
LONG ISLAND POWER AUTHORITY

**ELECTRIC SYSTEM GENERAL SUBORDINATED
REVENUE BOND RESOLUTION**

authorizing

**ELECTRIC SYSTEM SUBORDINATED
REVENUE BONDS**

Adopted May 20, 1998

TABLE OF CONTENTS

Page

ARTICLE I

CERTAIN DEFINITIONS

Section 1.01.	Definitions	1
Section 1.02.	Interpretation.	5

ARTICLE I

AUTHORIZATION AND ISSUANCE OF SUBORDINATED BONDS

Section 2.01.	Authorization of Subordinated Bonds.	7
Section 2.02.	Subordinated Resolution to Constitute Contract	7
Section 2.04.	Authorization of Subordinated Bonds in Series.	8
Section 2.05.	Conditions Precedent to Delivery of Subordinated Bonds.	8
Section 2.06.	Conditions Precedent to Delivery of Subordinated Refunding Bonds	10
Section 2.07.	Special Provisions Relating to Financial Contracts and Credit or Liquidity Facilities	10

ARTICLE III

GENERAL TERMS AND PROVISIONS OF SUBORDINATED BONDS

Section 3.01.	Title of Subordinated Bonds.	12
Section 3.02.	Legends	12
Section 3.03.	Place and Medium of Payment; Form	12
Section 3.04.	Payment of Interest	12
Section 3.05.	Interchangeability of Subordinated Bonds	12
Section 3.06.	Negotiability, Transfer and Registry	13
Section 3.07.	Regulations With Respect to Exchanges and Transfers	13
Section 3.08.	Subordinated Bonds Mutilated, Destroyed, Stolen or Lost	13
Section 3.10.	Execution and Authentication	15
Section 3.11.	Book-Entry-Only System	15

ARTICLE IV

REDEMPTION OF SUBORDINATED BONDS

Section 4.01.	Privilege of Redemption and Redemption Price	16
Section 4.02.	Redemption at the Election of the Authority	16
Section 4.03.	Redemption Otherwise Than at Authority Election	16
Section 4.04.	Selection of Subordinated Bonds to be Redeemed	17
Section 4.05.	Notice of Redemption	17
Section 4.06.	Conditional Notices	17
Section 4.07.	Payment of Redeemed Subordinated Bonds	18

ARTICLE V

PLEDGE; FUNDS AND ACCOUNTS

Section 5.01.	Pledge Effected by the Subordinated Resolution; Additional Subordinated Indebtedness	19
Section 5.02.	Subordinated Indebtedness Fund; Other Funds and Accounts	20
Section 5.04.	Deposits	20
Section 5.05.	Investment of Funds	21

ARTICLE VI

FIDUCIARIES

Section 6.01.	Trustee, Appointment and Acceptance of Duties	22
Section 6.02.	Resignation of Trustee	22
Section 6.03.	Removal of Trustee	22
Section 6.04.	Appointment of Successor Trustee	22
Section 6.05.	Transfer of Rights and Property to Successor Trustee	23
Section 6.06.	Adoption of Authentication	23
Section 6.07.	Authenticating Agent	24
Section 6.08.	Paying Agents; Appointment and Acceptance of Duties	24
Section 6.09.	Resignation or Removal of Paying Agent and Appointment of Successor	24
Section 6.10.	Merger or Consolidation	25
Section 6.11.	Responsibilities of Fiduciaries	25

	<u>Page</u>
Section 6.12.	Compensation 26
Section 6.13.	Certain Permitted Acts 27
Section 6.14.	Evidence on Which Fiduciaries May Act 27
Section 6.15.	Several Capacities 27

ARTICLE VII

COVENANTS

Section 7.01.	Rate Covenant 28
Section 7.02.	Consulting Engineer and Rate Consultant 28
Section 7.03.	Agreement of the State 28
Section 7.04.	Annual System Budget 28
Section 7.05.	Deposits to Funds 28
Section 7.06.	Enforcement and Amendment of Financing Agreement 28
Section 7.07.	Amendments to Financing Agreement 28
Section 7.08.	No Competitive Facilities 29
Section 7.09.	Disposition of Assets 29
Section 7.10.	Offices for Servicing Subordinated Bonds 30
Section 7.11.	Further Assurance 30
Section 7.12.	Power to Issue Subordinated Bonds and Pledge Rights and Interests; Payment of Subordinated Bonds 30
Section 7.13.	Books of Account 30
Section 7.14.	Tax Rulings. 31
Section 7.15.	General 31

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.01.	Effective Upon Filing With the Trustee 32
Section 8.02.	Effective Upon Consent of Trustee 33
Section 8.03.	Effective With Consent of Owners 34
Section 8.04.	General Provisions 34

ARTICLE IX

AMENDMENTS

Section 9.01.	Mailing of Notice of Amendment	36
Section 9.02.	Powers of Amendment	36
Section 9.03.	Consent of Owners.	36
Section 9.04.	Modifications by Unanimous Consent	37
Section 9.05.	Exclusion of Bonds	38
Section 9.06.	Notation on Bonds	38

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.01.	Events of Default	39
Section 10.02.	Accounting and Examination of Records After Default	40
Section 10.03.	Application of Revenues and Other Moneys After Default	40
Section 10.04.	Proceedings Brought by Trustee	42
Section 10.05.	Restriction on Actions by Owners	43
Section 10.06.	Trustee May File Proofs of Claim	44
Section 10.07.	Remedies Not Exclusive	44
Section 10.08.	No Delay or Omission Deemed to be Waiver	45

ARTICLE XI

DEFEASANCE; UNCLAIMED MONEYS

Section 11.01.	Defeasance	46
Section 11.02.	Unclaimed Moneys	48
Section 11.03.	Moneys Held for Particular Bonds	49

ARTICLE XII

MISCELLANEOUS

Section 12.01.	Evidence of Signatures of Owners and Ownership of Bonds.	50
Section 12.02.	Preservation and Inspection of Documents	50
Section 12.03.	Parties Interested Herein	50
Section 12.04.	No Personal Liability on Bonds or Subordinated Indebtedness	50
Section 12.05.	Successors and Assigns	50
Section 12.06.	Severability of Invalid Provisions	51
Section 12.07.	Payments on Saturdays, Sundays and Holidays	51
Section 12.08.	Governing Law	51
Section 12.09.	Effective Date	51

ELECTRIC SYSTEM GENERAL SUBORDINATED REVENUE BOND RESOLUTION

BE IT RESOLVED by the Trustees of the Long Island Power Authority as follows:

ARTICLE I

CERTAIN DEFINITIONS

Section 1.01. Definitions. As used in this Electric System General Subordinated Revenue Bond Resolution (as from time to time amended or supplemented pursuant hereto, the "Subordinated Resolution"), the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended.

"Accountant" has the meaning specified in the General Bond Resolution.

