Bond Redemption and Accumulated Surplus Fund" means the fund so designated which is created by Section 5.7 hereof.

"Bond Register System" means a system of Ownership and transfer of Bonds registered on the registration books of the Authority kept for that purpose by the Trustee, as Bond register.

"Book-Entry System" means a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds.

"Business Day" or "business day" means any day (other than Saturday or Sunday) during which (i) commercial banks located in the State or in any of the cities in which the Principal Office of the Trustee or the office of any then current Credit Facility Provider at which a draw or claim on the Credit Facility is to be made are located are not required or authorized by law to close; and (ii) The New York Stock Exchange, Inc. is not closed.

"Capital Appreciation Indebtedness" means any Additional Indebtedness with a stated value at maturity, the interest on which is not payable until maturity or earlier redemption. In calculating the Debt Service Requirement in any Fiscal Year for Capital Appreciation Indebtedness for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Capital Appreciation Indebtedness.

"Code" means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations promulgated under such section, (ii) any successor provision of similar import hereafter enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, (iv) the regulations prescribed under the provisions described in (ii) and (iii), and (v) any published revenue rulings applicable thereto.

"Construction Fund" means the fund so designated which is established pursuant to Section 4.1 of this Resolution.

"Cost" or "Costs" or "Costs of the Project" means "Cost" as defined in the Financing Agreement.

"Costs of Issuance" means any costs relating to the issuance of Bonds of any series of Bonds, including, without limitation, costs pertaining to credit enhancement, underwriting or placement fees, expenses and discounts, attorneys' fees and expenses, printing and advertising expenses, fees and expenses of consultants and governmental or administrative fees and expenses.

"Counsel" means an attorney at law or law firm (who may be counsel for the Authority, the Trustee or a Credit Facility Provider).

"City" means the City of Niagara Falls, Niagara County, New York, a municipal corporation of the State of New York, or its successors or assigns.

"Credit Agreement" means any agreement pursuant to which a Credit Facility is issued or provided for.

"Credit Facility" or "Credit Facilities" means any credit enhancement, guaranty, letter of credit, insurance policy, surety bond, standby bond purchase agreement or other credit facility or liquidity facility, and any extension or renewal thereof which is delivered to the Trustee as security or liquidity for the payment of the principal or purchase price of or interest on any series of Bonds or any portion thereof, and includes any Reserve Fund Credit Facility.

"Credit Facility Bonds" means those Bonds which are purchased from funds drawn under a Credit Facility by the Trustee during the period of time that such Bonds are not remarketed and are held by or for the account of any Credit Facility Provider.

"Credit Facility Default" means either (i) failure by the Credit Facility Provider to pay any claim or draw under the Credit Facility when due in accordance with its terms or (ii) Act of Bankruptcy of the Credit Facility Provider.

"Credit Facility Provider" means the provider of any Credit Facility, and includes any Reserve Fund Credit Facility Provider.

"Credit Note" means the promissory note or other instrument or agreement evidencing or setting forth the Authority's obligations to a Credit Facility Provider pursuant to a Credit Agreement.

"Debt Service Fund" or "Reserve Fund" means the fund which is established pursuant to Section 5.4 of this Resolution.

"Debt Service Requirements" means, with reference to any specified period, the amounts required to be paid by the Authority to the Trustee for the holders of all Indebtedness (or any trustee or paying agent for such holders) in respect of the principal of all Indebtedness (including mandatory redemptions or prepayments) and the interest thereon, and the amounts required to be paid by the Authority as lease rentals in respect of Indebtedness in the form of capitalized leases provided that, for the purposes of the foregoing:

(a) The amount deemed payable by the Authority in respect of interest on any Indebtedness shall not include interest funded and available from the proceeds thereof, any

interest subsidy or corpus allocation percentage reasonably anticipated by the Authority to be available under any Project Financing and Loan Agreement, or similar agreement, executed with the New York State Environmental Facilities Corporation, or any successor thereof or any similar State agency or instrumentality, or, upon initial issuance, any accrued interest; and

(b) The amount deemed payable by the Authority in respect of the principal of and interest on any Balloon Indebtedness, Capital Appreciation Indebtedness, or Variable Rate Indebtedness shall be calculated and, to the extent required, recalculated as provided in this Resolution.

"Debt Service Reserve Fund" means the fund so designated which is established pursuant to Section 5.5 of this Resolution.

"Debt Service Reserve Requirement" means with respect to a particular date, the lesser of: (a) the maximum annual Debt Service Requirements with respect to the Outstanding Bonds in the then current and all future Fiscal Years (for the purposes of which calculation any Variable Rate Indebtedness shall be calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued); (b) 125% of the average annual Debt Service Requirements with respect to the Outstanding Bonds in the then current and all future Fiscal Years (for the purposes of which calculation any Variable Rate Indebtedness shall be calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued); and (c) the maximum amount that may be held in the Debt Service Reserve Fund, in the opinion of Bond Counsel to the Authority, with respect to a series of Bonds intended to be tax-exempt without adversely affecting the Tax-Exempt status of such Bonds. The Debt Service Reserve Requirement may be satisfied in whole or in part by a Reserve Fund Credit Facility. For purposes of calculating the Debt Service Reserve Requirement, the cost of any applicable Credit Facility shall be included as if it were interest on the Bonds of the related series of Bonds.

"Depository" means The Depository Trust Company, New York, New York, or any other entity performing substantially the same function under a Book-Entry System, and any successor depository designated pursuant to Section 2.6 hereof.

"Disbursement Request" means a request for disbursement from the Construction Fund made in accordance with Section 4.2 hereof.

"Eastern Time" means the prevailing local time in the City of New York, New York.

"EFC" means the New York State Environmental Facilities Corporation.

"Engineer" means such engineer or firm of engineers of recognized standing having skill and experience with respect to the design, construction or operation of a facility similar to and having like characteristics as the System, registered in the State as shall be at the time employed by the Authority for the purpose of performing the function and duties of an engineer under this Resolution or the Act, and selected in consultation with the Board and not unsatisfactory to the Trustee or any Credit Facility Provider. Except as otherwise expressly provided herein, the Engineer shall be Independent of the Authority.

"Event of Default" means any of the events described in Section 10.1 of this Resolution.

"Federal Bankruptcy Code" means Title 11 of the United States Code.

"Financing Agreement" or "Agreement" means the Financing Agreement dated as of April 1, 2003 entered into pursuant to the Act, by and between the Authority and the Board as the same may be from time to time amended and supplemented.

"First Supplemental Resolution" means the Supplemental Resolution by and between the Authority and the Trustee that is supplemental hereto and relates to the 2003 Bonds.

"Fiscal Year" means the period of twelve months beginning January 1 of each year and ending on December 31 of that year, or any other twelve (12) month period adopted hereafter from time to time by the Authority and the Board as its fiscal year for accounting purposes; provided, further, that the first Fiscal Year of the Board and the Authority shall commence on the date of issuance of the 2003 Bonds and shall end on December 31, 2003.

"Fitch" means Fitch Ratings, New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or any Remarketing Agent.

"Generally Accepted Accounting Principles" shall mean those accounting principles applicable in the preparation of financial statements of municipalities, authorities, or corporations as appropriate, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

"Governing Board" means the members of the Authority constituting and acting as the governing body of the Authority.

"Government Obligations" means United States Treasury bills or other interest-bearing direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the principal and interest of which are unconditionally guaranteed as to full and timely payment by, the United States of America, but not mutual funds (including unit investment trusts) investing in such obligations other than money market funds that are rated in the highest category by Moody's, S & P and Fitch.

"Indebtedness" means, as to the Authority, at a particular time, all items which would, in conformity with Generally Accepted Accounting Principles, be classified as liabilities on a balance sheet of the Authority at such time, but in any event including without limitation (a) indebtedness arising under acceptance facilities or in respect of all letters of credit issued for the account of the Authority and, without duplication, all drafts drawn thereunder, (b) obligations under leases which have been, or under Generally Accepted Accounting Principles are required to be, capitalized, and (c) all indebtedness secured by (or for which the holder of such indebtedness has the right to be secured by) any mortgage, deed of trust, pledge, security interest or other lien, charge or encumbrance upon property owned or acquired subject to such mortgage, deed of trust, pledge, security interest, lien, charge or encumbrance, whether or not the liabilities secured thereby have been assumed. Indebtedness shall not in any event include (a) current

obligations payable from current revenue, including current payments for the funding of pension or other employee benefit plans (which shall be considered Operating Expenses) but shall include the current portion of Indebtedness classified as a current obligation under Generally Accepted Accounting Principles; (b) obligations under contracts for supplies, services and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pension benefits paid (which shall be considered Operating Expenses in such future years); and (c) rentals payable in future years under leases, other than leases properly capitalized under Generally Accepted Accounting Principles (which shall be considered Operating Expenses in such future years).

"Independent" means a Person who is not an officer, director or employee of a Credit Facility Provider or a member, officer or employee of the Authority or the Board; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the Board or the Credit Facility Provider shall not make such Person an employee within the meaning of this definition.

"Interest Payment Date" means for Bonds of a series of Bonds the date on which interest on such Bonds is payable according to the Supplemental Resolution pursuant to which such Bonds were issued.

"Investment Securities" means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from either Government Obligations or obligations of the Resolution Trust Company, which interest coupons are guaranteed by the United States of America;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following: Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, 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, or Federal Land Banks, or of the Resolution Trust Company;
- (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 government 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 any successor federal deposit insurance corporation or entity 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 which either (A) has an

unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-111" or "A-" or better by S & P or (B) is the lead bank of a parent bank holding company with an unsecured, uninsured and unguaranteed obligation meeting the rating requirements in (e)(ii)(A) above, 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 or investment agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above or (1) or (m) below, to the extent that any municipal bonds are rated in the highest rate category of one or more Rating Agency, with any registered broker/dealer subject to the Securities Investors' Protection Corporation or that is an approved Federal Reserve Bank primary dealer or with any commercial bank (including the Trustee), provided that (1) a specific written repurchase agreement or investment agreement governs the transaction, (2) the securities, free and clear of any lien, are held 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) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350. et seq., in such securities is created for the benefit of the Trustee, (4) 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 two (2) Business Days of such valuation, or, in the case of a repurchase agreement, the agreement has a term of thirty (30) days or less, (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligation or the payment obligation, depending on whether it is a repurchase agreement or an investment agreement, including principal and interest, is equal to at least 100% and (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement;

(g) Uncollateralized investment agreements issued or guaranteed by entities with debt obligations of comparable or longer maturity that are rated "Aa3" or better by Moody's and "AA-" or better by S & P;

(h) Money market funds rated "Am" or "Am-G" or better by Moody's and S & P;

(i) Commercial paper rated "Prime-1" or better by Moody's and "A-1" or better by S & P;

(j) Obligations rated "A3" or better by Moody's and "A-" or better by S & P;

(k) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c) and (d) above; provided, however, that investment in obligations described in this clause (k) shall not exceed \$500,000;

(l) Advance-Refunded Municipal Bonds;

(m) Tax-Exempt Obligations that are rated "A-3" or better or V-MIG 1 by Moody's and "A-" or better or A-1 by S & P, or shares of investment companies that invest only in such obligations;

(n) Certificates that evidence ownership of the right to payments of principal of or interest on Government Obligations, provided that (1) such obligations shall be held in trust by a bank or trust company or national banking association meeting the requirements for a successor Trustee under this agreement, (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations, and (3) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated; and

(o) The Trustee's "cash sweep account" or other short term investment fund of the Trustee, the assets of which consist of other Investment Securities defined above.

"Lien" means any sale, transfer, assignment, disposition, mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, excluding Permitted Encumbrances.

"Local Water Fund" shall mean the special fund by that name established by the Act in the custody of the Board.

"Moody's" means Moody's Investors Service, Inc., New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or any Remarketing Agent.

"Municipality" means any county, city, town, village, or improvement district under the Town Law of the State, any other such instrumentality, including any agency, or public corporation of the State, or any of the foregoing or any combination thereof.

"Non-Purpose Obligations" shall have the meaning given such term under Section 1.148-1(b) of the Income Tax Regulations of the United States Department of the Treasury.

"Officer's Certificate" means a certificate or statement signed by an Authorized Representative or Authorized Officer of the Authority, or, as the context may require, of the Credit Facility Provider.

"Operating Expenses" shall mean all reasonable or necessary current expenses of the Board for operating, maintaining, repairing, and managing the System, including all salaries, administrative, general, commercial, architectural, engineering, advertising, public notices, auditing, billing, collection and enforcement and legal expenses, insurance and surety bond premiums, consultants fees and charges, payments to pension, retirement, health and hospitalization funds, any taxes or assessments which may lawfully be imposed on the System or the income or operation thereof, costs of public hearings, ordinary and current rentals of equipment or other property, lease payments for real property or interest therein, usual expenses

of maintenance and repair (including replacements), expenses, liabilities and compensation of the Bank or any other depository of Board funds, the amount of any judgment or settlement arising out of a tort claim related to the ownership, construction, repair, administration, operation or maintenance of the System, payments to independent contractors of the Board related to the operation, maintenance, repair (including replacements), administration and management of the System and all other expenses necessary, incidental or convenient for the operation of the System, but only to the extent properly attributable to the Board or the System, including but not limited to all amounts payable pursuant to Section 6.1(B) of the Operation Agreement.

"Operating Revenues" means for any period the Revenues of the Board derived from the operation of the System, excluding any extraordinary gain or loss resulting from the extinguishment of Indebtedness, the sale of capital assets, the proceeds of insurance claims, except business interruption insurance, and settlements and of condemnation awards or payments in lieu thereof, and the proceeds of any Indebtedness, all determined in accordance with Generally Accepted Accounting Principles.

"Operation Agreement" means the Operation Agreement dated as of April 1, 2003 entered into pursuant to the Act, by and between the Board, the Authority and the City, as the same may be from time to time amended and supplemented.

"Outstanding," when used with reference to a series of Bonds, shall, subject to the provisions of the Resolution, mean as of any particular time all of the Bonds authenticated and delivered by the Trustee under the Resolution, except:

(a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which money in the necessary amount shall have been deposited with the Trustee, and with respect to Bonds to be redeemed prior to maturity, notice of such redemption shall have been given or provided for as provided in the Resolution;

(c) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of the Resolution; and

(d) Bonds which are deemed to have been paid pursuant to the provisions of Article XIV hereof.

"Paying Agent" shall mean the Trustee or any other or successor Paying Agent appointed in accordance with any Supplemental Resolution.

"Payment Date" or "payment date" means, (a) with respect to payments of principal or interest on the 2003 Bonds or any Additional Indebtedness, including upon the redemption of any of the same, such dates as may be specified in the applicable Supplemental Resolution and (b) in the case of payments to Bondholders after the occurrence of an Event of Default, such other date or dates as the Trustee shall establish for the payment of principal or interest.

"Payment Obligations" means all amounts due and owing to a Credit Facility Provider under a Credit Agreement.

"Permitted Encumbrances", when used with reference to the System, shall mean (A) any and all liens, encumbrances, security interests or other defects in or clouds on the title which may exist on the Acquisition Date, (B) utility, access and other easements, rights of way and exceptions which do not materially impair the operation or maintenance of the System or the Revenues therefrom, (C) mechanics', materialmen's, warehousemen's, carriers' and other similar liens, to the extent permitted by law, and liens for taxes at the time not delinquent or being contested, and (D) any lien or security interest which the Board grants with the written consent of the Authority.

"Person" shall mean any natural person, firm, trustee, executor, personal representative, partnership, association, limited partnership, limited liability company, limited liability partnership, joint venture or corporation, or other legal entity whatsoever, including a public corporation as defined pursuant to Article Two-A of the General Construction Law. The masculine gender shall include the feminine, the singular shall include the plural where indicated by the context.

"PILOT Payments" means those payments in lieu of taxes to be paid by the Board as set forth in the Financing Agreement.