"Acquisition Agreement" has the meaning specified in the General Bond Resolution.

"Acquisition Debt" has the meaning specified in the General Bond Resolution.

"Act" shall mean the Long Island Power Authority Act, constituting Title 1-A of Article 5 of the Public Authorities Law of the State, as amended.

"Authenticating Agent" means any authenticating agent appointed pursuant to Section 6.07.

"Authority" means the Long Island Power Authority, a corporate municipal instrumentality created and existing under and by virtue of the Act.

"Authorized Representative" shall mean in the case of both the Authority and the Subsidiary, their respective Chairman, Chief Executive Officer, Executive Director, Chief Financial Officer or Chief Operating Officer, or such other person or persons so designated by resolution of the Authority or the Subsidiary, as the case may be.

"Bond" has the meaning specified in the General Bond Resolution.

"Bond Counsel's Opinion" or "Opinion of Bond Counsel" shall mean an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of municipalities and public agencies, selected by the Authority and reasonably satisfactory to the Trustee.

"Certificate" means a signed document attesting to or acknowledging the matters stated therein and setting forth matters to be determined pursuant to the Subordinated Resolution.

"Costs" has the meaning specified in the General Bond Resolution.

"Credit Facility" means a letter of credit, revolving credit agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued or provided by a bank, insurance company or other financial institution which provides for payment of all or a portion of the principal or Redemption Price of or interest on any Subordinated Bonds.

"Defeasance Obligations" has the meaning specified in the General Bond Resolution.

"Fiduciary" means the Trustee, any Paying Agent, any Authenticating Agent, or any tender, remarketing or other agent designated as a Fiduciary by Supplemental Resolution.

"Financial Contract" means, to the extent from time to time permitted by law, any financial arrangement entered into by the Authority with respect to Subordinated Bonds for the purpose of moderating interest rate fluctuations or any other purpose, (i) which is entered into with an entity that is a Qualified Counterparty at the time the arrangement is entered into, and (ii) which is any of the following, or any combination thereof, or any option with respect thereto: a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Subordinated Bonds as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Subordinated Bonds; asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; or other similar transaction (however designated).

"Financing Agreement" has the meaning specified in the General Bond Resolution.

"General Bond Resolution" means the Electric System General Revenue Bond Resolution adopted by the Authority on May 13, 1998, as amended or supplemented pursuant thereto.

"Investment Securities" has the meaning specified in the General Bond Resolution.

"LILCO" means the Long Island Lighting Company, a New York corporation.

"Liquidity Facility" means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued or provided by a bank, insurance company or other financial institution which provides for payment of all or a portion of the purchase price (including accrued interest) of any Subordinated Bonds.

"Outstanding" when used with reference to Subordinated Bonds, means, as of any date, Subordinated Bonds theretofore or thereupon being delivered under the Resolution except:

- (i) any Subordinated Bonds cancelled by the Trustee at or prior to such date;
- (ii) Subordinated Bonds, the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof;
- (iii) Subordinated Bonds, in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the Subordinated Resolution; and
- (iv) Subordinated Bonds deemed to have been paid as provided in Section 11.01(b) hereof; and
- (v) except as otherwise may be provided by Supplemental Resolution, Subordinated Bonds tendered or deemed tendered in accordance with the provisions of any Supplemental Resolution on the applicable purchase date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such Subordinated Bonds thereafter may be resold pursuant to the terms of such Subordinated Bonds.

"Owners" means the registered owners of Subordinated Bonds or the duly authorized attorneys in fact, representatives or assigns thereof.

"Parity Obligations" has the meaning specified in the General Bond Resolution.

"Parity Subordinated Reimbursement Obligation" has the meaning specified in Section 2.07(b).

"Principal Office", when used with respect to any Fiduciary, and any provision of the Subordinated Resolution, shall mean the corporate trust or other office or offices of such Fiduciary designated thereby with respect to such provision.

"Property Tax Settlement" has the meaning specified in the General Bond Resolution.

"Qualified Counterparty" has the meaning specified in the General Bond Resolution.

"Rating Agency" means, with respect to any Subordinated Bonds, Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and/or Fitch IBCA, Inc., and any other nationally recognized statistical rating organization, and their respective successors and

assigns, in each case at any time only if the same is then maintaining a rating on such Subordinated Bonds at the request of the Authority.

"Rating Category" means a general rating category of an applicable Rating Agency or nationally recognized statistical rating organization, without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Record Date" means, with respect to each scheduled payment of principal and Redemption Price of and premium, if any and interest on each Subordinated Bond, the date specified as the "Record Date" therefor in the Supplemental Resolution authorizing such Subordinated Bond.

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

"Reimbursement Agreement" has the meaning specified in Section 2.07(b).

"Revenue Fund" has the meaning specified in the General Bond Resolution.

"Responsible Officer" shall mean, when used with respect to the trustee, any officer within the corporate trust department of the trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of or familiarity with the particular subject and who shall have direct responsibility for the administration of the Subordinated Resolution.

"Revenues" has the meaning specified in the General Bond Resolution.

"Separately Financed Project" has the meaning specified in the General Bond Resolution.

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

"State" means the State of New York.

"Subordinated Bonds" means any of the bonds authenticated and delivered pursuant to the Subordinated Resolution.

"Subordinated Indebtedness" has the meaning specified in the General Bond Resolution.

"Subordinated Indebtedness Fund" has the meaning specified in the General Bond Resolution.

"Subordinated Refunding Bond" means any Subordinated Bond authenticated and delivered on original issuance pursuant to Section 2.06 for the purpose of refunding any Outstanding Subordinated Bonds, or thereafter authenticated and delivered pursuant to the Subordinated Resolution in lieu of or substitution for such Subordinated Bond.

"Subordinated Reimbursement Obligations" has the meaning specified in Section 2.07(b).

"Subsidiary" has the meaning specified in the General Bond Resolution.

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

"System" has the meaning specified in the General Bond Resolution.

"System Improvement" has the meaning specified in the General Bond Resolution.

"Trustee" shall mean The Bank of New York, and its successor or successors and any other person which may at any time be substituted in its place pursuant to this Subordinated Resolution.

"Trust Estate" has the meaning specified in the General Bond Resolution.

Section 1.02. Interpretation. In this Subordinated Resolution, unless the context otherwise requires:

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

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

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

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

(5) Any reference to the payment of a Subordinated Bond shall be a reference to the payment of the principal or Redemption Price thereof and interest thereon.

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

(7) The date upon which any sinking fund installment is required to be made pursuant to the Subordinated Resolution shall be deemed to be the date upon which such sinking fund installment is payable, and the Outstanding Subordinated Bonds to be retired by application of such sinking fund installment shall be deemed to be the Subordinated Bonds entitled to such sinking fund installment.