"PILOT Payment Account" means the account by that name established by the Board pursuant to Section 4.2(A) of the Financing Agreement.

"Pledged Revenues" means all Revenues which have been pledged to the Trustee under this Resolution by the Granting Clauses hereof, whether or not they are held by the Trustee or its agent.

"Prime Rate" means the rate of interest publicly announced from time to time in The Wall Street Journal as the "prime rate" for major commercial banks, with the Prime Rate for any given calendar month being calculated by using the Prime Rate in effect as of the first day of such month.

"Principal Installment" means for any Fiscal Year and any series of Bonds, the principal amount thereof payable including principal subject to mandatory redemption pursuant to Section 5.5 hereof.

"Principal Office," when referring to the Trustee or any Paying Agent, means the office where any such institution maintains its principal corporate trust office, and when referring to a Credit Facility Provider means the office at which a demand for payment must be made.

"Project" means any project as such term is defined in the Act.

"Project Budget" means a statement, and any amendments thereof, of the estimated Costs of a Project, as set forth in an Officer's Certificate of the Board, setting forth the Costs in such categories and reasonable detail as shall be determined by the Board.

"Rate Consultant" means an Independent Accountant or firm of independent accountants, a management consultant or firm of management consultants, or independent engineer or firm of independent engineers (and who may be then serving as the Engineer) selected by the Board in consultation with the Authority.

"Rate Covenant" means the covenant of the Board contained the Financing Agreement to establish and collect rates, rents, fees and other charges in each Fiscal Year so that Revenues collected in such Fiscal Year, together with other available funds, will be at least equal to certain specified amounts as therein provided.

"Rating Agencies" means S & P, Fitch, or any other nationally recognized credit rating agency, to the extent that such entity then maintains a credit rating with respect to the relevant security.

"Rebate Amount" means all interest income and profits earned on the investment of the proceeds of Tax-Exempt Bonds which is required to be paid to the United States under Section 148 (f) of the Code, calculated and determined in accordance with the Regulations in effect from time to time under that Section.

"Rebate Fund" means the separate fund created under Section 5.8 hereof.

"Record Date" means, as the case may be, (i) the Record Date for payment of the purchase price, principal of or interest on a series of Bonds as provided in the Supplemental Resolution pertaining to such series of Bonds or (ii) the record date established by the Authority in accordance with Section 13.2 hereof for obtaining consents from bondholders.

"Refundable Principal Installment" means the principal component of Bonds which are to be refunded by the Authority.

"Registered Owner" means the Depository or its nominee, if the Book-Entry System maintained by the Depository pursuant to Section 2.6 is in effect, or the person in whose name any Bond is registered, if the Bond Register System maintained by the Trustee pursuant to Section 2.7 hereof is in effect.

"Remarketing Agent" means the person or entity appointed as such under any Supplemental Resolution with respect to the Bonds of the series of Bonds authorized thereunder.

"Reserve Fund Credit Facility" means the letter of credit, insurance policy or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of Section 5.6 hereof, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

"Reserve Fund Credit Facility Provider" means any provider of a Reserve Fund Credit Facility.

"Resolution" means this instrument, together with all modifications hereof and amendments and supplements hereto.

"Revenues" shall mean (a) all rates, rents, fees, charges, payments, fines and other income and receipts derived by the Board from Users of the System, (b) all monies derived from investments, including but not limited to, interest earnings and proceeds of insurance, condemnation, sale or other disposition of the System or any part thereof received by the Board (other than the proceeds of insurance with respect to the damage or destruction of all or any portion of the System), together with all operating aid with respect to the System from any governmental entity, Federal, State or local, to the Board, (c) amounts from the use of water, wastewater or stormwater to generate electricity, (d) any amounts from the granting of easements, licenses, rights of way or other interests in property constituting a part of the System, (e) revenues from any other source however described or derived; but shall not include (1) amounts required to be refunded because of billing or payment errors, and (2) any amount attributable to any of the foregoing sources described in clause (a) which is expressly excluded by the Financing Agreement.

"Revenue Fund" means the fund so designated which is described in Section 5.2 of this Resolution.

"Secured Obligations" means the various obligations secured by this Resolution as described in the granting clauses hereto.

"S & P" means Standard & Poor's Ratings Services, a Division of McGraw Hill Companies, Inc., its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or the remarketing agent, if any.

"Second Supplemental Resolution" means Supplemental Resolution by and between the Authority and the Trustee that is supplemental hereto and relates to the 2003 Bonds.

"Sinking Fund Installments" means for any Fiscal Year and any series of Bonds, the principal amount thereof subject to mandatory redemption pursuant to Section 5.5 hereof.

"Special Operating Fund" means the fund so designated which is described in Section 5.3 of this Resolution.

"State" means the State of New York.

"Stated Amount" means the amount set forth in any Credit Facility as the maximum amount the Trustee is permitted to draw from said Credit Facility, in respect of both principal and interest, as such amount is reduced and reinstated from time to time in accordance with the terms of the Credit Facility.

"Subordinated Indebtedness" means any Indebtedness of the Authority secured by a Lien on the Pledged Revenues that is by its terms expressly subordinated to the Lien on the Pledged Revenues securing the Bonds.

"Subordinated Indebtedness Fund" means any fund so designated as established pursuant to a Supplemental Resolution to pay Subordinated Indebtedness.

"Supplemental Resolution" means any Resolution amending, modifying or supplementing this Resolution made, signed and becoming effective in accordance with the terms hereof.

"System" means the entirety of all water, wastewater and stormwater Facilities and Properties of the Board or the Authority as so defined and described in the Acquisition Agreement.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government or public instrumentality, including Bonds, that such interest is excluded from gross income for federal tax purposes (other than for an owner who is a "substantial user" of the project being financed or a "related person" within the meaning of Section 147(a) of the Code), whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code. The Trustee may conclusively rely on an opinion of Independent Counsel experienced in the field of Tax-Exempt obligations to the effect that a particular series of Bonds is Tax-Exempt.

"Tender Agent" means the person or entity designated as such in a Supplemental Resolution.

"Trust Estate" means the revenues, receipts, property, and rights and interests of the Authority which are subject to the Lien of this Resolution.

"Trustee" means Manufacturers and Traders Trust Company, in its capacity as trustee under this Resolution, or its successors in the trust.

"2003 Bonds" means the Authority's original principal amount of System Revenue Bonds, 2003 issued pursuant to this Resolution as further provided in the First and Second Supplemental Resolution.

"Variable Rate Indebtedness" means any Bond, the rate of interest on which is subject to change prior to maturity and which cannot be determined in advance of such change, including but not limited to Bonds in a commercial paper mode. In calculating the Debt Service Requirement for purposes of compliance with Additional Parity Indebtedness requirements, such Variable Rate Indebtedness shall be deemed to be Indebtedness bearing interest calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued. Any ongoing liquidity activity charges and remarketing agent fees imposed in connection with such Variable Rate Indebtedness shall be deemed to be Operating Expenses.

The words "hereof," "herein," "hereto," "hereby" and "hereunder" (except in the form of Bond) refer to the entire Resolution.

SECTION 1.6. Form of Documents. Every "request," "order," "demand," "application," "requisition," "appointment," "notice," "statement," "certificate," "consent," or similar action hereunder by the Authority, unless the form thereof is specifically provided, shall be in writing signed by an Authorized Representative or Authorized Officer.

ARTICLE II

CONCERNING THE BONDS.

SECTION 2.1. Authorization of 2003 Bonds. (a) There shall be initially issued hereunder the 2003 Bonds, as more particularly described in the First and Second Supplemental Resolution. The 2003 Bonds (or any amendment, modification, replacement, reissuance or refunding of the 2003 Bonds) shall each be issued for such purposes, shall be in such form and denomination, shall bear such dates, shall be numbered, shall mature and bear interest and shall have such other terms and provisions (including the application of any Credit Facility) permitted under the Act and not contrary to the terms of this Resolution as shall be provided in the First and Second Supplemental Resolution.

(b) Additional Parity Indebtedness may also be issued under this Resolution pursuant to and subject to the terms and conditions of Article III hereof. The Additional Parity Indebtedness shall be issued in such aggregate principal amounts, for such purposes, shall be in such form and denomination, shall bear such dates, shall be numbered, shall mature and bear interest and shall have such other terms and provisions (including the application of any Credit Facility) permitted under the Act and not contrary to the terms of this Resolution (including particularly but without limitation this Article II and Article III of this Resolution) as shall be provided in the Supplemental Resolution executed in connection with the issuance thereof.

(c) Bonds may also be issued under this Resolution in exchange for bonds issued by the City to EFC relating to the System.

(d) Bonds may also be issued under this Resolution pursuant to Section 2.10 hereof in lieu of Bonds theretofore issued which have been mutilated, lost, destroyed or stolen.

SECTION 2.2. Place, Manner and Source of Payment of Bonds. The principal of and interest on the Bonds issued and to be issued hereunder, and the redemption premium, if any, payable thereon in case of redemption, shall be payable as may be designated in the particular Bond issued or to be issued hereunder, in lawful money of the United States of America.

Interest on Bonds of each series of Bonds shall be payable at the rates and in the manner specified herein and in the Supplemental Resolution authorizing such series of Bonds and shall accrue from the dated date of such Bonds and be payable in arrears. The interest on Bonds shall be paid by check or draft of the Trustee mailed on the relevant Interest Payment Date to the Registered Owner of the Bond as of the close of business on the relevant Record Date. Interest on any Bonds may also be payable by wire transfer to any Registered Owner of such Bonds in the principal amount of \$1,000,000 or more as of the close of business on the Record Date next preceding any Interest Payment Date at a wire destination in the continental United States provided such owner submits to the Trustee a written request therefor at least five (5) days before the Record Date for such payment.

The principal amount of the Bond and any redemption premium shall be paid to the Registered Owner thereof upon the surrender of the Bond at the principal corporate trust office of the Trustee.

SECTION 2.3. Execution of Bonds. All Bonds issued hereunder shall be executed in the name of the Authority by the manual or facsimile signature of its Chairperson or Vice Chairperson, and an actual impression or facsimile of the corporate seal shall be thereunto affixed and attested by the manual or facsimile signature of its Secretary (or in either case such other officer as may be designated by the Authority). Any such Bonds may be authenticated, issued and delivered notwithstanding that one or more of the officers signing such Bonds or whose facsimile signature shall be upon such Bonds or any thereof, shall have ceased to be such officer or officers at the time when such Bonds shall actually be delivered, and although at the nominal date of the Bonds any such person shall not have been such officer of the Authority.

SECTION 2.4. Authentication of Bonds. No Bonds shall become valid or obligatory for any purpose until such Bonds shall have been authenticated by the Trustee, and such

authentication by the Trustee upon any Bond shall be conclusive evidence and the only evidence that the Bond so authenticated has been duly authenticated pursuant to the written direction of the Authority and delivered hereunder and that the Registered Owner thereof is entitled to the benefit of the trust and lien hereby created.

SECTION 2.5. Bonds Are Negotiable Instruments. The Bonds shall have the qualities of negotiable instruments under the merchant law and the negotiable instruments law of the State, as well as the Uniform Commercial Code as adopted by the State, subject to the provisions for registration and transfer contained in Section 2.6 and in the Bonds.

SECTION 2.6. Transfer and Exchange of Bonds; Book-Entry System. (a) Except as provided in this Section 2.6 or in Section 2.7, each series of Bonds shall be subject to the Book-Entry System of ownership and transfer. Each series of Bonds subject to the Book-Entry System of ownership and transfer shall initially be evidenced by one certificate for each maturity, in an amount equal to the aggregate principal amount thereof. The Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for the Depository. The Bonds subject to the Book-Entry System of ownership and transfer may not thereafter be transferred or exchanged on the registration books of the Authority held by the Trustee as bond registrar except:

- (i) to any successor Depository designated pursuant to (b) below;
- (ii) to any successor nominee designated by a Depository; or
- (iii) if the Authority shall, by resolution, elect to discontinue the Book-Entry System pursuant to (b) below, the Authority will cause the Trustee to authenticate and deliver replacement Bonds in fully registered form to such persons, and in such authorized denominations, as may be designated by the Depository, but without any liability on the part of the Trustee or the Authority for the accuracy of such designation; thereafter the provisions of Section 2.7 below regarding registration, transfer and exchange of Bonds shall apply.

(b) Upon the resignation of any institution acting as Depository hereunder, or if the Authority determines that continuation of any institution in the role of Depository is not in the best interests of the Beneficial Owners or the Authority, the Authority will attempt to identify another institution qualified to act as Depository hereunder. If the Authority is unable to identify such successor Depository prior to the effective date of the resignation, the Authority shall, by resolution, discontinue the Book-Entry System, as provided in (a)(iii) above with respect to the applicable series of Bonds.

(c) So long as the Book-Entry System is used for Bonds of a series of Bonds, the Authority and the Trustee shall treat the Depository (or its nominee) as the sole and exclusive owner of such Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of such Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, except as may otherwise be provided by law; and neither the Authority nor the Trustee shall be affected by any notice from

any Person other than the Depository (or its nominee) to the contrary. None of the Authority, any Credit Facility Provider or the Trustee shall have any responsibility or obligation to any participant in the Depository, any Person claiming a beneficial ownership interest in Bonds subject to the Book-Entry System of ownership and transfer under or through the Depository or any such participant, or any other Person which is not shown on the registration books of the Trustee as being a Bondholder, with respect to: (A) such Bonds; or (B) the accuracy of any records maintained by the Depository or any such participant; or (C) the payment by the Depository or any such participant of any amount in respect of the principal or redemption price of or interest on such Bonds; or (D) any notice which is permitted or required to be given to Bondholders under this Resolution; or (E) the selection by the Depository or any such participant or any person to receive payment in the event of a partial redemption of such Bonds; or (F) any consent given or other action taken by the Depository as Bondholder. The Trustee shall cooperate with the Depository in connection with any consent given or other action taken by the Depository as Bondholder if and to the extent the Depository has delegated by proxy such consent or action to other Persons.

(d) Notwithstanding the payment provisions contained in the forms of Bonds subject to the Book-Entry System of ownership and transfer, so long as such Bonds or any portion thereof are registered in the name of the Depository or any nominee thereof, all payments of the principal or redemption price of or interest on such Bonds shall be made to the Depository or its nominee in New York Clearing House or equivalent next day funds on the dates provided for such payments under this Resolution, except as provided in a Supplemental Resolution. Each such payment to the Depository or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal or redemption price of or interest on such Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds subject to the Book-Entry System of ownership and transfer Outstanding, the Trustee shall not require surrender by the Depository or its nominee of the Bonds so redeemed, but the Depository (or its nominee) may retain such Bond certificate as to the amount of such partial redemption; provided that, in each case the Trustee shall request, and the Depository shall deliver to the Trustee, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee shall be conclusive as to the amount of the Bonds of such series and maturity which have been redeemed.

(e) So long as the Bonds subject to the Book-Entry System of ownership and transfer or any portion thereof are registered in the name of the Depository or any nominee thereof, all notices required or permitted to be given to the Bondholders under this Resolution shall be given to the Depository.

SECTION 2.7. Provisions for Bond Register System. The Bonds or any series of Bonds may be subject to a Bond Register System of ownership and transfer if so designated by the Authority in the Supplemental Resolution authorizing such series of Bonds or as provided in Section 2.6. A Supplemental Resolution may provide that Bonds of the Series of Bonds authorized thereby will be subject to a Book-Entry System of ownership only at particular times or from time to time. If the Book-Entry System shall be discontinued for any series of Bonds, the conversion to a Bond Register System for each such series of Bonds shall be effected pursuant to arrangements for the surrender of a single Bond for the applicable series of Bonds by the Depository and the issuance of Bonds of such series to Registered Owners that are

reasonably satisfactory to the Trustee, which arrangements shall be communicated by the Trustee to the Depository on behalf of the Beneficial Owners. The conversion shall become effective hereunder and binding upon the Authority, the Trustee and all Registered Owners and Beneficial Owners at such time as may be specified in a Supplemental Resolution authorizing such series of Bonds or as specified in a resolution of the Authority. The general provisions of such Bond Register System, after conversion from the Book-Entry System, are as follows.

Any Bond may be transferred at the principal corporate trust office of the Trustee by the Registered Owner in person or by his attorney duly authorized in writing, and thereupon, the Authority shall execute in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new Bond or Bonds, of the same series, of the same maturity, and for the same aggregate principal amount registered in such name or names as shall be requested. The Trustee shall register any transfer and shall deliver an appropriately registered and authenticated Bond or Bonds within five business days of the receipt of the Bond or Bonds to be transferred and such other necessary documentation.

All Bonds shall be exchangeable for like Bonds of the same series of Bonds but different Authorized Denominations, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided. The Registered Owner of any Bond or Bonds, desiring to exchange such Bond or Bonds, shall present such Bond or Bonds, accompanied by appropriate instruments of transfer, at the principal corporate trust office of the Trustee, together with a written request for exchange, in form approved by the Authority, setting forth the denomination or denominations thereof and the person or persons in whose name such Bond or Bonds are to be registered. Thereupon, the Trustee shall authenticate and deliver to the Registered Owner thereunto entitled a new Bond or new Bonds of the same series of Bonds in authorized denominations aggregating the principal amount of the Bond or Bonds surrendered, maturing as to principal on the same date or dates, bearing the same rate of interest and bearing the same designation as to series.

Except as may be set forth in a Supplemental Resolution with respect to a series of Bonds, Bonds issued in exchange for or upon the registration of transfer of Bonds on or after the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of delivery thereof by the Trustee, except that (a) if such date of delivery shall be an Interest Payment Date thereof, said Bonds shall be dated as of such date of delivery, or (b) if there shall be no Interest Payment Date thereof preceding such date of delivery, then notwithstanding any of the foregoing provisions of this section, such Bonds shall be dated the date of Bonds of such series upon their original issuance, or (c) if such date of delivery is on or after a Record Date and before the next succeeding Interest Payment Date, such Bonds shall be dated the date of such next succeeding Interest Payment Date, or (d) if interest on such Bonds shall not have been paid in full in accordance with its terms, then, notwithstanding any of the foregoing provisions of this Section, such Bonds shall be dated as of the date to which interest has been paid in full on such Bonds.

Registration, transfer and exchanges of Bonds authorized under this Article shall be without expense to the Registered Owners of such Bonds, except that any taxes or other governmental charges shall be paid by the Registered Owner requesting any such transaction, as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to issue or transfer any Bonds during a period beginning at the opening of business on the fifth day (whether or not a business day) next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is given or to transfer any Bonds which have been selected or called for redemption in whole or in part.

All Bonds executed, authenticated and delivered in exchange for Bonds surrendered or upon the transfer of registered Bonds shall be valid obligations of the Authority, evidencing the same debt as the Bonds surrendered, and shall be secured by the lien of this Resolution to the same extent as such surrendered Bonds.

SECTION 2.8. Ownership of Bonds. The Authority, the Trustee and any Paying Agent designated in any Bond may treat the Registered Owner of the Bond as the absolute owner of such Bond for all purposes whether or not such Bond shall be overdue, and neither the Authority, the Trustee nor any Paying Agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the Registered Owner of any Bond shall be conclusive and binding upon such Registered Owner, his heirs, successors or assigns, and upon all transferees of such Bond whether or not notation of such consent, waiver or other action, shall have been made on such Bond or on any Bond issued in exchange therefor or upon registration or transfer thereof.

SECTION 2.9. Temporary Bonds. Until Bonds of a series of Bonds in definitive form are ready for delivery, the Authority may execute, and upon its request in writing the Trustee shall authenticate and deliver in lieu of any thereof, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds of such series of Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form may be for the amount of any authorized denomination or any multiple thereof, as the Authority may determine. Until exchanged for Bonds of the same series of Bonds in definitive form such Bonds in temporary form shall be entitled to the lien and benefit of this Resolution. Unless otherwise agreed with the Registered Owner of such temporary Bond, the Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee, and thereupon, upon the presentation and surrender of any Bond or Bonds in temporary form, the Trustee shall authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form of the same series and the same maturity for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made by the Authority at its own expense and without making any charge therefor. Until such Bonds in definitive form are ready for delivery, the Registered Owner of one or more Bonds in temporary form may, with the consent of the Authority, exchange the same, upon surrender thereof to the Trustee for cancellation, for Bonds in temporary form of like aggregate principal amount, of the same series and maturity and in authorized denominations.

SECTION 2.10. Mutilated, Destroyed, Lost or Stolen Bonds. Upon receipt by the Authority and the Trustee of evidence satisfactory to both of them that any Outstanding Bond has been mutilated, destroyed, lost or stolen, and of indemnity satisfactory to both of them, then the Authority, in its discretion, may execute and thereupon the Trustee shall authenticate and deliver, a new Bond of the same series and same maturity and of like tenor in exchange and

substitution for, and upon surrender and cancellation of, the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, lost or stolen.

The Authority may, for each new Bond authenticated and delivered under the provisions of this Section, require the payment of the expenses, including counsel fees, which may be incurred by the Authority and the Trustee in connection therewith. In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Authority, in its discretion, may, instead of issuing a new Bond, direct the payment thereof and the Trustee shall thereupon pay the same.

Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be destroyed, lost or stolen, shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued under this Resolution.

ARTICLE III

ISSUANCE OF ADDITIONAL INDEBTEDNESS.

SECTION 3.1. Purposes of Additional Parity Indebtedness. The Authority may issue from time to time, and the Trustee shall authenticate, Additional Parity Indebtedness for any lawful corporate purpose, including but not limited to providing all or part of the funds necessary (i) to refinance or refund all or any portion of any Indebtedness of the Authority, including accrued and unpaid interest and redemption premium, if any; (ii) to finance, plan, develop, construct, acquire, complete, restore or replace any Project or any portion thereof, including studies, planning and design and other preliminary costs and expenses in connection therewith; or (iii) to provide working capital for the Board; including in each case the costs and expenses of the financing, any increase in the Debt Service Reserve Requirement incidental thereto and the funding of any reserves.

SECTION 3.2. Conditions Precedent to the Issuance of Additional Parity Indebtedness. The Trustee shall not authenticate or deliver to the Authority on its order any Additional Parity Indebtedness pursuant hereto unless theretofore or simultaneously therewith there shall have been delivered or paid to the Trustee the following:

(a) a certified copy of a resolution or resolutions of the Governing Board of the Authority authorizing the issuance of such Additional Parity Indebtedness, stating the purpose or purposes for the issuance of such Additional Parity Indebtedness, describing in brief and general terms the Projects to be financed by the issuance of such Additional Parity Indebtedness, if any, authorizing the execution and delivery of the Supplemental Resolution, and fixing the terms of such Additional Parity Indebtedness.

(b) a Supplemental Resolution executed by the Authority providing for the issuance of the Additional Parity Indebtedness, and containing such other necessary or proper terms, requirements and provisions which shall not be inconsistent with this Resolution or any previous Supplemental Resolution, unless all Bonds, the Registered Owners of which are entitled to the

protection of the provision or provisions with which the Supplemental Resolution is inconsistent, have been paid or redeemed or provision therefor duly made. The provisions of Article II of this Resolution shall apply to any Additional Parity Indebtedness unless the relevant Supplemental Resolution explicitly provides otherwise.

(c) a written opinion or opinions of Bond Counsel to the effect that: (i) all conditions precedent to the issuance of the Additional Parity Indebtedness pursuant to the Act, this Resolution and any relevant Supplemental Resolution have been satisfied; (ii) the Additional Parity Indebtedness, when issued, will be valid and binding obligations of the Authority in accordance with their terms; (iii) it is proper for the Trustee to authenticate the Additional Parity Indebtedness; and (iv) if the Additional Parity Indebtedness is intended to be Tax-Exempt, an opinion to the effect that interest on the Additional Parity Indebtedness is Tax-Exempt.

(d) the written order of the Authority, signed by the Chairperson or Vice Chairperson of the Authority, ordering the Trustee to authenticate and deliver such Additional Parity Indebtedness, stating the amount of the proceeds of sale thereof and directing the application of such proceeds.

(e) the proceeds of the Additional Parity Indebtedness in the amounts stated in the order of the Authority described above, to be applied as described in such order.

(f) any additional deposit to the Debt Service Reserve Fund required with respect to the Additional Parity Indebtedness.

(g) a certificate duly executed by the Accountant (or an Authorized Representative of the Board or the Authority, to the extent permitted by Section 3.3 hereof) stating that, based upon a review of the books and records of the Authority and the Board, for any twelve (12) consecutive month period of the eighteen (18) calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued, or such shorter period if this much time has not yet elapsed, (i) the Board has complied with the Rate Covenant, (ii) all deposits required to be paid into the Debt Service Fund were made, and (iii) the Debt Service Reserve Fund Requirement was maintained in accordance with the Resolution.

(h) a certificate duly executed by an Engineer (or an Authorized Representative of the Board or the Authority, to the extent permitted by Section 3.3 hereof) setting forth in detail and based upon reasonable assumptions set forth therein (1) his or her estimate of the Operating Expenses for each of the five (5) Fiscal Years following the issuance of such series of Bonds, plus the Fiscal Year in which such Bonds are issued; and (2) the Debt Service Requirements for each such Fiscal Year.

(i) a Certificate of the Rate Consultant setting forth his or her opinion that the amount of estimated Operating Revenues for each such Fiscal Year as described above will be sufficient, together with amounts capitalized, and to be capitalized, from proceeds of the Additional Parity Indebtedness or otherwise made available and reserved, or to be made available and reserved in connection with the issuance of the Additional Parity Indebtedness, and not already taken into account hereunder by reduction of the obligation which Operating Revenues must cover, to satisfy the Rate Covenant for each such Fiscal Year.

(j) if the Additional Parity Indebtedness is being issued to finance Projects, a certificate duly executed by an Engineer (or an Authorized Representative of the Authority, to the extent permitted by Section 3.3 hereof) (1) stating that such Projects will be useful or desirable in connection with the operation of the System, will be technically feasible and are in compliance with the Board's approved System plan, as the same may be amended from time to time, (2) setting forth in detail and based upon reasonable assumptions set forth therein the estimated Costs of the acquisition or construction of such Projects including any financing expenses and, if judged necessary, a balance for contingencies, the sources of funds expected to be applied to finance such Costs, and the time period which will be required for completion of the acquisition or construction of such Projects, (3) his or her opinion that the net proceeds of the Additional Parity Indebtedness, together with other moneys which are then available or are reasonably expected to be available therefor, will be sufficient to pay the Costs of the acquisition or construction of such Projects, and (4) his or her opinion as to the date when such Projects will be placed in commercial operation.

(k) if the Additional Parity Indebtedness is being issued to finance a refunding, the Authority may provide, in lieu of the certificate described in paragraph (i) of this Section, a certificate duly executed by an Accountant (or an Authorized Representative of the Authority, to the extent permitted by Section 3.3 hereof) stating that for the then current and each future Fiscal Year, the Debt Service Requirements for the refunding Bonds will be no more than ten per centum (10%) more than the Debt Service Requirements that would have existed for that Fiscal Year with respect to the portion of the Bonds being refunded.

(l) if the Additional Parity Indebtedness is being issued to finance a refunding (1) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, specifically, an escrow deposit agreement providing for the deposit and application of funds for any refunding other than a refunding which occurs on the same day as the issuance of such Additional Parity Indebtedness, (2) unless all refunded Indebtedness is to be redeemed or otherwise retired on the date of settlement for the refunding Bonds, such schedules, verified as to their mathematical accuracy by an Accountant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded Indebtedness, and (3) evidence satisfactory to the Trustee that notice of any necessary redemption has been properly given, or that provisions satisfactory to the Trustee have been made therefor, or that sufficient waivers of such notice have been duly filed with the Trustee.

The opinion(s) of Bond Counsel described in paragraph (c) above may be accepted by the Trustee as conclusive evidence that the requirements of this Section have been complied with, and the Trustee shall thereupon be authorized to execute said Supplemental Resolution, to authenticate the Additional Parity Indebtedness and to deliver the same to or upon the order of the Chairperson or Vice Chairperson of the Authority.

SECTION 3.3. Exceptions for Certain Additional Parity Indebtedness. (a) Notwithstanding anything to the contrary in paragraphs (g) (h), (i) and (j) of Section 3.2 above, the requirements of those paragraphs may be met by providing certificates as described in those paragraphs executed by an Authorized Representative of the Authority or the Board, so long as the aggregate principal amount of Additional Parity Indebtedness being issued pursuant to this

Section does not exceed either \$2,000,000 or is for completion of a Project, provided, with respect to Bonds to be issued for completion of a Project, that the Engineer certifies that such funds are sufficient to complete the Cost of the construction of such Project.

(b) Furthermore, notwithstanding anything to the contrary in paragraphs(g), (h), (i), (j), and (k) of Section 3.2 above, the Authority may issue Additional Parity Indebtedness without satisfying paragraphs (g), (h), (i), (j), and (k) of Section 3.2 above in any authorized amount if (i) all Outstanding Bonds are secured as to the payment of the principal of and interest due on such Bonds by a Credit Facility or Credit Facilities and issued concurrently with the delivery of each series of Bonds and being security for each series of Bonds, or any replacement thereof permitted in accordance with any Supplemental Resolution pursuant to which the applicable Bonds were issued and no such Credit Facility Provider has wrongfully dishonored a draw request for payment under such Credit Facility, which wrongful dishonor remains uncured, and (ii) the Credit Facility Provider or Credit Facility Providers, as the case may be, of each series of such Bonds and EFC, if EFC or its assigns are the registered holders of any Outstanding Bonds, consents to the issuance of the Additional Parity Indebtedness without satisfaction of such paragraphs or (iii) if the proceeds of such Additional Parity Indebtedness will be expended on a Project required to be constructed to comply with any State or federal law, rule or regulation.

SECTION 3.4. Application of Proceeds of Additional Parity Indebtedness. The proceeds of the Additional Parity Indebtedness issued for the purpose of financing, acquiring, constructing, completing, restoring or replacing Projects, after paying the costs and expenses of the financing and making any other payments and setting aside any reserves authorized by the Governing Board of the Authority, shall be deposited with the Trustee in a separate account within the Construction Fund. Any capitalized interest funded from the proceeds of such Additional Parity Indebtedness shall be deposited with the Trustee in the Special Operating Fund.

The Trustee shall be authorized to disburse the money in the Construction Fund from time to time for the purpose of paying or reimbursing the Board for the Costs of construction, acquisition, completion, restoration or replacement of Projects upon submission of requisitions of the Board of the character contemplated by Section 4.2, upon which the Trustee may conclusively rely, or as otherwise provided in the pertinent Supplemental Resolution. In the case of payments for the purchase price of lands, rights of way or easements, or for any Project which is to be situated on lands, rights of way or easements for which the Authority has not previously received the opinion of Counsel hereinafter described, the Authority shall also furnish to the Trustee an opinion of Counsel, upon which the Trustee may conclusively rely, that the Authority or the Board has acquired title or such appropriate interest thereto, which opinion may be based and rely upon title insurance, provided that if all Bonds then Outstanding shall have the benefit of one or more Credit Facilities, such opinion shall not be required if the Credit Facility Provider or Providers shall state that the opinion is not required in a writing delivered to the Trustee before any such payment.

The proceeds of Additional Parity Indebtedness issued for refunding purposes shall, after paying all costs and expenses incidental to the redemption and to the financing, be directly or indirectly applied by the Trustee to the payment or redemption of the Indebtedness to be refunded pursuant to the written order of the Authority described in Section 3.2 (d) hereof.