(8) All references to the time of day or the close of business are to the time in effect and the close of business in The City of New York, New York.

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

ARTICLE I

AUTHORIZATION AND ISSUANCE OF SUBORDINATED BONDS

Section 2.01. Authorization of Subordinated Bonds. (a) There is hereby created an issue of bonds of the Authority to be designated as "Electric System Subordinated Revenue Bonds" to be issued for any lawful purpose of the Authority, including but not limited to providing sufficient funds to acquire all outstanding LILCO common stock in accordance with the Acquisition Agreement, pay a portion of the redemption price of certain preferred stock of LILCO in accordance with the Acquisition Agreement, fund the Property Tax Settlement, retire certain outstanding debt of LILCO, purchase certain interest rate hedges entered into in anticipation of the issuance of the Acquisition Debt, fund Costs of System Improvements, refund any Bonds, Subordinated Bonds or any other bonds, notes or other obligations issued by the Authority for lawful purposes, and pay any fees and expenses incurred in conjunction with the foregoing and the issuance of such Subordinated Bonds, and to make payments into any fund or account as required by or permitted under the Subordinated Resolution. The aggregate principal amount of the Subordinated Bonds which may be executed, authenticated and delivered under the Subordinated Resolution is not limited except as provided in the Subordinated Resolution or as may be limited by law.

(b) Subordinated Bonds may be issued as fixed rate bonds, variable or adjustable rate bonds, auction rate bonds, zero interest bonds, capital appreciation bonds, tender option bonds, deferred interest bonds, or otherwise, or any combination thereof, as may be determined by Supplemental Resolution.

(c) All Subordinated Bonds shall be and constitute Subordinated Indebtedness under the General Bond Resolution.

Section 2.02. Subordinated Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Subordinated Bonds by those who shall hold the same from time to time, the provisions of the Subordinated Resolution shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the Owners from time to time of the Subordinated Bonds. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all such Subordinated Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Subordinated Resolution.

Section 2.03. Obligation of Subordinated Bonds. (a) The Subordinated Bonds shall be special obligations of the Authority payable solely from the Trust Estate to the extent provided herein, and no other revenues or assets of the Authority shall be, or shall be deemed to be, pledged to the payment of the Subordinated Bonds; provided, however, that nothing contained in the Subordinated Resolution shall prevent the pledge of any Credit Facility or Liquidity Facility relating to any particular Subordinated Bonds, or the proceeds of such Credit Facility or Liquidity Facility, to the payment of such Subordinated Bonds. The Subordinated

Bonds shall not be a debt of the State or of any municipality, and neither the State nor any municipality shall be liable thereon. Neither the credit, the revenues nor the taxing power of the State or of any municipality shall be, or shall be deemed to be, pledged to the payment of the Subordinated Bonds.

Section 2.04. Authorization of Subordinated Bonds in Series. (a) The Subordinated Bonds shall be issued subject to the terms, conditions and limitations established in the Subordinated Resolution and in one or more Series as hereinafter provided.

(b) Nothing herein contained shall preclude the consolidation into a single Series for purposes of issuance and sale of Subordinated Bonds otherwise permitted by the Subordinated Resolution to be issued at the same time in two or more separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Resolution.

Section 2.05. Conditions Precedent to Delivery of Subordinated Bonds. Subordinated Bonds, except for Subordinated Refunding Bonds, shall be executed by the Authority for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of each of the following:

(a) A Bond Counsel's Opinion to the effect that (i) the Authority has the right and power to adopt the Subordinated Resolution under the Act; (ii) the Subordinated Resolution has been duly and lawfully adopted by the Authority and is enforceable against the Authority except as may be limited as described therein; (iii) the Subordinated Resolution creates the valid pledge which it purports to create of the Trust Estate; (iv) such Subordinated Bonds are valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Subordinated Resolution except as may be limited as described therein; and (v) upon the execution, authentication and delivery of such Subordinated Bonds all conditions required by the Subordinated Resolution precedent to the issuance of such Subordinated Bonds will have been met and such Subordinated Bonds will have been duly and validly authorized and issued in accordance with the Act and the Subordinated Resolution.

(b) Except as otherwise provided by Supplemental Resolution, a written order as to the delivery of such Subordinated Bonds, signed by an Authorized Representative of the Authority.

(c) A copy of the Supplemental Resolution authorizing such Subordinated Bonds certified by an Authorized Representative of the Authority, which resolution shall specify or shall set forth the method for specifying:

(i) the authorized principal amount and Series designation of such Subordinated Bonds;

(ii) the purposes for which such Subordinated Bonds are being issued:

(iii) the dated date or dates, and the maturity date or dates of such Subordinated Bonds;

(iv) if such Subordinated Bonds will pay current interest for all or any part of their term, the interest rate or rates of the Subordinated Bonds of such Series, or the manner of determining such rate or rates, the interest payment dates therefor (which may be any date or dates, and may be different dates for different Subordinated Bonds) and the method of payment of such interest and, if such Subordinated Bonds will not pay full current interest for all or any part of their term, the rate or rates to be borne by, the method of accrual or compounding, if any, and the other terms and conditions of such Subordinated Bonds including the designation, or manner of determining, the "principal amount" of such Subordinated Bonds;

(v) the Record Date, if any, for such Subordinated Bonds;

(vi) the minimum denomination of, and the manner of dating, numbering and lettering, such Subordinated Bonds, but such Subordinated Bonds shall be in denominations equal to the minimum denomination or any multiple thereof or as may otherwise be authorized by such Supplemental Resolution;

(vii) the place or places of payment of such Subordinated Bonds or the manner of appointing and designating the same;

(viii) if any such Subordinated Bonds are redeemable, the Redemption Prices and the redemption terms for such Subordinated Bonds;

(ix) the amount and due date of each sinking fund installment, if any, for Subordinated Bonds of like maturity and the method of crediting purchases and redemptions of such Bonds against such sinking fund installments;

(x) if so determined by the Authority, provisions for the sale of such Subordinated Bonds;

(xi) the forms of such Subordinated Bonds and of the Trustee's certificate of authentication;

(xii) any additional Fiduciaries as contemplated by the definition thereof;

(xiii) appropriate provision for the deposit and application of the proceeds of such Subordinated Bonds;

(xiv) any Credit Facility or Liquidity Facility for such Subordinated Bonds, and provision for reimbursement or repayment of any draws thereon (including interest on amounts not reimbursed or repaid) and payment of any fees, charges and costs relating thereto;

(xv) if such Subordinated Bonds are to be listed on a domestic or foreign stock exchange, delegating to Authorized Representatives of the Authority the authority to take all such actions as they deem necessary or appropriate to comply with the listing requirements of the exchange, including without limitation the appointment of a member of the exchange as listing agent, the publication where required by the exchange of all redemption notices, the appointment of a special clearing agent and paying agent, and the execution of an undertaking letter with the exchange; and

(xvi) any other provisions deemed advisable by the Authority as shall not conflict with the provisions hereof.