The proceeds of Additional Parity Indebtedness issued for a purpose other than acquiring, constructing, completing, restoring or replacing Projects or to accomplish a refunding program of the Authority shall, except as otherwise provided in a supplemental resolution, after paying all costs and expenses incidental to the financing, be deposited in the Construction Fund and disbursed to the Board as provided in the Article IV hereof, unless otherwise prescribed by the Supplemental Resolution authorizing the Additional Parity Indebtedness.

SECTION 3.5. Additional Parity Indebtedness on Parity. All Additional Parity Indebtedness issued from time to time under this Article III shall be on a parity with the 2003 Bonds and with all other Additional Parity Indebtedness issued hereunder, except as expressly provided herein or permitted by this Resolution.

SECTION 3.6. Subordinated Indebtedness. The Authority may issue from time to time one or more series of Subordinated Indebtedness pursuant to the terms of a Supplemental Resolution for any lawful purpose of the Authority (including the provision of working capital of the Board), such Subordinated Indebtedness to be in substantially such form as may be approved by the Authority and specified in the Supplemental Resolution authorizing the same. The priority of payments of principal or redemption price and interest on such Subordinated Indebtedness and the security therefor shall be as provided in the applicable Supplemental Resolution, which shall make such provisions for payment of the Debt Service Requirements of the Subordinated Indebtedness from Revenues held in the Revenue Fund in a manner consistent with Article V of this Resolution.

SECTION 3.7. Credit Notes. The Authority may issue from time to time one or more Credit Notes pursuant to the provisions of a Supplemental Resolution. Any Credit Note that secures a Credit Facility with respect to any series of Bonds shall be subordinate only to the Bonds of the series of Bonds to which the Credit Facility relates. Therefore, a Credit Facility Provider shall be entitled to share in the Trust Estate under and according to Section 10.10 hereof only when all amounts due and payable on the Bonds of the series of Bonds to which the Credit Facility it has issued relates have been fully paid. Any Credit Note that secures a Credit Facility with respect to Subordinated Indebtedness shall be likewise subordinated to such Subordinated Indebtedness. Furthermore, notwithstanding anything to the contrary contained herein, the Authority shall not be obligated to establish or fund a Debt Service Reserve Requirement with respect to any Credit Note, nor include any contingent payments under any Credit Note as part of any calculation of Debt Service Requirements.

ARTICLE IV

CONSTRUCTION FUND AND COSTS OF ISSUANCE FUND.

SECTION 4.1. Establishment of Construction Fund. The Trustee shall establish and maintain a Construction Fund, which shall consist of separate accounts or sub-accounts for each Project or portion thereof the construction or acquisition of which is to be financed, or refinanced, with Bonds and which shall be held separate and apart from all other funds and accounts established under this Resolution and from all other money of the Trustee. No disbursements of funds held from time to time in the Construction Fund shall be made except as permitted in this Article IV. Any amounts on deposit in any account or sub-account for any Project subsequent to the date on which the Board shall have certified to the Authority and Trustee that construction or acquisition, as the case may be, of such Project is complete shall be transferred to the Bond Redemption and Accumulated Surplus Fund. The Trustee shall invest the money on deposit in the Construction Fund pursuant to Section 6.2 hereof and shall apply the income from such investments as provided therein.

Any State, federal or municipal aid provided to the Board for the construction or acquisition Costs of a Project shall be deposited by the Authority in the Construction Fund.

SECTION 4.2. Payments from Construction Fund.

(A) Projects to Be Constructed. The Trustee shall make payments from the Construction Fund with respect to Projects to be constructed only (i) upon the prior receipt of a requisition, signed on behalf of the Board by an Authorized Representative, and if with respect to construction costs, approved by the Engineer, stating (a) the date, (b) the name of the Person to whom the payment is to be made (which may be the Board if it is to be reimbursed for advances made or obligations incurred by it and properly chargeable against the Construction Fund), (c) the amount to be paid, (d) in reasonable detail and if appropriate by reference to Cost categories in the Project Budget, the purpose for which the payment is to be made, (e) that the obligation was properly incurred and is a Cost of the Project, (f) that the amount requisitioned is due and unpaid, and has not been the subject of any previously paid requisition, (g) that following the payment the amount remaining on deposit in the Construction Fund either (i) is estimated to be sufficient to pay the remaining Cost of completing the Project or repair for which the payment was made or (ii) the Board has certified to the Authority and the Trustee that it is taking appropriate steps either to reduce the Cost or raise additional moneys (whether through increasing Revenues or through the issuance of debt) so that the amount remaining or deposited in the Construction Fund is estimated to be sufficient to pay the remaining Costs of completing the Project or repair, and (h) that with respect to items covered in the requisition, the signer has no knowledge of any vendors', mechanics' or other liens, conditional sales contracts, chattel mortgages, leases of personalty, title retention agreements or security interests which should be satisfied or discharged before the payments as requisitioned therein are made or which will not be discharged by such payment or (ii) as otherwise provided in a Supplemental Resolution. If the costs of the Project or repair in question are in aggregate less than \$5,000,000, the approving Engineer need not be Independent of the Board.

(B) Projects to Be Acquired. In the event that proceeds of Bonds are intended to be used in whole or in part to acquire a Project, whether or not the Project is completely or partly constructed, such proceeds shall be disbursed from the Construction Fund to or upon the order of the Authority or the Board, as the case may be, for the payment of the purchase price of the Project upon the terms and conditions specified in the Supplemental Resolution authorizing the series of Bonds. In cases where the Project is intended to be acquired and construction may remain to be done following acquisition by the Board, the Authority may direct the Trustee as to the amount of money held in the account established therefor in the Construction Fund that is to be allocated the purchase price of the Project and the remaining construction cost of the Project at the time of its acquisition.

(C) The Trustee agrees that it shall hold all requisitions, affidavits, certificates and other documents delivered to the Trustee pursuant to paragraph A above for a period of at least seven (7) years after the date of receipt thereof. The Authority, the Board, the Engineer, Bondholders, and their agents and representatives shall have the right to inspect such requisitions, affidavits, certificates and other documents at the Trustee's Principal Office at reasonable times and upon reasonable notice.

Whenever disbursements are to be made to reimburse the Authority or the Board, as the case may be, for advances or to discharge indebtedness of the Authority or the Board, as the case may be, the requisition shall relate to the underlying obligation for which the Authority is being reimbursed or for the payment of which the indebtedness of the Authority was incurred.

SECTION 4.3. Costs of Issuance Fund. The Trustee shall create, at a minimum, one separate fund, entitled the "Costs of Issuance Fund," to be held separate from all other funds and accounts of the Trustee.

The Authority shall transfer to the Trustee for deposit in the Costs of Issuance Fund any proceeds of Bonds or other amounts designated by the Authority. The Trustee shall apply the amounts on deposit in the Costs of Issuance Fund to the payment of Costs of Issuance of Bonds of the related series of Bonds. Any amounts on deposit therein that are not so applied within one year of deposit shall be applied to any fund created or established hereunder in which there is a deficiency, and, to the extent not so required, transferred to the Bond Redemption and Accumulated Surplus Fund. Costs of Issuance, including without limitation the Cost of any Credit Facility, shall be paid by the Trustee from the Costs of Issuance Fund without need of prior invoice from the Credit Facility Provider.

Amounts held in the Costs of Issuance Fund shall be invested by the Trustee solely in Investment Securities, subject to the limitations imposed thereon by the Act.

SECTION 4.4. Sale of Property. The Board may, from time to time, except as provided in, and subject to the terms and conditions of, the "Project Finance Agreement" between the Authority and EFC relating to certain of the 2003 Bonds, as such quoted terms are defined in the First Supplemental Resolution, sell or permit the sale of any machinery, fixtures, apparatus, tools, instruments, or movable property or any materials used in connection therewith which are no longer needed or useful in connection with the operation of the System, provided that if the fair market value of such machinery, fixtures, apparatus, tools, instruments, or

movable property or any materials used in connection therewith is reasonably expected to be in excess of \$100,000 an Engineer shall concur in writing with such declaration, and the proceeds thereof shall be applied to the replacement of the property so sold or disposed of or shall be deposited in the Bond Redemption Fund. The Board may also from time to time sell or convey such real property as the Authority by resolution shall declare to be no longer necessary or useful in connection with the operation of the System, provided that if the fair market value of such real property is reasonably expected to be in excess of \$500,000 an Engineer shall concur in writing with such declaration. The proceeds of any sale of real property shall be deposited in the Bond Redemption and Accumulated Surplus Fund.

ARTICLE V

REVENUES AND FUNDS.

SECTION 5.1. Pledge of Revenues: Security Interest. The Authority covenants to pay or to cause to be paid, but solely from the Revenues, the principal or Redemption Price of and interest on every Bond on the date and at the place and in the manner mentioned in the Bonds according to the true intent and meaning thereof.

As security for its obligation to make payments required hereunder and to secure the performance and observance of all the covenants and conditions contained herein, and in confirmation of and subject to the Granting Clauses hereof, the Authority pledges and grants to the Trustee, subject to the uses and applications authorized or required by this Resolution, a Lien on and security interest in the Trust Estate. The pledge made by this Resolution shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth herein to be performed by or on behalf of the Authority shall be for the benefit, protection and security of the Registered Owners of the Bonds and Subordinated Indebtedness with priority and distinction as expressly provided herein or permitted by this Resolution. The Trust Estate shall immediately be subject to the Lien of the pledge without any physical delivery thereof or further act, and, except as otherwise provided herein, shall be held by the Trustee until disbursed as authorized by this Resolution in trust for the benefit of the Registered Owners from time to time of the Bonds, and Subordinated Indebtedness issued and Outstanding under this Resolution.

Notwithstanding the above pledge, money from time to time deposited and held in the Debt Service Fund for the payment of particular Bonds shall be held in trust by the Trustee for payment to the respective Registered Owners from time to time of the particular Bonds for the payment of which said money has been deposited in said Fund, and whenever Bonds shall be selected for redemption out of money on deposit in the Bond Redemption and Accumulated Surplus Fund, the money in such Fund to the amount necessary to pay principal, redemption premium, if any, and interest to the date fixed for redemption on the Bonds selected for redemption, shall be held by the Trustee in trust for the payment to the respective Registered Owners of the particular Bonds so selected for redemption.

SECTION 5.2. Revenue Fund; Application of Revenues. (a) There is hereby established a special fund, designated as the "Revenue Fund", to be held by the Trustee in trust separate and apart from the other funds and accounts of the Trustee.

(b) The Authority shall cause all Revenues received from the Board pursuant to Sections 4.2 of the Financing Agreement to be deposited into such funds and on such dates as follows:

Commencing on the first day of each Fiscal Year and on each day thereafter, the Board has agreed to make the following payments in the following order of priority:

FIRST: To the Trustee, for deposit in the Debt Service Fund, beginning with the first day of each calendar month, all Revenues in the Board's Local Water Fund, until the balance in the Debt Service Fund equals the Minimum Monthly Balance as defined in Section 4.3 of the Financing Agreement, for each Series of Bonds in such month and to the Authority Expense Fund for all Authority Expenses attributable to the Fiscal Year in accordance with the Authority Budget;

SECOND: Beginning with the first day of each calendar month, until paid in each calendar month, to the Board Expense Account, one-twelfth (or, with respect to the first Fiscal Year, a fraction, the numerator of which is one and the denominator of which is the number of calendar months or portions thereof in such first Fiscal Year) of the Board Expenses, including the amount certified to the Board pursuant to Section 6.2 of the Operation Agreement, for the then current Fiscal Year as shown in the Annual Budget, or the Board may establish with its Annual Budget an alternative payment schedule, concurred in by the Rate Consultant, for the upcoming Fiscal Year which equitably reflects both the timing of the Board's incurrence of Board Expenses and the timing of Board revenues and fund balances, but in no event shall the establishment of such alternative payment schedule be deemed to affect in any manner the relative priority of the accounts or sub-funds established by items FIRST through SIXTH herein;

THIRD: From the balance, if any, in the Board's General Account of the Local Water Fund after making the deposits required by the preceding paragraphs, to the Debt Service Reserve Fund and the Subordinated Indebtedness Fund in amounts required by the Resolution or otherwise to be deposited in such funds and to the Operation and Maintenance Reserve Account, all such Revenues until the total of the amounts so paid equals the amount, if any, required to be deposited therein pursuant to Section 4.4(A) of the Financing Agreement;

FOURTH: From the balance in the General Account of the Local Water Fund after making the deposits required by the preceding paragraphs, to the PILOT Payment Account until the balance therein equals the total amount budgeted for deposit therein in such Fiscal Year in the Annual Budget;

FIFTH: From the balance, if any, in the Board's General Account in the Local Water Fund after making the deposits required by the preceding paragraphs, to the Construction Account until the balance therein equals the total amount budgeted for deposit therein in such Fiscal Year in the Annual Budget; and

SIXTH: The balance, if any, in the General Account in the Local Water Fund after making the deposits required by the preceding paragraphs, to the Operation and Maintenance Reserve Account.

In making the payments required pursuant to paragraph FIRST of this Section 5.2, the Board shall be entitled to rely on the Certificate of an Authorized Representative of the Authority described in the following paragraph.

On the first day of each month, the Authority, or the Trustee as the Authority's agent, shall deliver to the Board a Certificate, setting forth the Authority's calculations of the Minimum Monthly Balance for each Series of Outstanding Bonds for such month and the amounts required to be deposited in the Authority Expense Fund, Debt Service Reserve Fund and Subordinated Indebtedness Fund in such month.

SECTION 5.3. Special Operating Fund. There is hereby created a special fund known as the Special Operating Fund which shall be held in trust by the Trustee until applied as hereinafter provided. Within the Special Operating Fund there shall be established the Capitalized Interest Account. Within the Capitalized Interest Account there shall be established a separate sub-account for each series of Bonds for which there is to be a deposit of capitalized interest. The Authority shall pay to the Trustee for deposit in the Special Operating Fund such amounts as the Authority shall determine from the proceeds of Bonds for allocation to the various accounts according to the terms of the applicable Supplemental Resolution of the Authority. Amounts held in the Special Operating Fund shall be invested solely by the Trustee as directed in writing by an Authorized Representative of the Authority in Investment Securities.

The Trustee shall transfer automatically on each Interest Payment Date from the Capitalized Interest Account of the Special Operating Fund to the Debt Service Fund an amount equal to the interest component of the Debt Service Requirements for Bonds that has accrued through the last day of the immediately preceding Interest Payment Date on each series of Bonds for which there has been a deposit of capitalized interest in the Capitalized Interest Account of the Special Operating Fund. Such amounts, to the extent available, shall be taken from the sub-account of the Capitalized Interest Account established with respect to the series of Bonds for which the transfer is made and shall be credited to the sub-account for such series of Bonds in the Debt Service Fund. The Authority may also withdraw upon written requisition filed with the Trustee identifying the purpose thereof from the sub-account of the Capitalized Interest Account relating to a series of Bonds amounts needed to pay the costs and fees of any Credit Facility or remarketing service in effect with respect to Bonds of such series of Bonds.

SECTION 5.4. Debt Service Fund. There is hereby created a special fund known as the Debt Service Fund which shall be held in trust by the Trustee until applied as hereinafter provided. The Debt Service Fund shall include a separate account for each series of Bonds issued hereunder.

The Authority shall pay to the Trustee from available Revenues (after the deposit required by Section 5.3, if any, hereof) for deposit in the relevant account of the Debt Service Fund on or before the first Business Day of each calendar month an amount equal, in the aggregate, to Accrued Debt Service for all Bonds issued hereunder. In the event moneys are not

sufficient for the payment of Debt Service on a payment Date, the Trustee shall, without instruction or further direction from the Authority, promptly transfer the requisite amounts from the Debt Service Reserve Fund to the relevant accounts of the Debt Service Fund to make good any such deficiency.

The money held from time to time in the Debt Service Fund shall be applied by the Trustee without further direction from the Authority to the payment of the Debt Service Requirements on the Bonds as and when the same shall become due and payable; provided that if the same shall have been paid under a Credit Facility (other than municipal bond insurance) relating to the series of Bonds on which the payments were due, including in those instances where Debt Service Requirements on a series of Bonds has been paid in the first instance from the proceeds of a Credit Facility, amounts equal to such payments on deposit in the account of the Debt Service Fund established with respect to Bonds of such series of Bonds shall be paid to the Credit Facility Provider as reimbursement. If a Supplemental Resolution provides that Debt Service Requirements on Bonds of a series of Bonds issued thereunder are to be paid in the first instance from the proceeds of a Credit Facility, the Trustee shall comply with the terms of such Supplemental Resolution in that regard and draw upon the Credit Facility to pay Debt Service Requirements on Bonds of such series of Bonds.

SECTION 5.5. Debt Service Reserve Fund. There is hereby created a special fund known as the Debt Service Reserve Fund which shall be held in trust by the Trustee until applied as hereinafter provided.

The Trustee shall be authorized, without further direction from the Authority, to apply the money in the Debt Service Reserve Fund toward the payment of the Debt Service Requirements from time to time becoming due and payable upon a series of Bonds, to the extent that, the Debt Service Fund shall at any time be insufficient with respect to such series of Bonds.

In the event of any deficiency in the Debt Service Reserve Fund, the Authority shall thereafter make monthly transfers from the Revenue Fund, (after the deposits required by Section 5.3, if any), until the amount in the Debt Service Reserve Fund in cash or investments shall equal the Debt Service Reserve Requirement. Amounts held in the Debt Service Reserve Fund shall be restored to the Debt Service Reserve Requirement within twelve (12) months after the occurrence of any deficiency therein. The investments of the Debt Service Reserve Fund made pursuant to Section 6.2 shall, for the purpose of determining the amount from time to time in the Debt Service Reserve Fund, be valued annually by the Trustee at amortized cost. The investments of the Debt Service Reserve Fund shall include (i) investments that at the time of acquisition would constitute Investment Securities if the stated level of required ratings, if any, for Investment Securities were at least the second highest whole rating category (without regard to pluses or minuses) for the type of rating in question (e.g. short-term or long-term) and (ii) investments which can be liquidated by or on behalf of the Trustee not later than ten (10) years from the date of their acquisition for an amount at least equal to the principal thereof and all accrued interest (or amortized discount) thereon to the liquidation date, whether by maturity, redemption, tender or otherwise.

Upon written instructions of an Authorized Officer of the Authority during the twelve (12) month period prior to the final maturity date of Outstanding Bonds, money held in the Debt

Service Reserve Fund shall be credited against the amount otherwise transferable from the Revenue Fund to the Debt Service Fund in respect of Debt Service Requirements for such Bonds and shall be transferred to the Debt Service Fund for the payment of such Debt Service Requirements; provided, however, that no such credit shall be given and no such transfer shall be made if, immediately prior to such crediting and transfer, the amount on deposit in the Debt Service Reserve Fund is not at least equal to (i) the Debt Service Reserve Requirement less (ii) the amounts previously transferred to the Debt Service Fund for payment of Bonds during such twelve (12) month period pursuant to this Section, and any amounts which are currently payable to the Rebate Fund.

SECTION 5.6. Reserve Fund Credit Facility. The Authority may elect to satisfy in whole or in part the Debt Service Reserve Requirement by means of a letter of credit, insurance policy or surety bond (together with any substitute or replacement therefor, the "Reserve Fund Credit Facility"), subject to the following requirements:

(A) The Reserve Fund Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the then current rating on the related series of Bonds and in any event equal to one of the Rating Agency's three highest long-term rating categories;

(B) The Authority shall not secure any obligation to the Reserve Fund Credit Facility Provider by a Lien on the Trust Estate superior to the Lien on the Trust Estate granted to the Bondholders;

(C) Each Reserve Fund Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Bonds) and shall entitle the Trustee to draw upon or demand payment at such times and for such purposes as the Trustee would be entitled to claim the funds and investments that would be on deposit in the Debt Service Reserve Fund were there no such Reserve Fund Credit Facility and receive the amount so requested in immediately available funds not later than five (5) Business Days after such draw or demand. To assure a timely draw on any Reserve Fund Credit Facility and timely payment of funds in the Debt Service Fund as provided in Section 5.4 hereof, any Supplemental Resolution providing for a Reserve Fund Credit Facility shall provide that the date for deposit in the applicable account of the Debt Service Fund for a series of Bonds for which a Reserve Fund Credit Facility has been provided shall be no later than five days prior to the first Business Day of each calendar month in which an Accrued Debt Service payment is due;

(D) The Reserve Fund Credit Facility shall permit a drawing by the Trustee for the full Stated Amount in the event (i) the Reserve Fund Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Bonds, and (ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the delivery to the Trustee of cash, obligations, a substitute Reserve Fund Credit Facility, or any combination thereof, for deposit in the related account in the Debt Service Reserve Fund on or before the date of such expiration or termination;

(E) If the rating issued by the Rating Agencies to the Reserve Fund Credit Facility Provider is withdrawn or reduced below the rating assigned to that of the related series of Bonds immediately prior to such action by the Rating Agencies, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days after said rating change, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than forty-eight (48) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period; and

(F) If the Reserve Fund Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than forty-eight (48) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period.

If the events described in either (E) or (F) above occur, the Trustee shall not relinquish the Reserve Fund Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Fund Credit Facility or any combination thereof. In the event a Reserve Fund Credit Facility is delivered to the Trustee, the Trustee shall transfer the money and securities held in the related account of the Debt Service Reserve Fund, to the extent not needed to comply with the Debt Service Reserve Requirement, to the Bond Redemption and Accumulated Surplus Fund. The Trustee is hereby authorized and directed to draw upon or demand payment from any such Reserve Fund Credit Facility in accordance with its terms in the event funds are needed from the Debt Service Reserve Fund in accordance with Section 5.5 hereof. Any amount received from the Reserve Fund Credit Facility shall be deposited directly into the Debt Service Fund and such deposit shall constitute the application of amounts in the Debt Service Reserve Fund. If amounts held in an account of the Debt Service Reserve Fund containing a Reserve Fund Credit Facility are less than the related Debt Service Reserve Requirement because the Reserve Fund Credit Facility has been drawn upon and has not been reinstated, the Authority shall transfer from the Revenue Fund, (after the deposits in Section 5.3, if any, 5.5, and 5.6 hereof, in amounts sufficient to reinstate said Reserve Fund Credit Facility, and the Trustee shall pay such amounts to the Reserve Fund Credit Facility Provider. Upon the reinstatement of the Reserve Fund Credit Facility, said payment shall constitute the replenishment of said account.

SECTION 5.7. Bond Redemption and Accumulated Surplus Fund. There is hereby created a special fund to be known as the Bond Redemption and Accumulated Surplus Fund which shall be held in trust by the Trustee until applied as hereinafter provided. At the end of each Fiscal Year the Authority shall deposit in the Bond Redemption and Accumulated Surplus Fund all Revenues then on hand and not otherwise on deposit in a fund or account, the net proceeds from the sale of any Project as well as insurance and condemnation proceeds received as a result of damage, destruction or condemnation of any Project in accordance with Section

8.1(b) hereof. Any such sale, insurance or condemnation proceeds shall be applied solely for the purpose of purchasing or redeeming Bonds as described below.

Whenever there shall be a deficiency in any other fund or account hereunder, the Trustee shall forthwith and without instructions from the Authority, make good such deficiency from moneys, except sale, insurance or condemnation proceeds on deposit in the Bond Redemption and Accumulated Surplus Fund. If there shall be no such deficiency in any of said funds or accounts, the money in the Bond Redemption and Accumulated Surplus Fund shall be paid out from time to time by the Trustee upon requisitions or letters of instruction indicating in reasonable detail the purpose of the payment and signed on behalf of the Authority by its Chairperson or Vice-Chairperson.

The money on deposit in the Bond Redemption and Accumulated Surplus Fund may be used to purchase or redeem any Bonds of any series at a price not greater than 100% of the principal amount thereof (or, to the extent permitted by law, the then current optional redemption price for such series of Bonds) plus accrued interest.

SECTION 5.8. Rebate Fund. (a) There is hereby created and established with the Trustee a special fund to be known as the Rebate Fund which shall be used for the deposit of the Rebate Amount, and shall not be subject to the lien of this Resolution.

(b) The Authority covenants to determine the Rebate Amount or cause the same to be determined in the manner provided in Section 148 (f) of the Code, the Treasury Regulations promulgated thereunder and any other rules which may be promulgated thereafter by the Treasury Department or Internal Revenue Service (the "Rules") and to transfer or cause to be transferred to Trustee such determination for purposes of paragraph (c) of this Section 5.8.

(c) Records of each of the determinations required to be made pursuant to Section 5.8 (b) hereof and the Rules shall be retained by the Trustee until a date which is six (6) years after the retirement of the last Bond.

(d) The Trustee shall deposit in the Rebate Fund the Rebate Amount which may be from deposits by the Authority or from available investment earnings on amounts held in the Construction Fund, the Debt Service Reserve Fund, the Special Operating Fund or the Bond Redemption and Accumulated Surplus Fund, as directed in writing by the Authority. If the Authority fails to make any payment to the Trustee, the Trustee may, but shall not be required to, transfer money without requisition first from the Construction Fund and then from the Bond Redemption and Accumulated Surplus Fund to the Rebate Fund so that such payment can be made.

(e) If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in accordance with the Rules, such amount shall be deposited in the Bond Redemption and Accumulated Surplus Fund.

(f) Any money held as a part of the Rebate Fund shall be invested or reinvested by the Trustee, as directed in writing by the Authority, in Investment Securities, subject to the restrictions set forth in the Rules. The Trustee may make any and all such investments through its own investment department. In making investments, the Trustee may rely upon the directions

of the Authority as to the investments purchased and shall be and hereby is relieved of all liability with respect to making, holding, redeeming or selling such investments in accordance with the foregoing.

(g) Any and all money held as part of the Rebate Fund shall be considered proceeds of the Bonds for all purposes including, but not limited to, the limitations on investments in Non-purpose Obligations.

(h) The Rebate Amount shall be paid to the United States by the Trustee on behalf of and at the written direction of the Authority in installments as provided in the Rules. Each payment of an installment of the amount required to be paid to the United States shall be paid at the time and in the manner provided in the Rules. The duty of the Trustee to make payments to the United States pursuant to this Section 5.8 (h) and the Rules shall be expressly limited to funds available in the Rebate Fund at the times such payments are required to be made (including all investment earnings on funds theretofore deposited by the Trustee in the Rebate Fund), and any other funds actually provided to the Trustee by the Authority for such payments. The Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund, if any, or actually provided to it by the Authority. The Trustee shall not have any duty to determine the Rebate Amount or expend its own funds with respect to the determination that any amounts are rebatable or the calculation thereof.

SECTION 5.9. Transfer to Bond Redemption and Accumulated Surplus Fund. The Trustee shall on the last business day of each Fiscal Year, so long as any Bond is outstanding, transfer to the Bond Redemption and Accumulated Surplus Fund (a) any funds remaining in the Debt Service Fund not required to pay or provide for the payment of Debt Service Requirements for the Bonds, and (b) any funds remaining in each account of the Debt Service Reserve Fund not required to maintain the Debt Service Reserve Requirement for said account. The Trustee shall also deposit in the Bond Redemption and Accumulated Surplus Fund any amounts otherwise directed or required to be transferred thereto pursuant to the terms of the Resolution and the Financing Agreement. The Trustee shall account for deposits into and transfers out of any account or fund on a first-in, first-out accounting basis.

SECTION 5.10. Discontinuation of Funds. In the event that the Authority shall desire to redeem and pay all Outstanding Bonds, and the money in the funds held by the Trustee under this Resolution, or in any one or more of said funds, together with other available money, are sufficient to effect such redemption or payment, including in addition to principal and interest, costs of redemption and proper charges and expenses of the Trustee, said funds or any one or more of them as the case may be, may be discontinued and the money therein applied toward such redemption or payment.

SECTION 5.11. Additional Funds or Accounts. (a) The Authority or the Trustee at the direction of the Authority may create such additional funds or accounts (or additional accounts or sub-accounts within existing funds or accounts) as the Authority deems necessary or desirable, including, without limitation, such funds or accounts necessary to comply with any EFC requirements as well as relating to Subordinated Indebtedness. Any Supplemental Resolution may provide for additional amounts to be paid into any of the funds or accounts established

hereunder and the manner of making payments into and disbursements from such funds or accounts not materially inconsistent with the provisions of this Resolution.

(b) The Authority may create, outside of the Trust Estate, additional funds or accounts funded solely with moneys not subject to the Lien of the Resolution.

ARTICLE VI

SECURITY FOR AND INVESTMENT AND DEPOSIT OF FUNDS.

SECTION 6.1. Deposits and Security Therefor. All money received by the Trustee under this Resolution for deposit in any fund established hereunder shall, except as hereinafter provided, be deposited in interest bearing accounts in the commercial or trust department of the Trustee, until or unless invested or deposited as provided in Section 6.2 hereof. All deposits in the commercial department of the Trustee (whether original deposits under this Section 6.1 or deposits or redeposits in time accounts under Section 6.2 hereof) in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation, shall be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited, or secured as required by applicable law. If at any time the commercial or trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such money with any other depository which is authorized to receive them and is subject to supervision by public authorities. All deposits in any other depository (whether under this Section or Section 6.2 as aforesaid) in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation shall to the extent permitted by law, be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank or with a bank or trust company having a combined capital and surplus of not less than \$20,000,000.

Notwithstanding the foregoing, or anything else to the contrary herein, the proceeds of any payments under a Credit Facility and the proceeds of any remarketing of Bonds pursuant to a Supplemental Resolution shall be held by the Trustee or a Tender Agent, as the case may be, separate and apart from any other funds of the Authority, the Trustee or the Tender Agent and from any other funds held under this Resolution for the exclusive benefit of the parties to be paid therefrom and may be invested only in Government Obligations maturing coming due by the earlier of thirty (30) days following investment on the date needed for the purposes of this Resolution.

SECTION 6.2. Investment of Funds.

A. The Trustee shall, pursuant to written investment instructions from an Authorized Representative of the Authority, invest and reinvest money held in any fund or account held by the Trustee under this Resolution in Investment Securities. Such instructions may authorize specific transactions with respect to the deposits to be made or the Investment Securities to be purchased and the prices to be paid, and may include general instructions for future reinvestments of cash as and when such obligations are paid or redeemed. The scope of

such general instructions shall be satisfactory to the Trustee which may, if it deems it advisable, from time to time require specific instructions or general instructions within defined limits. All investments made pursuant to this Section 6.2 shall mature or be subject to redemption at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal, not later than the date when the amounts will foreseeably be needed for purposes of this Resolution.

B. The interest and income received upon such investments and any interest paid by the Trustee or any other depository of any fund or account and any profit or loss resulting from the sale of any investment shall be added or charged to the fund or account in question, provided, however, that the Trustee shall credit any investment income or loss with respect to any fund or account established hereunder to any other fund or account, as directed in writing by the Authority. Subject to the requirements of Section 5.5 hereof, investment earnings on amounts held in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund unless the Authority otherwise directs in writing.

C. Upon request of the Authority, whenever a payment is to be made out of any fund or account the Trustee shall sell such Investment Securities as may be requested or required to make the payment and restore the proceeds to the fund or account in which the Investment Securities were held. The Trustee shall not be accountable for any depreciation in the value of any such Investment Security or for any loss resulting from the sale thereof.

SECTION 6.3. Valuation of Funds. To the extent the Trustee holds amounts in any fund or account established under this Resolution, and at the direction of the Authority, the Trustee shall compute the value of the assets of each such fund or account after taking into account any payments required to be made to Bondholders on such dates and any transfers required to be made hereunder. In computing the value of any fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the owner, provided, however, that the value of investments with respect to the Debt Service Reserve Fund shall be calculated in accordance with Section 5.5 hereof.