(d) Except in the case of Refunding Subordinated Bonds issued pursuant to Section 2.06, a Certificate, dated as of the date of delivery of such Subordinated Bonds, of (i) an Authorized Representative of the Authority stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Subordinated Resolution and (ii) an Authorized Representative of the Subsidiary stating that the Subsidiary is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Financing Agreement.

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

Any Supplemental Resolution authorizing Subordinated Bonds may delegate to any officers or employees of the Authority the determination of any details of such Subordinated Bonds, within limitations which shall be set forth in such Supplemental Resolution. Any such determination shall be in writing, and each such written determination shall be deemed to be part of the Supplemental Resolution providing for the same.

Section 2.06. Conditions Precedent to Delivery of Subordinated Refunding Bonds. All Subordinated Refunding Bonds shall be executed by the Authority for issuance and delivered to the Trustee, and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of:

(i) the documents required by Section 2.05 other than subsection (d) thereof; and

(ii) such documents, instructions, moneys and securities as are required by the provisions of Section 11.01 or any Supplemental Resolution adopted pursuant to Article XI to cause the Bonds or portions thereof to be refunded to be paid or deemed to have been paid within the meaning and with the effect expressed in Section 11.01(a).

Section 2.07. Special Provisions Relating to Financial Contracts and Credit or Liquidity Facilities. (a) Payments to Qualified Counterparties under Financial Contracts shall constitute Subordinated Indebtedness, and may be issued and secured on a parity with Subordinated Bonds.

(b) In connection with any Subordinated Bonds, the Authority may obtain or cause to be obtained one or more Credit Facilities or Liquidity Facilities and agree with the issuer of a Credit Facility or Liquidity Facility to reimburse such issuer directly for amounts paid under the terms of such Credit Facility or Liquidity Facility, together with interest thereon; provided, however, that no obligation to reimburse an issuer of a Credit Facility or Liquidity Facility shall be created pursuant to any agreement (a "Reimbursement Agreement"), for purposes of the Subordinated Resolution, until amounts are paid under such Credit Facility or Liquidity Facility. Such payments to reimburse the issuer of a Credit Facility or Liquidity Facility are referred to herein as "Subordinated Reimbursement Obligations." Any Subordinated Reimbursement Obligation and any other obligation under the related Reimbursement Agreement (a "Parity Subordinated Reimbursement Obligation") may be secured by a pledge of and a lien on the Trust Estate on a parity with the lien created thereon by Section 5.01 to the extent provided in such Reimbursement Agreement. Any such Parity Subordinated Reimbursement Obligation shall be deemed to be a part of the Series to which the Credit Facility or Liquidity Facility which gave rise to such Parity Subordinated Reimbursement Obligation relates and shall constitute Subordinated Indebtedness within the meaning of the General Bond Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF SUBORDINATED BONDS

Section 3.01. Title of Subordinated Bonds. Subject to the provisions of Section 302, each Subordinated Bond shall be entitled and shall bear such letters or numbers and such Series designation as shall be determined in the Supplemental Resolution authorizing such Subordinated Bond.

Section 3.02. Legends. In accordance with Section 1020-I of the Act, the Subordinated Bonds shall contain or have endorsed thereon a statement to the effect that neither the State nor any municipality thereof is liable thereon and that such Subordinated Bond is not a debt of the State or of any municipality thereof, and that the Authority does not have the power to pledge the credit, the revenues or the taxing power of the State or any municipality thereof, and neither the credit of the revenues nor the taxing power of the State or of any municipality thereof is or shall be or be deemed to be pledged to the payment of the Subordinated Bonds. In addition, the Subordinated Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Subordinated Resolution as may be necessary or desirable to comply with custom or otherwise as may be determined by the Authority prior to delivery thereof.

Section 3.03. Place and Medium of Payment; Form. Unless otherwise determined by a Supplemental Resolution authorizing particular Subordinated Bonds, such Subordinated Bonds shall be payable at the Principal Office of the Trustee, and any Paying Agent appointed or provided for such Subordinated Bond, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Unless otherwise provided in a Supplemental Resolution providing for particular Subordinated Bonds, such Subordinated Bonds shall be issued in the form of fully registered bonds without coupons payable to a named person or registered assigns. The Authority may provide in an applicable Supplemental Resolution for the issuance of Subordinated Bonds in book-entry form, together with such modifications to the Subordinated Resolution as are necessary and appropriate for such Bonds.

Section 3.04. Payment of Interest. Interest on the Subordinated Bonds shall be payable in the manner provided in the Supplemental Resolution authorizing the issuance of such Subordinated Bonds to the person in whose name such Subordinated Bonds are registered, as shown on the registry books of the Authority kept for such purpose at the office of the Trustee, at the close of business on the Record Date, or as otherwise provided in the Supplemental Resolution authorizing the issuance of such Subordinated Bonds.

Section 3.05. Interchangeability of Subordinated Bonds. Upon surrender thereof at the Principal Office of the Trustee, as registrar, with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner, Subordinated Bonds may, at the option of the Owner thereof and upon payment by such Owner of any charges which the Trustee may

make as provided in Section 3.07, be exchanged for an equal aggregate principal amount of Subordinated Bonds of the same maturity and interest rate of any of the authorized denominations.

Section 3.06. Negotiability, Transfer and Registry. (a) Each Subordinated Bond shall be transferable only upon the books of the Authority which shall be kept for that purpose at the Principal Office of the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by such Owner; provided, however, that with the consent of the Trustee a co-registrar may be appointed and provided for by Supplemental Resolution. Upon such transfer, the Authority shall issue in the name of the transferee a new Subordinated Bond or Bonds of the same aggregate principal amount, and maturity as the surrendered Subordinated Bond.

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

Section 3.07. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Subordinated Bonds or transferring Subordinated Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Subordinated Bonds in accordance with the provisions of the Subordinated Resolution. All Subordinated Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Subordinated Bonds whether temporary or definitive, the Authority or the Trustee, as a condition precedent to the privilege of making such exchange or transfer, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Trustee shall be required to transfer or exchange Subordinated Bonds for a period of fifteen days next preceding the first publication or mailing of any notice of redemption or to transfer or exchange any Subordinated Bonds called for redemption.