ARTICLE VII

REDEMPTION OF BONDS.

SECTION 7.1. Bonds Subject to Redemption. The Bonds issued or to be issued hereunder shall be subject to redemption at such time or times and from time to time, in such order, at such redemption prices, upon such notice, and upon such terms and conditions as may be expressed in the particular Bond, or, as the case may be, in this Resolution or in the pertinent Supplemental Resolution. In the event of a conflict between this Resolution and a Supplemental Resolution concerning these matters, including, without limitation, notice of any redemption, the Supplemental Resolution shall govern.

SECTION 7.2. Notice of Redemption. Whenever the Authority shall, by Resolution of the Authority, determine to redeem Outstanding Bonds in accordance with the right reserved

to do so, the Authority shall give the Trustee not more than sixty (60) days' and at least forty-five (45) days' notice of the date fixed for redemption. When Bonds are called for redemption, whether at the option of the Authority or pursuant to mandatory redemption, the Trustee shall cause a notice to be deposited in the United States mail first class, postage prepaid, not more than sixty (60) days and at least thirty (30) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Trustee. Such Notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers) shall specify the redemption date, the redemption price, and the Trustee's name and address and shall state that on the redemption date the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that from the date of redemption interest will cease to accrue provided, however, that the Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of the Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give such notice with respect to any particular Bond or Bonds shall not affect the validity of any such redemption of other Bonds.

In addition, the Trustee shall cause copies of such notice of redemption to be sent by registered mail, certified mail, overnight delivery service or confirmed telecopy (or other similarly secure service acceptable to the Trustee) to the Depository and to two or more national information services that disseminate redemption information. Unless otherwise waived by the Depository, the notice to the Depository shall be sent at least two (2) business days in advance of the date notices addressed to registered owners and national information services are deposited in the United States mail. The current name and address of the Depository is as follows: The Depository Trust Company, 55 Water Street, New York, New York, 10041-0099. Certain national information services include: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; DPC Data Inc., One Executive Drive, Fort Lee, NJ 07024; FT Interactive Data, Attn: NRMSIR, 100 Williams Street, New York, New York 10038; Standard & Poor's J. J. Kenny Repository, 55 Water Street, 45th Floor, New York, NY 10041. The Trustee shall not be required to advertise said notice of redemption.

The Trustee shall send a second copy of said redemption notice by registered or certified mail, postage prepaid, to all registered bond owners that do not present their Bonds for payment within thirty (30) days following the Redemption Date.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all the Bonds called for redemption and the Trustee shall not otherwise hold such money for such purpose, such notice may state that it is conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

SECTION 7.3. Payment of Redemption Price. Notice having been given in the manner hereinbefore provided, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the Bonds so called for redemption shall become due and payable on the redemption date so designated and, if an amount sufficient to pay the Redemption Price is on deposit with the Trustee for such purpose on such date, interest on such Bonds shall cease to accrue from the redemption date whether or not the Bonds shall be presented for payment. The principal amount of all Bonds or portions thereof so called for redemption, together with the accrued and unpaid interest thereon to the date of redemption shall be paid by the Trustee or the Paying Agent, if any, mentioned in the Bond called for redemption, upon presentation and surrender thereof in negotiable form or as may otherwise be provided for in any EFC Bonds. If any Outstanding Bond is redeemed in part, the Trustee shall authenticate and deliver to the Registered Owner thereof, a new Bond or Bonds of any authorized denomination as requested by such Registered Owner in an aggregate principal amount equal to the principal amount of the Outstanding Bond not called for redemption.

SECTION 7.4. Destruction of Bonds. All Bonds which shall be paid, purchased or redeemed by the Trustee or Authority pursuant to the terms and provisions of this Resolution, or of any Supplemental Resolution, shall be canceled and either, at the Trustee's option (i) destroyed by the Trustee which shall furnish the Authority with its certificates of destruction, or (ii) returned to the Authority.

ARTICLE VIII

INSURANCE.

SECTION 8.1. Damage or Destruction of the System; Application of Insurance Proceeds. The Board has covenanted in the Financing Agreement to insure or cause to be insured the System as therein set forth and to file with the Trustee policies and endorsements or memoranda of such insurance. In the event that any of the buildings, structures, additions or improvements of the System shall be wholly or partially destroyed by fire or other casualty covered by permanent insurance, the Board has covenanted in the Financing Agreement to take all such actions and do all such things as may be necessary to enable recovery to be made upon the policy or policies of insurance covering the risk to the end that all proceeds of insurance may be expeditiously collected.

The proceeds of permanent insurance shall be paid by the Authority to the Trustee and applied, subject to the provisions of this Section 8.1, to the reconstruction, restoration, replacement or repair of the damaged or destroyed property, or to the acquisition or construction of Projects or to the redemption or purchase of Bonds as follows:

(a) **Deposit in Construction Fund.** If the Board shall by resolution determine to apply all or part of said proceeds to the reconstruction, restoration or repair of the damaged property or to the construction or acquisition of Projects, an Authorized Representative of the Board shall provide a written authorization to the Trustee directing the Trustee to deposit such proceeds in the Construction Fund. Disbursements may be made from the Construction Fund by the Trustee from time to time upon requisitions made by an Authorized Representative of the Board, stating the amount to be paid and designating the payee and certifying that the payment is due and payable for the reconstruction, restoration, replacement or repair of the damaged or destroyed property or for the construction or acquisition of a Project, and, if the Engineer is employed to supervise the work, upon submission of certificates of the Engineer in form satisfactory to the Trustee approving such payment; provided, however, that if the Board shall certify to the Trustee that the amount to be so applied from said insurance proceeds is not more than \$1,000,000, then the Board may retain said insurance proceeds for application toward the reconstruction, restoration, replacement or repair of the damaged or destroyed property or toward the construction or acquisition of Projects.

(b) **Deposit in Bond Redemption and Accumulated Surplus Fund.** All proceeds of permanent insurance not applied as hereinabove authorized shall be transferred to the Trustee for deposit in the Bond Redemption and Accumulated Surplus Fund and applied by the Trustee to redeem or purchase Bonds in accordance with the final paragraph of Section 5.10 hereof.

Nothing in this Section 8.1 shall be construed to relieve the Board under the Financing Agreement from its obligation to maintain the System in good repair, working order and condition, excepting only that to the extent that the proceeds of insurance shall be applied to the reconstruction, restoration, replacement or repair of damaged or destroyed property, or to the construction or acquisition of Projects, or shall be applied toward the purchase, redemption, or defeasance of Bonds, then and to such extent the Board shall be relieved of such obligation with respect to the damaged or destroyed property.

ARTICLE IX

PARTICULAR COVENANTS OF THE AUTHORITY.

SECTION 9.1. Payment of Bonds and Other Indebtedness. The Authority covenants that it will promptly pay from the Trust Estate the Debt Service Requirements for every Bond issued and to be issued hereunder and secured thereby, and all other Indebtedness secured thereby, including without limitation Credit Notes at the place and on the dates and in the manner specified herein and in said Bonds, or therein, according to the true intent and meaning thereof. The Authority further covenants that it will pay as and when due from sources legally available therefor the Debt Service Requirements on all other Indebtedness.

SECTION 9.2. No Impairment of Bondholders' Rights. The Authority covenants and agrees that so long as any of the Bonds secured hereby are Outstanding, none of the Pledged Revenues shall be used for any purpose other than as provided in this Resolution, and that no contract or contracts shall be entered into or amended or any action taken by which the rights or security of the Trustee or of the Bondholders may be impaired or diminished.

SECTION 9.3. Further Action. The Authority covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Resolution.

SECTION 9.4. Creation of Liens on Pledged Revenues. Except as provided in Article III hereof and the next ensuing sentence, the Authority shall not incur any Indebtedness which is secured by a pledge of or other Lien on the Secured Obligations and shall not create or cause to be created any Lien on the Pledged Revenues or any other part of the Trust Estate or on any amounts which are held by the Trustee or by any Paying Agent under the terms of this Resolution, other than Permitted Encumbrances or Liens which are expressly made subordinate to the lien of this Resolution. Notwithstanding the prior sentence, the Authority may from time to time borrow an amount outside this Resolution which shall not exceed \$500,000 in principal amount in the aggregate at any one time for working capital purposes and secure the repayment of the same by granting a Lien on Pledged Revenues that is on a parity with the Lien thereon securing the Bonds if the Authority presents to the Trustee a certificate of an Authorized Officer of the Authority to the effect that (i) the Board needs the proceeds of the borrowing to operate the System properly and (ii) the Authority reasonably believes that it will meet its obligations on such borrowing and under this Resolution as and when the same come due.

SECTION 9.5. No Extension of Time for Payment of Interest. In order to prevent any accumulation of claims for interest after maturity, the Authority covenants and agrees that it will not directly or indirectly extend or assent to the extension of time of payment of any claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, such claim for interest shall not be entitled in case of any default hereunder, to the benefit or security of this Resolution except subject to the prior payment in full of the principal of all Bonds issued and Outstanding hereunder, and of all claims for interest which shall not have been so extended or funded.

SECTION 9.6. Accounts and Periodical Reports and Certificates. The Authority shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions under this Resolution and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to the inspection of the Trustee or the representative, duly authorized in writing, of the holder or holders of not less than 25% in principal amount of the Bonds then Outstanding.

SECTION 9.7. Authority Budget. The Authority covenants that it will adopt by resolution and file with the Trustee for each Fiscal Year, an Authority Budget or Budgets setting forth the estimated monthly operating Expenses, Debt Service Requirements, and other expenses, if any. Any Authority Budget may be amended or supplemented at any time, but such amended or supplemented Authority Budget shall not supersede any prior Authority Budget until it shall have been authorized by a certified resolution of the Authority. The Authority Budget may authorize certain variances for various line items at the discretion of Authority officers, as the Governing Board of the Authority deems prudent, and amounts expended within such authorized variances shall be deemed to be within the amount provided for in the Authority Budget.

SECTION 9.8. Engineer. The Board has covenanted in the Financing Agreement that it shall, until the 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 Engineer by this Resolution or the Financing Agreement, employ an Independent Engineer or engineering firm having a nationwide and favorable reputé for skill and experience in such work and, except in the case of the firm serving as 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 or the Financing Agreement, the 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 Engineer considers reliable, and other considerations and assumptions as deemed appropriate by the Engineer.

SECTION 9.9. Rate Consultant. The Authority shall, until the 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 Rate Consultant by this Resolution or the Agreement, employ an Independent Accountant or firm of independent accountants, or a management consultant or management consulting firm, or independent engineer or engineering firm, having, in any case, a nationwide and favorable reputé 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 or the Agreement 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.

SECTION 9.10. Financing Statements. The Authority shall cause financing statements relating to this Resolution to be filed, registered and recorded in such manner and at such places as may be required by law (in the opinion of Bond Counsel) to fully protect the security of the Registered Owners of the Bonds. The Authority shall perform or shall cause to be performed any acts, and execute and cause to be executed any and all further instruments as may be required by law (in the opinion of Bond Counsel) or as shall reasonably be requested by the Trustee for the protection of the interests of the Trustee and the Bondholders, and shall furnish satisfactory evidence to the Trustee of recording, registering, filing and refiling of such instrument and of every additional instrument which shall be necessary to preserve the Lien and security interest of this Resolution upon the Trust Estate or any part thereof until the principal of and interest on the Bonds secured hereby shall have been paid. The Authority and the Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as the Trustee may be advised by an opinion of Counsel will preserve the lien and security interest of this Resolution upon the Trust Estate or any part thereof until the aforesaid principal and interest shall have been paid.

SECTION 9.11. Federal Tax Covenants. The Authority hereby covenants not to take or omit to take any action so as to cause interest on any Tax-Exempt Bonds to be no longer excluded from gross income for the purposes of federal income taxation and to otherwise comply with the requirements of Section 103 and Sections 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of such Tax-Exempt Bonds. The Authority further covenants that it will make no investments or other use of the proceeds of any Tax-Exempt Bonds which would cause such Tax-Exempt Bonds to be "arbitrage bonds" as defined in Section 148 of the Code. The Authority further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in Section 148 (f) of the Code and any regulations promulgated thereunder, including the payment of any Rebate Amount, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable.

SECTION 9.12. Maintenance of the Financing Agreement. The Authority covenants and agrees to take all steps legally within its power to maintain in full force and effect, for its part, the Financing Agreement and the Operation Agreement, if any, to comply with its obligations under each of the foregoing and to enforce each of the foregoing against the other parties thereof.

SECTION 9.13. Issuance of Obligations. The Authority covenants not to issue any Indebtedness, or other obligations of any type with a maturity maturing on a date, or permit the same to remain outstanding beyond a date, that would cause the term of the Financing Agreement to exceed the term allowed by law.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES.

SECTION 10.1. Events of Default Defined. Each of the following shall be an "Event of Default" hereunder:

A. Payment of the principal of any Bond is not made when it becomes due and payable at maturity or upon redemption, or otherwise or if payment of any installment of interest on any Bond is not made when it becomes due and payable; or

B. If the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in this Resolution, and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority by the Trustee; provided that if any such default cannot be cured within thirty (30) days the period shall be extended for such period as is reasonable to cure the same with due diligence if the Authority commences the cure within thirty (30) days and proceeds diligently; or

C. A default under the Financing Agreement by the Board shall have occurred and be continuing after any permitted period of cure therein provided for a period of forty-five days after written notice thereof stating that such notice is a "Notice of Default" to the Authority and the Board by the Trustee, or to the Authority, the Board and the Trustee by the holders of not less than twenty-five percent (25%) in principal amount of Bonds Outstanding; or

D. The occurrence of any Act of Bankruptcy with respect to the Authority; or

E. The failure of timely payment of the purchase price of any tendered Bond required to be paid according to the Supplemental Resolution authorizing such Bond; or

F. Such additional Events of Default as may be set forth in a Supplemental Resolution duly executed in connection with the issuance of any Bonds.

The Trustee shall give written or telephonic (promptly confirmed in writing or by confirmed telecopy) notice of any Event of Default, as herein defined, to the Authority and any Credit Facility Provider as soon as practicable after the occurrence of such Event of Default becomes known to the Trustee.

Notwithstanding the foregoing provisions, Additional Parity Indebtedness in the form of capitalized leases may provide for grace periods of up to twelve (12) months before the occurrence of a default under the lease shall constitute an Event of Default as herein defined hereunder.

SECTION 10.2. Bonds Declared Due and Payable. Upon the happening and continuance of any Event of Default specified in Section 10.1 of this Article, then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding shall (but in all events only after giving thirty (30) days' notice in writing to the Authority), declare the principal of all the Bonds Outstanding (if not then due and payable) to be due and payable immediately,

and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in this Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Resolution, money shall have accumulated in the Debt Service Fund sufficient to pay the principal of all Bonds which have matured and which should have been called for redemption from money in the Debt Service Fund and all matured Bonds, if any, and all arrears of interest, if any, upon all the Bonds Outstanding (except the principal of any Bonds not then due by their terms except as provided above and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by the Authority hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Resolution (other than a default in the payment of the principal of such Bonds) then due only because of a declaration under this Section shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds not then due by their terms and then outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 10.3. Enforcement of Remedies by Trustee. Upon the happening and continuance of any Event of Default specified in Section 10.1 then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding hereunder, shall:

(1) By mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Registered Owners, including the right (i) to require the Board to collect Rates adequate to carry out any agreement as to, or pledge of, such Rates, (ii) to demand all moneys and securities then held by the Board in the Local Water Fund and in all "Accounts" created thereunder, as such terms are defined in the Agreement and all Revenues thereafter be promptly paid to the Trustee for deposit in the Revenue Fund, and (iii) to require the Authority to carry out any other agreements with the Board under the Financing Agreement or the Registered Owners of such Bonds and to perform its duties under this Resolution and the Act; and/or

(2) Bring suit upon such Bonds; and/or

(3) By action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Registered Owners of such Bonds; and/or

(4) Make demand for payment, or draw under, any Credit Facility that may be available for the payment of the Debt Service Requirements of Bonds of any series of Bonds; and/or

(5) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of such Bonds; and/or

(6) Enforce the Financing Agreement, as assignee of the Authority; and/or

(7) Perform the Authority's obligations under the Financing Agreement.