Section 3.08. Subordinated Bonds Mutilated, Destroyed, Stolen or Lost. In case any Subordinated Bond shall become mutilated or be destroyed, stolen or lost, the Authority shall execute, and thereupon the Trustee shall authenticate and deliver a new Subordinated Bond of like maturity and principal amount as the Subordinated Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Subordinated Bond, upon surrender and

cancellation of such mutilated Subordinated Bond, or in lieu of and substitution for the Subordinated Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Subordinated Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and Trustee may incur. All Subordinated Bonds so surrendered to the Trustee shall be canceled by it. Any such new Subordinated Bonds issued pursuant to this Section in substitution for Subordinated Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Subordinated Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Subordinated Bonds issued under the Subordinated Resolution, in any moneys or securities held by the Authority or the Fiduciaries for the benefit of the Owners of Subordinated Bonds. All Subordinated Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Subordinated Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereinafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 3.09. Preparation of Definitive Bonds; Temporary Bonds. (a) Until the definitive Subordinated Bonds of any Series are prepared, the Authority may execute, in the same manner as is provided in Section 3.10 and, upon the request of the authority, the Trustee shall authenticate and deliver, in lieu of definitive Subordinated Bonds, but subject to the same provisions, limitations and conditions as the definitive Subordinated Bonds except as to the denominations thereof and as to interchangeability and registration of Subordinated Bonds, as permitted by law, one or more temporary Subordinated Bonds substantially of the tenor of the definitive Subordinated Bonds in lieu of which such temporary Subordinated Bond or Bonds are issued in such denominations as may be authorized by the Authority, and with such omissions, insertions and variations as may be appropriate to temporary Subordinated Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender therefor of such temporary Subordinated Bonds, the Trustee shall authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive Subordinated Bonds of the same aggregate principal amount, Series and maturity as the temporary Subordinated Bonds surrendered. Until so exchanged, the temporary Subordinated Bonds shall in all respects be entitled to the same benefits and security as definitive Subordinated Bonds authenticated and issued pursuant to the Subordinated Resolution.

(b) If the Authority shall authorize the issuance of temporary Subordinated Bonds in more than one denomination, the Owner of any temporary Subordinated Bond or Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Subordinated Bond or Bonds of like aggregate principal amount, Series and maturity of any other authorized denomination or denominations, and thereupon the Authority shall execute and the Trustee shall authenticate and, in exchange for the temporary Subordinated Bond or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 3.07, shall deliver a

temporary Subordinated Bond or Bonds of like aggregate principal amount, Series and maturity in such other authorized denomination or denominations as shall be requested by such Owner.

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

Section 3.10. Execution and Authentication. (a) After their authorization by a Supplemental Resolution, Subordinated Bonds may be executed by or on behalf of the Authority and, except as otherwise provided in such Supplemental Resolution delivered to the Trustee for authentication. The Subordinated Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of any Authorized Representative of the Authority and the corporate seal of the Authority (or a facsimile thereof) shall be thereunto affixed, imprinted, impressed, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Representative of the Authority, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Subordinated Bonds shall cease to be such officer or employee before the Subordinated Bonds so signed and sealed shall have been actually delivered, such Subordinated Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Subordinated Bonds had not ceased to hold such office or be so employed. Any Subordinated Bond may be signed and sealed on behalf of the Authority by such persons as at the actual time of the execution of such Subordinated Bond shall be duly authorized or hold the proper office in or employment by the Authority, although at the date of such Subordinated Bonds such person may not have been so authorized to have held such office or employment.

(b) Except as otherwise provided in a Supplemental Resolution with respect to a Series of Bonds authorized thereunder, Subordinated Bonds shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Subordinated Bonds, executed manually by the Trustee. Except as otherwise provided by Supplemental Resolution, no Subordinated Bond shall be entitled to any right or benefit under the Subordinated Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Subordinated Bond executed on behalf of the Authority shall be conclusive evidence that the Subordinated Bond so authenticated has been duly authenticated and delivered under the Subordinated Resolution and that the Owner thereof is entitled to the benefits hereof.

Section 3.11. Book-Entry-Only System. Notwithstanding any other provision of the Subordinated Resolution, the Authority may employ a book-entry-only system of registration with respect to any Subordinated Bonds. The procedures regarding such registration shall be set forth in the Supplemental Resolution authorizing such Subordinated Bonds and the Authority may, if necessary, amend the Subordinated Resolution pursuant to Section 8.01(9). Notwithstanding the foregoing, any provisions of the Subordinated Resolution inconsistent with book-entry-only Subordinated Bonds shall not be applicable to such book-entry-only Subordinated Bonds.

ARTICLE IV

REDEMPTION OF SUBORDINATED BONDS

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

Section 4.01. Privilege of Redemption and Redemption Price. Subordinated Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Resolution.

Section 4.02. Redemption at the Election of the Authority. In the case of any redemption of Subordinated Bonds otherwise than as provided in Section 4.03, the Authority shall give written notice to the Trustee of the election so to redeem, of the redemption date, of the Series, of the principal amounts of the Subordinated Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Resolution authorizing a Series of Subordinated Bonds). Such notice shall be given at least thirty-five days prior to the redemption date, unless the Trustee converts to a lesser advance notice. The Trustee shall give the notice provided for in Section 4.05 whether or not, on or after the date of the receipt of notice to the Trustee pursuant to this Section 4.02, there is available in the Subordinated Indebtedness Fund or in any other applicable fund or account established by or pursuant to Supplemental Resolution for the payment of any Subordinated Bonds an amount sufficient to pay the Redemption Price of the Subordinated Bonds to be redeemed and to pay the interest accrued and unpaid on such Subordinated Bonds to the designated redemption date.

Section 4.03. Redemption Otherwise Than at Authority Election. Whenever by the terms of this Subordinated Resolution or a Supplemental Resolution, Subordinated Bonds are required to be redeemed otherwise than at the election of the Authority, the Authority may nonetheless select the Series of Subordinated Bonds, the principal amounts of the Subordinated Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in this Subordinated Resolution or a Supplemental Resolution) and in the event the Authority does not notify the Trustee of such Series, maturities and principal amounts to be redeemed on or before the 60th day preceding the redemption date, the Trustee shall select the Subordinated Bonds to be redeemed, give the notice of redemption and apply the moneys available therefor to redeem on the redemption date at the Redemption Price therefor, together with accrued interest to the redemption date, all of the Subordinated Bonds to be redeemed.

Section 4.04. Selection of Subordinated Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Subordinated Bonds of like Series and maturity, the Trustee shall select, in such manner in its discretion as it shall deem appropriate and fair, the numbers of the Subordinated Bonds to be redeemed. For the purposes of this Section, Subordinate Bonds which have theretofore been selected for redemption shall not be deemed Outstanding.

Section 4.05. Notice of Redemption. When the Trustee shall receive notice from the Authority of its election to redeem Subordinated Bonds pursuant to Section 4.02, and in the case of any redemption as provided in Section 4.03, the Trustee shall give notice, in the name of the Authority, of the redemption of such Subordinated Bonds, which notice shall specify the Series and maturities and, if any maturity shall include Subordinated Bonds bearing different rates and all Subordinated Bonds of such maturity are not to be redeemed, interest rate or rates of the Subordinated Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Subordinated Bonds of any like Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Subordinated Bonds so to be redeemed and, in the case of the Subordinated Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Subordinated Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Subordinated Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, subject to any such conditions. Except as otherwise provided in a supplemental Resolution providing for the issuance of a Series of Subordinated Bonds, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, not less than thirty days nor more than forty-five days before the redemption date, to the Owners of the Subordinated Bonds or portions of Subordinated Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure so to mail any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Subordinated Bonds not owned by such Owner, and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Subordinated Bonds.

Notice of redemption of any Subordinated Bonds shall also be sent by the Trustee to such additional persons as may be specified in the Supplemental Resolution authorizing such Subordinated Bonds.

Section 4.06. Conditional Notices. Except as otherwise provided in a Supplemental Resolution providing for the issuance of a Series of Subordinated Bonds, any notice to the Trustee pursuant to Section 4.02 or to the Owners of Subordinated Bonds pursuant to Section 4.05 may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price of such Subordinated Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption

Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Trustee to affected Owners of Subordinated Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Section 4.07. Payment of Redeemed Subordinated Bonds. Notice having been given in the manner provided in Section 4.05, but subject to Section 4.06, the Subordinated Bonds so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice such Subordinated Bonds shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all the Subordinated Bonds of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Subordinated Bonds of such Series and maturity so called for redemption shall cease to accrue and become payable. Subject to Section 4.06 hereof, if said moneys shall not be so available on the redemption date, such Subordinated Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

PLEDGE; FUNDS AND ACCOUNTS

Section 5.01. Pledge Effected by the Subordinated Resolution; Additional Subordinated Indebtedness. (a) The Trust Estate (except the Operating Expense Fund, Debt Service Fund, Parity Contract Obligations Fund and Construction Fund) is hereby irrevocably pledged by the Authority to the Trustee for the benefit of the Owners of Subordinated Bonds and the issuers of Credit Facilities and Liquidity Facilities, for the payment of the Subordinated Bonds and Parity Subordinated Reimbursement Obligations in accordance with their terms and the provisions of the General Bond Resolution and the Subordinated Resolution, subject only to the provisions of the General Bond Resolution, the Subordinated Resolution, the Act and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions herein and therein set forth; provided, however, that the pledge of the Trust Estate in favor of the Subordinated Bonds and Parity Subordinated Reimbursement Obligations shall be subject and subordinate in all respects to the pledge thereof made by the General Bond Resolution in favor of the Bonds and Parity Obligations.

(b) The pledge of subsection (a) shall be valid and binding from the time when it is made, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The Revenues, moneys and proceeds received by the Authority as part of the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery or further act.

(c) As further security for the payment of the Subordinated Bonds and Parity Subordinated Reimbursement Obligations, the Authority hereby assigns, transfers and pledges to the Trustee for the benefit of the Owners of Subordinated Bonds and the issuers of Credit Facilities and Liquidity Facilities, all of its rights and interests under and pursuant to the Financing Agreement (excluding rights to notice and other procedural rights, its rights to indemnification and rights and interests not material to holders of Bonds or Owners of Subordinated Bonds), including, without limiting the generality of the foregoing, the present and continuing right (i) to make claim for, collect or cause to be collected, receive or cause to be received, from the Subsidiary or otherwise, all Revenues thereunder, (ii) to bring actions and proceedings thereunder for the enforcement thereof, and (iii) to do any and all things which the Authority is or may become entitled to do under the Financing Agreement; provided, however, that the assignment made hereby shall not impair or diminish any obligation of the Authority under the Financing Agreement; and provided further, however, that the assignment made hereby is subject and subordinate in all respects to the assignment made by the General Bond Resolution in favor of the Bonds and Parity Obligations and the Trustee (as such term is defined in the General Bond Resolution) under the General Bond Resolution. Notwithstanding the foregoing, so long as there shall exist no event of default under the Financing Agreement, the Subsidiary shall have the right to exercise every right, power and authority under the Financing Agreement.

(d) Nothing contained herein shall prohibit the Authority from issuing Subordinated Indebtedness payable from the Subordinated Indebtedness Fund, and secured by a pledge of and lien or charge on the Trust Estate to the extent provided by subsection (a) above, and further secured by an assignment of rights and interests under and pursuant to the Financing Agreement to the extent provided by subsection (c) above, of equal rank and priority with the pledge and assignment made hereby in favor of the Subordinated Bonds.

Section 5.02. Subordinated Indebtedness Fund; Other Funds and Accounts.

(a) To the extent not paid from other sources, the Authority shall pay or provide for the payment of the principal and Redemption Price of and interest on Subordinated Indebtedness, and any Parity Subordinated Reimbursement Obligations, from the Subordinated Indebtedness Fund, which pursuant to Section 502 of the General Bond Resolution shall be held by the Trustee, and shall make or cause to be made deposits into the Subordinated Indebtedness Fund in such amounts and at such times as shall be sufficient for such purpose.

(b) The Supplemental Resolutions authorizing Subordinated Bonds may establish any funds or accounts necessary, desirable or convenient for the payment of the principal, Redemption Price and purchase price of and interest on Subordinated Bonds, or for any other purpose, whether or not constituting part of the Subordinated Indebtedness Fund, and shall provide with respect to payments thereto and therefrom. Any of such funds or accounts may be held by the Trustee or by the Authority, or by any other person (including but not limited to the issuer of any Credit Facility or Liquidity Facility or any other Fiduciary), as provided by or pursuant to a Supplemental Resolution.

Section 5.03. Application of Subordinated Bond Proceeds. The proceeds (including any accrued interest) of the sale of the Subordinated Bonds shall be deposited in such funds and accounts, or otherwise paid or deposited, and in the respective amounts as shall be provided by the Supplemental Resolution authorizing such Subordinated Bonds. All proceeds not otherwise paid or deposited shall be deposited in the Construction Fund (as such term is defined in the General Bond Resolution); provided, however, that in the case of Subordinated Refunding Bonds, all such amounts not otherwise paid or deposited shall be applied to the refunding purposes thereof in the manner provided in the related Supplemental Resolution.

Section 5.04. Deposits. (a) All Revenues and other moneys held by any Fiduciary under the Subordinated Resolution may be placed on demand or time deposit, if and as directed by the Authority, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. All such moneys deposited with a Fiduciary may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

(b) All moneys deposited with each Fiduciary shall be credited to the particular fund or account to which such moneys belong.

Section 5.05. Investment of Funds. (a) Moneys held in all funds and accounts held by the Trustee hereunder shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than at such times as shall be necessary to provide moneys when needed for payment to be made from such funds and accounts, subject to the terms of any Supplemental Resolution. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from any Authorized Representative of the Authority. In making any investment in any Investment Securities with moneys in any fund or account established under the Subordinated Resolution, the Authority may, and may instruct the Trustee to, combine such moneys with moneys in any other fund or account, but solely for purposes of making such investment in such Investment Securities.