The Trustee hereunder shall proceed in accordance with the Act, subject to the provisions of Section 10.1, to protect and enforce its rights and the rights of the Registered Owners under the laws of the State or under this Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. In the enforcement of any remedy under this Resolution the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming and at any time remaining due from the Authority for principal, interest or otherwise under any of the provisions of this Resolution or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Registered Owners, and to recover and enforce any judgment or decree against the Authority, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from money in the Debt Service Fund, Debt Service Reserve Fund, Bond Redemption and Accumulated Surplus Fund and any other money available for such purpose) in any manner provided by law, the money adjudged or decreed to be payable.

Any suit, action or proceeding by the Trustee on behalf of Registered Owners shall be heard or maintained in a court of competent jurisdiction. The Trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Registered Owners in the enforcement and protection of their rights as mandated in Section 1230-j of the Act. All rights of action under this Resolution or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Registered Owners of such Bonds, subject to the provisions of this Resolution.

SECTION 10.4. Effect of Discontinuance of Action. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

SECTION 10.5. Control of Proceedings. Anything in this Resolution to the contrary notwithstanding, the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding hereunder shall have the right, subject to the provisions of Section 10.6 of this Resolution, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution.

SECTION 10.6. Restriction on Bondholders' Action. No Registered Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless (i) any Registered Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted which specifically refers to such event as an "Event of Default", (ii) the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name; (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby; (iv) the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared, in every such case at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Resolution or for any other remedy hereunder. It is understood and intended that no one or more Registered Owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Registered Owners of such Outstanding Bonds.

Nothing contained in this Article, however, shall affect or impair the right of any Registered Owner to enforce the payment of the principal of and interest on his Bonds, or the obligation of the Authority to pay the principal of, interest on and premium, if any, on each Bond issued hereunder to the Registered Owners thereof at the time and place expressed in said Bond.

SECTION 10.7. Appointment of Receiver. Upon the happening and continuance of any Event of Default specified in Section 10.1, the Trustee, whether or not the issue of Bonds represented by such Trustee has been declared due and payable, shall be entitled as of right to the appointment of a receiver of any part or parts of the properties the Revenues of which are pledged for the security of the Bonds of such issue and such receiver may enter and take possession of such part or parts of the properties and, subject to any pledge or agreement with Bondholders, shall take possession of all money and other property derived from such part or parts of the properties and proceed with any construction thereon or the acquisition of any property, real or personal, in connection therewith which the Authority is under obligation to do, and to operate, maintain and reconstruct such part or parts of the properties and collect and receive all Revenues thereafter arising therefrom subject to any pledge thereof or agreement with Bondholders relating thereto and perform the public duties and carry out the agreements and

obligations of the Authority under the direction of the court. In any suit, action or proceeding by the Trustee the fees, counsel fees and expenses of the Trustee and of the receiver, if any, shall constitute taxable disbursements and all costs and disbursements allowed by the court shall be a first charge on any Revenues from the properties.

SECTION 10.8. Extension of Maturity of Bonds. In case the maturity of any of the Bonds or the time for payment of any installments of interest shall be extended by mutual agreement between the Authority and the Registered Owner of any such Bonds, such Bonds or claims for interest shall not be entitled in case of any default hereunder to the benefit of this Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust by the Trustee for the payment of particular Bonds or claims for interest pursuant to this Resolution) held by the Trustee, subject to the prior payment of the principal of all Bonds issued and outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

SECTION 10.9. Modifications with Respect to Credit Facilities Pursuant to Supplemental Resolutions. If so specified in the Supplemental Resolution relating to a particular series of Bonds, any action that may be taken by and any consent that must be received from the Registered Owners of all or some lesser percentage of the Bonds Outstanding of such series of Bonds under Article X of this Resolution shall instead and in lieu thereof be taken by or received from the Credit Facility Provider of a Credit Facility under which Debt Service Requirements for Bonds of such series of Bonds are payable if and when there does not exist a Credit Facility Default with respect to such Credit Facility. If any such action or consent requires a vote by the Registered Owners of the Bonds of such series of Bonds because there are then Outstanding hereunder Bonds of more than one series of Bonds, the Supplemental Resolution may also specify that the Credit Facility Provider shall have the right to vote hereunder with respect to the action or consent fully as if it were the Registered Owner of all of the Bonds of the series of Bonds unless there shall then exist a Credit Facility Default with respect to the Credit Facility.

SECTION 10.10. Priority of Payments After Default. Notwithstanding any other provisions of this Resolution other than those contained in this Section 10.10, in the event that, subsequent to the occurrence of an Event of Default, the funds held by the Trustee shall be insufficient for the payment of interest and principal then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or installments of interest which have theretofore become due at maturity or otherwise) and any other money received or collected by the Trustee, after making provision for the payment of any expenses necessary in its opinion to preserve the continuity of the Revenues or to provide for the continued operation of the System or otherwise to protect the interests of the Registered Owners of the Bonds, and for the payment of the charges, expenses (including those of its counsel) and liabilities incurred and advances made by the Trustee in the performance of its duties hereunder, shall be applied as follows:

(a) If the principal of all of the Bonds shall not have become or have been declared due and payable,

First: To the payment to the persons entitled thereto all installments of interest then due on Bonds (with interest on overdue installments of interest then due on

such Bonds, to the extent permitted by law, at the rate per annum borne by such Bonds) in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to the difference, if any, in the respective rates of interest specified in the Bonds; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due (with interest on such Bonds at their rate from the respective dates upon which they became 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, together with such interest, then to the payment ratably, according to the amounts of principal and interest due on such dates, to the persons entitled thereto, without any discrimination or preference except as to the difference, if any, in the respective rates of interest on the Bonds.

(b) If the principal of all the 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 Bonds with interest on overdue interest and principal as provided above, 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 any principal and interest, to the persons entitled thereto without any discrimination or preference, except as to the difference, if any, in the respective rates of interest specified in the Bonds.

(c) Payments of debt service on any Subordinated Indebtedness shall be made in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Subordinated Indebtedness.

Whenever money is to be applied pursuant to the provisions of this Section, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the earliest practicable date it deems suitable and which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

The Trustee may, in its sole discretion, hire one or more consultants experienced in the operation of water supply, transmission and distribution facilities for the purpose of determining what expenses are necessary to preserve the continuity of the Revenues or to provide for the continued operation of the System. The fees and expenses of any such consultant shall be considered expenses incurred by the Trustee in the performance of its duties for purposes of this

Resolution. Subject to Section 11.7 hereof, the Trustee may conclusively rely on any determination made by such consultant.

Notwithstanding anything to the contrary in this Section 10.10, the proceeds of any Credit Facility that are intended to pay the Debt Service Requirements of a particular series of Bonds shall be applied exclusively to the payment of such Debt Service Requirements and for no other purpose. Until the Credit Facility Provider shall have been reimbursed through this Resolution for the payment of such Debt Service Requirements, the Debt Service Requirements shall not be deemed to have been discharged hereunder. Furthermore, in the event that the Credit Facility Provider of any such Credit Facility shall have paid all Debt Service Requirements of the applicable series of Bonds as and when due, such Credit Facility Provider shall be surrogated to the Registered Owners of the Bonds of such series of Bonds with respect to all rights such Registered Owners may have under this Resolution, including without limitation the rights to payment under this Section 10.10.

ARTICLE XI

CONCERNING THE TRUSTEE.

SECTION 11.1. Acceptance of Trust; Abrogation of Right to Appoint Trustee. The Trustee accepts and agrees to execute the trust hereby created, but only upon the terms set forth in this Resolution, to all of which the parties hereto and the respective holders of the Bonds agree. The Trustee shall perform only such duties as are specifically set forth in this Resolution, and no implied covenants or obligations shall be read into this Resolution against the Trustee. The right of the holders of Bonds to appoint a trustee under the Act is hereby abrogated as permitted by the Act.

SECTION 11.2. No Responsibility for Recitals. The recitals, statements and representations contained in the Resolution or in the Bonds, save only the Trustee's authentication upon the Bonds, shall be taken and construed as made by and on the part of the Authority, and not by the Trustee, and the Trustee assumes and shall be under no responsibility or obligation for the correctness of same.

SECTION 11.3. Power to Act Through Agents; Liability Limited. The Trustee may execute any of the trusts or powers hereof and perform the duties required by it, by or through attorneys, agents, receivers, or employees, and shall be entitled to advice of counsel concerning all matters of trust hereof and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employees selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Resolution or under any Supplemental Resolution, nor for anything whatever in connection with the trust, except only its own misconduct or gross negligence.

SECTION 11.4. Compensation; Indemnification. The Authority shall pay to the Trustee reasonable compensation for all services rendered by it hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee hereunder, all as may be mutually agreed to in writing between the Authority and the Trustee including any liability or loss except as such may result from the Trustee's willful misconduct or

gross negligence. If any Event of Default shall have occurred and be continuing, the Trustee may, upon the failure by the Authority to pay any such compensation, deduct the same from any money coming into its hands (excluding the proceeds of any Credit Facility or of the remarketing of any Bonds) and shall be entitled to a preference in payment over any of the Outstanding Bonds hereunder (except from any such excluded proceeds). The Authority shall indemnify and save the Trustee and its officers, directors, employees and agents harmless against any liabilities which they may incur in connection with the Trustee's exercise and performance of its powers and duties hereunder which are not due to the Trustee's willful misconduct or gross negligence.

SECTION 11.5. No Duty to Effect or Renew Insurance. The Trustee shall be under no duty to effect or to renew any policies of insurance, nor shall the Trustee incur any liability for the failure of the Authority to effect or renew insurance or to report claims thereunder, or be subject to any liability with respect to losses suffered from the investment of any funds on deposit with it under this Resolution, except for the safekeeping of the securities in which said funds are invested and the collection of interest thereon.

SECTION 11.6. Notice of Default; Right to Investigate. The Trustee shall, within ninety (90) days after the occurrence thereof, give written notice by first class mail to Registered Owners of Bonds of all Events of Default known to the Trustee to have occurred and be continuing. The Trustee shall not be deemed to have notice of any default under paragraph D or E of Section 10.1 unless notified in writing of such default by a Credit Facility Provider or the Registered Owners of at least 25% in principal amount of the Bonds then Outstanding, which notice shall specifically refer to such event as an "Event of Default". The Trustee may, however, at any time that it has reasonable cause to question the same, require of the Authority full information as to the performance of any covenant hereunder; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to this Resolution and the properties covered thereby.

SECTION 11.7. Obligation to Act on Defaults. If any Event of Default of which the Trustee is deemed to have knowledge according to Section 10.1 hereof shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by this Resolution and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that, if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

SECTION 11.8. Records. The Trustee will keep proper books of record of all transactions relating to the receipts, disbursements, allocations and applications of all funds accruing to the Trustee hereunder, and such books shall be available for inspection by the Authority or any Bondholder at reasonable hours and under reasonable conditions. Other than its duty to enforce the terms of the Resolution, the Trustee shall have no responsibility for the nonperformance of any covenant or agreement by the Authority under any such instrument, nor any duty to see to the application of insurance or condemnation proceeds.

SECTION 11.9. Reliance on Requisitions, etc. The Trustee may conclusively rely and act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate,

statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of the Resolution; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

SECTION 11.10. Trustee May Deal in Bonds. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Resolution. The Trustee may also engage in or be interested in any financial or other transaction with the Authority; provided that if the Trustee determines that any such relation is in conflict with its duties under this Resolution it shall eliminate the conflict or resign as Trustee.

SECTION 11.11. Advances to Cure Defaults. If the Authority shall fail to perform any of the covenants or agreements contained in this Resolution, the Trustee may, in its uncontrolled discretion and without notice to the Bondholders, at any time and from time to time, make advances to effect performance of the same on behalf of the Authority, but the Trustee shall be under no obligation so to do; and any and all money paid or advanced by the Trustee for any such purpose, together with interest thereon at the rate equal to [the Prime Rate plus two percent (2%-) per annum,] shall be repaid by the Authority immediately upon demand therefor, and until such payment by the Authority shall be a lien in favor of the Trustee upon the Revenues on a parity with the lien of the Bonds; but no such advance shall operate to relieve the Authority from any default hereunder.

SECTION 11.12. Construction of Resolution. The Trustee may construe any of the provisions of this Resolution insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof; and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Bondholders.

SECTION 11.13. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Resolution by written resignation filed with the Chairperson of the Authority not less than sixty (60) days before the date when it is stated to take effect; provided notice of such resignation is given to the Bondholders in the same manner as notice of redemption. Such resignation shall take effect on the day specified therein unless a successor Trustee is previously appointed, in which event the resignation shall take effect immediately on the appointment of such successor, and unless no successor has been appointed as of the day specified therein, in which event the resignation shall not take effect until the successor is in fact appointed. Simultaneously with the effectiveness of the appointment of a successor Trustee, the former Trustee shall transfer to the successor Trustee any existing Credit Facility then in favor of the former Trustee.

SECTION 11.14. Removal of Trustee. Any Trustee hereunder may be removed at any time upon thirty (30) days' written notice to the Trustee and, with regard to clause (i) hereof, to the Authority by an instrument appointing a successor to the Trustee so removed, executed by either (i) the Registered Owners of a majority in principal amount of the Bonds then Outstanding or (ii) so long as no Event of Default has occurred and is continuing, by an Authorized Representative of the Authority. Such Trustee shall continue to act as Trustee hereunder until

the successor is in fact appointed. Simultaneously with the effectiveness of the appointment of a successor Trustee, the former Trustee shall transfer to the successor Trustee any existing Credit Facility then in favor of the former Trustee.

SECTION 11.15. Appointment of Successor Trustee. In case at any time the Trustee, or any Trustee hereinafter appointed, shall resign, or shall be removed, or be dissolved, or its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, a vacancy shall forthwith and ipso facto exist in the office of Trustee and a successor may be appointed, (i) so long as no Event of Default has occurred and is continuing, by the Authority by an instrument authorized by resolution of the Governing Board of the Authority and signed by an Authorized Representative of the Authority or (ii) if an Event of Default has occurred and is continuing, by the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Chairperson of the Authority, signed by such Bondholders or by their attorneys in fact duly authorized. Copies of each instrument shall be promptly delivered by the Authority to the predecessor Trustee and to the Trustee so appointed.

Until a successor Trustee shall be appointed by the Bondholders as herein authorized, the Authority, by an instrument authorized by resolution of its Governing Board, may appoint a Trustee to fill such vacancy. After any appointment by the Authority, it shall deposit written notice of such appointment in the United States mail, first-class, postage prepaid, addressed to each Registered Owner of Bonds at the addresses appearing upon the Bond register. Any new Trustee so appointed by the Authority shall immediately and without further act be superseded by a Trustee appointed by the Bondholders in the manner above provided. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee or any Bondholder may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

SECTION 11.16. Qualification of Successor Trustee. Every successor in the trust appointed in pursuance of the provisions of this Article XI shall be any trust company or a state or national bank with trust powers, within or without the State, having capital and paid in surplus of at least \$50,000,000, if there be such a trust company or bank willing and able to accept the trust on reasonable and customary terms.

SECTION 11.17. Instruments of Succession. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, the Trustee ceasing to act and the Authority shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of the Trustee so ceasing to act; and the Trustee so ceasing to act shall pay over to the successor Trustee all money at the time held by it hereunder.

SECTION 11.18. Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor Trustee under this Resolution, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

ARTICLE XII

EVIDENCE OF RIGHTS OF BONDHOLDERS.

SECTION 12.1. Proof from Registered Owners. Any request, consent or other instrument required by this Resolution to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent duly appointed by an instrument in writing. Proof of the execution of any such request, consent or other instrument or writing appointing any such agent shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Article.

SECTION 12.2. Proof of Writing. The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such affidavit or certificate shall also constitute sufficient proof of his authority.

SECTION 12.3. Proof of Bonds Held. The ownership of Bonds shall be proved by the registration books of such Bonds kept by the Trustee.

Any request, consent, vote, other instrument or action, required by this Resolution of the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority pursuant to such request, consent or vote, whether or not notation thereof be made on any Bond issued hereunder.

SECTION 12.4. Presumptions. In determining whether the Registered Owners of the requisite aggregate principal amount of Bonds shall have concurred in any demand, request, direction, consent or waiver under this Resolution, Bonds which are owned by the Authority or by any person directly or indirectly controlling or controlled by or under common control with the Authority shall be disregarded and deemed not to be Outstanding. For the purposes of determining whether the Trustee shall be protected in relying on such demand, request, direction, consent or waiver, only Bonds which the Trustee actually knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purpose of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the Authority. In case of a

dispute as to such right, any decision by the Trustee taken upon the advice of Counsel shall be full protection to the Trustee.

ARTICLE XIII

SUPPLEMENTAL RESOLUTIONS.

SECTION 13.1. Supplemental Resolutions Without Bondholders' Consent. The Authority and the Trustee from time to time, and at any time, subject to the conditions and restrictions of this Resolution may enter into Resolutions supplemental hereto, which Resolutions thereafter shall form a part hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority under this Resolution or to surrender any right or power herein reserved or conferred upon the Authority and which shall not adversely affect the interests of the Registered Owners of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained in this Resolution, or in regard to matters or questions arising under this Resolution, or to include provisions relating to the administration of any Credit Facility or the funds and accounts established hereunder or under any Supplemental Resolution, as the Authority and the Trustee may deem necessary or desirable and which shall not adversely affect the interests of the Registered Owners of the Bonds, or for other purposes as the Authority and the Trustee may deem desirable but only if and to the extent that such Supplemental Resolution does not in any manner adversely affect or impair the rights of the Bondholders under this Resolution;

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of this Resolution;

(d) to provide for the issuance of the 2003 Bonds or Additional Indebtedness (or any amendment, modification, replacement, reissuance or refunding of the 2003 Bonds or Additional Indebtedness) pursuant to Article III hereof or the issuance of a Credit Facility;

(e) to modify, amend or supplement this Resolution or any Resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, and if they so determine, to add to this Resolution or any Resolution supplemental hereto such other terms, conditions and provision as may be required by said Trust Indenture Act of 1939, as amended, or similar Federal statute; provided, however, that no such modification shall adversely affect or impair the rights of the Bondholders or permit the creation of any lien prior to or on a parity with the lien of the Resolution (except as herein expressly permitted) or deprive the Bondholders of the lien created by the Resolution;

(f) to modify, amend or supplement the Resolution in such manner as may be necessary to obtain or maintain from the Rating Agencies a securities rating on the 2003 Bonds or any Additional Indebtedness; and

(g) to make any other change to this Resolution that affects one or more particular series of Bonds if notice by registered or certified mail, return receipt requested, of such change, including a copy of the proposed Supplemental Resolution, is given to each Holder of a Bond of such series at least thirty (30) days prior to the effective date of the Supplemental Resolution and if each such Holder shall have had at least one opportunity to require the purchase of such Bond pursuant to the terms of the Supplemental Resolution under which the particular Bonds were issued during a period beginning thirty (30) days after the giving of such notice and ending on the effective date of the Supplemental Resolution.

Any Supplemental Resolution authorized by the provisions of this Section may be executed by the Authority and the Trustee without the consent of the Registered Owners of any of the Bonds at the time Outstanding, but the Trustee shall not be obligated to enter into any such Supplemental Resolutions which affect the Trustee's rights, duties or immunities under this Resolution or otherwise.

SECTION 13.2. Supplemental Resolutions with Bondholders' Consent. With the consent of the Registered Owners of a majority in aggregate principal amount of Bonds as of the relevant Record Date, the Authority and the Trustee, may from time to time and at any time enter into an Resolution or Resolutions supplemental hereto for the purpose of adding any provisions or changing in any manner or eliminating any of the provisions of this Resolution or of any Supplemental Resolution; provided, however, that no such supplemental Resolution shall (a) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected or (b) reduce the aforesaid percentage of Registered Owners of Bonds required to approve any such Supplemental Resolution. Upon receipt by the Trustee of certified resolutions authorizing the execution of any such Supplemental Resolutions, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such Supplemental Resolution unless such Supplemental Resolution will affect the Trustee's own rights, duties and immunities under this Resolution or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such Supplemental Resolution.

The Authority shall in its sole discretion select a Record Date in connection with obtaining the consent of Registered Owners to supplemental Resolutions. Only Registered Owners as of the close of business on said Record Date shall be entitled to consent to any such supplemental Resolution. Any such consent shall be irrevocable and binding on all subsequent transferees, whether or not such supplemental Resolution has been executed or approved by the requisite number of Registered Owners at the time of any such consent or subsequent transfer. For the purpose of determining consents, any Bond in a denomination other than the minimum Authorized Denomination for that series shall be treated as representing such number of separate Bonds of that series as is obtained by dividing the actual principal amount of such Bond by the minimum Authorized Denomination of that series. The Registered Owner of more than one Bond shall be entitled to consent or disapprove of any supplemental Resolution as holder of any Bond independent of the consent or disapproval given as holder of any other Bonds.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 13.3. Effect of Supplemental Resolutions. Upon the execution of any Supplemental Resolution pursuant to the provisions of this Article XIII, this Resolution shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under this Resolution of the Authority, the Trustee and all Registered Owners of Bonds Outstanding thereunder shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Resolution shall be and be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

SECTION 13.4. Opinion of Counsel as to Supplemental Resolution; Reliance on Counsel. Before the Trustee shall enter into any supplemental Resolution pursuant to Section 13.1, there shall have been delivered to the Trustee an opinion of Counsel to the effect that such supplemental Resolution (i) is authorized under this Resolution and complies with the requirements of this Article, (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms, and (iii) will not affect the exclusion from gross income of the interest on any Tax-Exempt Bonds for federal income tax purposes. The Trustee may conclusively rely upon such an opinion of Counsel.

SECTION 13.5. Voting Rights of Credit Facility Provider. As long as the Credit Facility Provider has not failed to comply with its payment obligations under the Credit Agreement, the Credit Facility Provider shall have all rights and privileges of the Holders of the Credit Facility Bonds to exercise rights of approval, consent, discretionary waiver and make all requests on behalf of and in place of such Holders. For purposes of computing applicable percentages of Bondholders under this Resolution, actions taken by such Credit Facility Provider shall be treated as action taken by the Holder of such Credit Facility Bonds.

ARTICLE XIV

DEFEASANCE.

SECTION 14.1. Defeasance. Subject to provisions of a Supplemental Resolution that may modify this Section 14.1 insofar as it governs the Bonds authorized by such Supplemental Resolution, if the Authority shall pay or cause to be paid, in accordance with the provisions of this Resolution, to the Registered Owners of any Bond, the principal and interest and premium, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the Trust Estate and any other money and securities hereby pledged and all other rights granted hereby shall be discharged and satisfied with respect to such Bond. In the event the Authority so provides for all Outstanding Bonds issued under this Resolution, 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 Trustee shall pay over or deliver, first to each Credit Facility Provider to the extent of any unreimbursed Payment Obligations, and then to the Authority, all money or securities held

by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Notwithstanding the release and discharge of the Lien of this Resolution as provided above, those provisions of this Resolution and any applicable Supplemental Resolution relating to the maturity of the Bonds, interest payments and dates thereof, tender and purchase provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, and the duties of the Trustee, Tender Agent and Remarketing Agent in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee, Tender Agent, Remarketing Agent, Issuer and the Bondholders.

Any Bond for the payment or redemption of which funds shall have been set aside and shall be held in trust by the Trustee (through deposit of funds for such payment or redemption or otherwise) whether at or prior to the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the first sentence of this Section. Subject to provisions of a Supplemental Resolution that may modify this Section 14.1 insofar as it governs the Bonds authorized by such Supplemental Resolution, any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the first sentence of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided herein, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or noncallable Investment Securities of the type listed in subparagraphs (a), (b), or (n) of the definition of Investment Securities, the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days and such Bonds are to be redeemed the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice to the Registered Owners of such Bonds that the deposit required by (ii) above has been made in accordance with this Section and stating such maturity or redemption date upon which money is to be available for the payment of the principal and premium, if applicable, on said Bonds. Neither Investment Securities or money deposited with the Trustee pursuant to this Section, nor principal or interest payable on any such Investment Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or premium, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, at the written direction of the Authority and to the extent practicable, be reinvested in Investment Securities of the type hereinbefore described in this paragraph maturing at times and in amounts sufficient, together with other money available for the purpose, to pay when due the principal, premium, if applicable, and interest to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge, provided, further that any Investment Securities may be sold, transferred, redeemed or otherwise

disposed of, and the proceeds thereof applied to the purchase of other Investment Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with money and other Investment Securities then held by the Trustee for such purpose shall be sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be.

Anything in the Resolution to the contrary notwithstanding and except as the escheat laws of the State may otherwise provide, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money were held by the Trustee at such date, or for four years after the date of deposit of such money if deposited with the Trustee after the said date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority, as its or their absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that before being required to make any such payment, the Trustee shall, at the expense of the Authority, cause to be published once in an Authorized Newspaper, notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of first publication of such notice, the balance of such money then unclaimed will be returned to the Authority as provided above.

SECTION 14.2. Surplus Funds. Any surplus money held by the Trustee after all obligations arising under the Bonds and this Resolution have been paid shall be transferred to the Authority.

ARTICLE XV

MISCELLANEOUS PROVISIONS.

SECTION 15.1. Benefit of Covenants. All the covenants, stipulations, promises and agreements in this Resolution contained by or on behalf of the Authority shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

SECTION 15.2. No Further Beneficiaries. Nothing expressed or implied in this Resolution or in the Bonds is intended or shall be construed to give to any person other than the parties hereto, any Credit Facility Providers, and the Registered Owners of the Bonds issued hereunder, any legal or equitable right, remedy or claim under or in respect of this Resolution or any covenants, conditions or provisions therein or herein contained.

SECTION 15.3. Waiver of Notice. Whenever in this Resolution the giving of notice by mail or otherwise shall be required, the giving of such notice may be waived in writing by all Persons entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 15.4. Severability. In case any one or more of the provisions contained in this Resolution or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Resolution or the Bonds, but this Resolution or the Bonds shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 15.5. Substitute Notice. If for any reason it shall be impossible to make publication of any notice required hereby in an Authorized Newspaper, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

SECTION 15.6. Notices. Except as otherwise provided herein, all notices, demands, requests, consents, certificates, directions, elections and waivers pursuant to any provision of this Resolution shall be in writing and sent by United States registered or certified mail, return receipt requested, postage prepaid, or alternatively, by hand delivery, addressed to the Authority as follows:

Niagara Falls Public Water Authority
Michael C. O'Laughlin Municipal Water Plant
5815 Buffalo Avenue
Niagara Falls, New York 14304

Attention: Chairperson

and to the Trustee as follows:

Manufacturers and Traders Trust Company
One M&T Plaza, 7th Floor
Buffalo, New York 14203

Attention: Corporate Trust Department

and to S & P as follows:

Standard & Poor's Ratings Services, a Division of McGraw Hill Companies, Inc.,
55 Water Street
New York, New York 10041

or to such other address as the party to receive the communication may hereafter designate by written notice to all other Persons listed above. Copies of all notices shall be sent to the Trustee at its address above. All notices shall be deemed to have been given hereunder on the day following mailing thereof in accordance with the requirements of this Section, except for telephonic notice pursuant to specific provisions hereof authorizing such notice or notice by hand delivery, which shall be deemed given immediately.

SECTION 15.7. Successors and Assigns. All the covenants, promises and agreements contained in this Resolution by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15.8. Headings for Convenience Only. The descriptive headings herein are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15.9. Counterparts. This Resolution may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 15.10. Payments on Weekends, Holiday. Whenever the date fixed for the payment of the principal or redemption price of or the interest on any Bonds falls on any date that is not a Business Day, then the payment of principal, redemption price or interest need not be made on such date, but may be made on the next-succeeding regular Business Day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

SECTION 15.11. No Personal Liability. No recourse under or upon any obligation, covenant or agreement contained in this Resolution or in any Bond hereby secured, or under any judgment obtained against the Authority or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of this Resolution, shall be had against any member, officer or employee, as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Registered Owners of any Bonds issued hereunder or otherwise, of any sum that may be due and unpaid by the Authority upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member, officer or employee of the Authority as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Registered Owner of any Bond issued thereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds and hereby secured or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Resolution and the issuance of such Bond.

SECTION 15.12. No Indebtedness Created. Neither the State, the City nor any other municipality or public corporation shall be liable for the payment of the principal of or interest on any of the Bonds issued hereunder, or for the performance of any pledge, mortgage, obligation or agreement or indebtedness of the Authority, and none of the Bonds of the Authority

issued hereunder shall be construed to constitute an indebtedness of said State, the City or any other municipality or public corporation.

SECTION 15.13. Agreement of the State. There is hereby incorporated in this Resolution by this reference, fully as if set forth herein at length, the agreement of the State with the Registered Owners of Bonds set forth in Section 1199-nnnnn of the Act.

SECTION 15.14. Governing Law. This Resolution shall be governed exclusively by the provisions hereof and by the applicable laws of the State without reference to conflict of law provisions.

SECTION 15.15. Consents. Whenever the consent of any Person is required pursuant to the terms of this Resolution, the same shall not be unreasonably withheld.

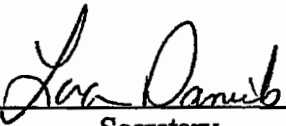
SECTION 15.16. Construction of Delivery by Trustee or Tender Agent. Any reference herein to delivery of Bonds by the Trustee or the Tender Agent shall be understood to mean only that the Trustee or the Tender Agent, as the case may be, shall make the Bond or Bonds available for pick-up during normal business hours at its principal corporate trust office in Buffalo, New York.

SECTION 15.17. Action by Authority or Credit Facility Provider. Except as otherwise expressly stated herein, any action to be taken hereunder or under any Supplemental Resolution by the Authority or Credit Facility Provider may be taken by an Authorized Representative thereof.

IN WITNESS WHEREOF, NIAGARA FALLS PUBLIC WATER AUTHORITY has caused this Resolution to be executed by its Chairperson and its corporate seal to be hereunto affixed, attested by its Secretary, and MANUFACTURERS AND TRADERS TRUST COMPANY has caused this Resolution to be executed by one of its authorized officers, all as of the day and year first above written.

(SEAL)

NIAGARA FALLS PUBLIC WATER
AUTHORITY

Attest: 
Secretary

By 
Chairperson

MANUFACTURERS AND TRADERS
TRUST COMPANY, as Trustee

By 
Vice President
KARIN W. CRANZ
TRUST OFFICER

IN WITNESS WHEREOF, NIAGARA FALLS PUBLIC WATER AUTHORITY has caused this Resolution to be executed by its Chairperson and its corporate seal to be hereunto affixed, attested by its Secretary, and MANUFACTURERS AND TRADERS TRUST COMPANY has caused this Resolution to be executed by one of its authorized officers, all as of the day and year first above written.

(SEAL)

NIAGARA FALLS PUBLIC WATER
AUTHORITY

Attest:


Secretary

By


Chairperson

MANUFACTURERS AND TRADERS
TRUST COMPANY, as Trustee

By

Vice President