(b) Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Subordinated Indebtedness Fund and, except as otherwise provided by Supplemental Resolution, in any other fund or account shall be paid into the Revenue Fund.

(c) Nothing in the Subordinated Resolution shall prevent any Investment Securities acquired as investments of any fund or account held under the Subordinated Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States or of the Federal Reserve Bank of New York.

ARTICLE VI

FIDUCIARIES

Section 6.01. Trustee, Appointment and Acceptance of Duties. The Bank of New York, New York, New York is hereby appointed Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Subordinated Resolution by executing the certificate of authentication endorsed upon the Subordinated Bonds, and, by executing such certificate upon any Subordinated Bond, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Subordinated Bond so authenticated, but with respect to all the Subordinated Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this Subordinated Resolution.

Section 6.02. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Subordinated Resolution by giving not less than sixty days written notice to the Authority and the Subsidiary and mailing notice thereof to the Owners of the Subordinated Bonds. Such resignation shall take effect immediately upon the appointment of a successor Trustee by the Authority or the Owners of Subordinated Bonds as provided in Section 6.04.

Section 6.03. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Subordinated Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Subordinated Bonds held by or for the account of the Authority or the Subsidiary. The Authority may remove the Trustee at any time, except during the existence of an Event of Default, by filing an instrument signed by an Authorized Representative of the Authority.

Section 6.04. Appointment of Successor Trustee. (a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Subordinated Bonds then Outstanding, excluding any Subordinated Bonds held by or for the account of the Authority or the Subsidiary, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of Subordinated Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee; but (unless a successor Trustee shall have been appointed by the Owners of Subordinated Bonds as aforesaid) the Authority by a duly executed written instrument signed by an Authorized Representative shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Owners of Subordinated Bonds as authorized in this Section. The Authority shall mail notice of any such appointment made by it not less than twenty days after such appointment. Any

successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Subordinated Bonds.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to the Authority written notice as provided in Section 6.02 hereof or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Owner of any Subordinated Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

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

Section 6.05. Transfer of Rights and Property to Successor Trustee. (a)

Any successor Trustee appointed under the Subordinated Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Subordinated Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority.

(b) The Trustee that is resigning or being removed shall transfer to its successor all its rights under each Credit Facility or Liquidity Facility.

Section 6.06. Adoption of Authentication. In case any of the Subordinated Bonds contemplated to be issued under the Subordinated Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Subordinated Bonds and deliver such Subordinated Bonds so authenticated; and, in case any of the said Subordinated Bonds shall not have been authenticated, any successor Trustee may authenticate such Subordinated Bonds in the name of

the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Subordinated Bonds or in the Subordinated Resolution provided that the certificate of the Trustee shall have.

Section 6.07. Authenticating Agent. (a) With the consent of the Authority, the Trustee may appoint an additional person, firm or company to act as an authenticating agent, in addition to the Trustee, with power to act on its behalf and subject to its direction in the authentication and delivery of Subordinated Bonds in connection with transfers and exchanges under Article III. For all purposes of this Subordinated Resolution, the authentication and delivery of Subordinated Bonds by an Authenticating Agent pursuant to this Section shall be deemed to be authentication and delivery of those Subordinated Bonds by the Trustee and the provisions of Article III shall be applicable to any Authenticating Agent, and all references therein to "Trustee" insofar as they pertain to the authentication, transfer of registration of Subordinated Bonds shall also mean "Authenticating Agent" if such an entity has been appointed for such purposes.

(b) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Authority. The Trustee may at any time terminate the agency of any Authenticating Agent, by giving written notice of termination to such Authenticating Agent and to the Authority. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee may appoint a successor Authenticating Agent acceptable to the Authority.

(c) Within ten days after such appointment of an Authenticating Agent or successor Authenticating Agent, the Trustee shall mail notice thereof to the Owners of the Subordinated Bonds at the addresses appearing on the registry books.

(d) The Trustee shall pay to any Authenticating Agent from time to time reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments pursuant to Section 6.11.

Section 6.08. Paying Agents; Appointment and Acceptance of Duties. (a) The Authority may appoint one or more Paying Agents for the Subordinated Bonds of any Series, by Supplemental Resolution, and the Authority may at any time or from time to time appoint one or more other Paying Agents for such Subordinated Bonds in the manner and subject to the conditions set forth in Section 6.09 for the appointment of a successor Paying Agent. The Trustee may be appointed a Paying Agent.

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

Section 6.09. Resignation or Removal of Paying Agent and Appointment of Successor. (a) Any Paying Agent may at any time resign and be discharged of the duties and

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

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

Section 6.10. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and, in the case of any successor Trustee, shall meet the requirements of paragraph (c) of Section 6.04, in the case of a successor Paying Agent, shall meet the requirements of paragraph (a) of Section 6.09, and shall be authorized by law to perform all the duties imposed upon it by the Subordinated Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 6.11. Responsibilities of Fiduciaries. (a) The recitals of fact in this Subordinated Resolution and in the Subordinated Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Subordinated Resolution or of any Subordinated Bonds issued thereunder or in respect of the security afforded by this Subordinated Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate on the Subordinated Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Subordinated Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority or for any losses incurred upon the sale or redemption of any securities purchased for or held in any fund or account under the Subordinated Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be liable in connection with the performance of its duties under this Subordinated Resolution except for its own willful misconduct, negligence or default. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set

forth in the Subordinated Resolution and no implied covenants or obligations shall be read into the Subordinated Resolution against the Trustee.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Subordinated Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct his or her own affairs.

(c) No provision of the Subordinated Resolution shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted | to be taken by it in good faith in accordance with the direction of the Owners of the requisite principal amount of the Outstanding Bonds of any Series, determined as provided in the Subordinated Resolution, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Subordinated Resolution with respect to the Bonds of such Series; and

(4) no provision of the Subordinated Resolution shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Subordinated Resolution relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 6.12. Compensation. The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Subordinated Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Subordinated Resolution. To the extent permitted by law, the Authority further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and

which are not due to its willful misconduct, negligence or bad faith. The provisions of this Section 6.12 shall survive the payment in full of the Subordinated Bonds.

Section 6.13. Certain Permitted Acts. Any Fiduciary may become the Owner of any Subordinated Bonds or any other obligations of the Authority with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Subordinated Bonds or the holders of any other obligations of the Authority or to effect or aid in any reorganization growing out of the enforcement of the Subordinated Bonds or any other obligations of the Authority or the Subordinated Resolution, whether or not any such committee shall represent the Owners of a majority or more in principal amount of the Subordinated Bonds then Outstanding.

Section 6.14. Evidence on Which Fiduciaries May Act. (a) Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by such Fiduciary under the Subordinated Resolution in good faith and in accordance therewith.

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

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

Section 6.15. Several Capacities. Anything in the Subordinated Resolution to the contrary notwithstanding, the same entity may serve as the Trustee, or any other Fiduciary, and in any combination of such capacities, to the extent permitted by law.

ARTICLE VII

COVENANTS

Section 7.01. Rate Covenant. The Authority shall comply with the rate covenant of Section 701 of the General Bond Resolution as long as any Subordinated Bonds are Outstanding.

Section 7.02. Consulting Engineer and Rate Consultant. The Authority shall comply with the covenant of Section 702 of the General Bond Resolution as long as any Subordinated Bonds are Outstanding.

Section 7.03. Agreement of the State. In accordance with Section 1020-o of the Act, the Authority, as agent for the State, hereby agrees with the holders of obligations issued hereunder that the State will not limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged, provided that nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Owners of such obligations of the Authority.

Section 7.04. Annual System Budget. The Authority shall comply with the covenant of Section 709 of the General Bond Resolution as long as any Subordinated Bonds are Outstanding.

Section 7.05. Deposits to Funds. The Authority shall take such action as may be required to cause all Revenues to be deposited in the Revenue Fund (or, if so required by the General Bond Resolution, any other fund or account) from and after the date hereof.

Section 7.06. Enforcement and Amendment of Financing Agreement. The Authority shall enforce or cause to be enforced the provisions of the Financing Agreement and duly perform its covenants and agreements under the Financing Agreement. The Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Financing Agreement except in accordance with Section 7.05.

Section 7.07. Amendments to Financing Agreement. (a) Except as otherwise provided herein, the Financing Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Owners of Outstanding Subordinated Bonds as herein provided, if such amendment, change, modification, termination or waiver adversely affects the interest of the Owners of Outstanding Subordinated Bonds in any material respect.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Owners of at least a majority in principal amount of the Subordinated Bonds then Outstanding, or (b) in case less than all Subordinated Bonds then

Outstanding are affected by the amendment, change, modification, termination or waiver, the Owners of not less than a majority in principal amount of the Subordinated Bonds so affected and then Outstanding; provided, however, that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any specified Subordinated Bonds remain Outstanding, the consent of the Owners of such Subordinated Bonds shall not be required and such Subordinated Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Bonds under this Section.

(b) For the purposes of this Section, any purchasers of the Subordinated Bonds, whether purchasing as underwriters, for resale or otherwise, upon such purchase may consent to an amendment, change, modification, termination or waiver permitted by this Section with the same effect as a consent given by the Owners of such Subordinated Bonds.

(c) For the purposes of this Section, a Subordinated Bond shall be deemed to be adversely affected by an amendment, change, modification, termination or waiver of the Financing Agreement if the same adversely affects or diminishes the rights of the Owner of such Subordinated Bond in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, any particular Subordinated Bond would be adversely affected in any material respect by any amendment, change, modification, termination or waiver, and any such determination shall be binding and conclusive on the Authority and all Owners of Subordinated Bonds.

For the purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification, termination or waiver adversely affects the interests of any Owners of Subordinated Bonds then Outstanding in any material respect.

Section 7.08. No Competitive Facilities. The Authority shall not hereafter construct, acquire or operate any plants, structures, facilities or properties which will provide electric transmission or distribution service in the Service Area (as defined in the Act as in effect on the date hereof) in competition with and not as a part of the System, unless such construction, acquisition or operation, in the judgment of the Authority, does not materially impair the ability of the Authority to comply with Section 701(a) of the General Bond Resolution.

Section 7.09. Disposition of Assets. (a) The Authority shall not hereafter sell or otherwise dispose of, or encumber or grant a security interest in, any common or preferred stock or other evidence of the Authority's equity interest in the Subsidiary, unless the Authority or any subsidiary thereof shall thereupon own or effectively control the operation of the System.

(b) Except as provided by the Financing Agreement, the Authority shall not dispose of, or cause the disposition of, or permit to be disposed of, any real or personal properties of the System unless such disposal, in the judgment of the Authority, (i) is desirable in the conduct of the business of the System and (ii) does not materially impair the ability of the Authority to comply with Section 701(a) of the General Bond Resolution.

Section 7.10. Offices for Servicing Subordinated Bonds. The Authority shall at all times maintain one or more offices or agencies where Subordinated Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Authority in respect of the Subordinated Bonds or of the Subordinated Resolution may be served. The Authority hereby appoints the Trustee as its agent to maintain such office or agency, subject to Section 6.07. The Authority shall at all times maintain one or more offices or agencies where the Subordinated Bonds may be presented for payment.

Section 7.11. Further Assurance. At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for better assuring, conveying, granting, pledging, assigning and confirming all and singular, the rights, assets, revenues and other moneys, securities, funds and property hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Section 7.12. Power to Issue Subordinated Bonds and Pledge Rights and Interests; Payment of Subordinated Bonds. The Authority is duly authorized under all applicable laws to authorize and issue the Subordinated Bonds and to adopt this Subordinated Resolution and to pledge the rights and interests purported to be pledged and assigned hereby in the manner and to the extent herein provided. The rights and interests so pledged and assigned are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to or of equal rank with the pledge created hereby, other than (i) any pledge, lien, charge or encumbrance created by the Authority under the General Bond Resolution to secure any Bonds or Parity Obligations, and (ii) any pledge, lien, charge or encumbrance created by the Authority to secure any other Subordinated Indebtedness to the extent permitted hereby, and all corporate or other action on the part of the Authority to that end has been and will be duly and validly taken. The Subordinated Bonds and the provisions of the Subordinated Resolution are and will be the valid and legally enforceable special obligations of the Authority in accordance with their terms and the terms of the Subordinated Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate pledged and assigned under the Subordinated Resolution and all the rights of the Subordinated Bondholders under the Subordinated Resolution against all claims and demands of all persons whomsoever.

The Authority shall duly and punctually pay or cause to be paid (but solely from the sources herein provided) the principal and Redemption Prices of, and interest on every Subordinated Bond, at the dates and places and in the manner stated in the Subordinated Bonds.

Section 7.13. Books of Account; Audits. The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of its transactions under the Subordinated 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 Owners of not less than 25% in principal amount of the Subordinated Bonds then Outstanding. Such books of account are to

be audited at least annually by independent certified public accountants experienced in public finance and electric utility accounting selected by the Authority. A copy of each audit report, annual balance sheet and income and expense statement shall be filed with the Trustee and sent to any Owner filing with the Authority a written request therefor.

Section 7.14. Tax Rulings. The Authority shall not, and shall not permit the Subsidiary to, do or omit to do any act that would result in (i) the revocation of the results that were issued by the Internal Revenue Service to the Authority, dated March 4, 1998, and (ii) a resultant material federal income tax liability.

Section 7.15. General. The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act, the General Bond Resolution and the Subordinated Resolution in accordance with the terms of such provisions.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.01. **Effective Upon Filing With the Trustee.** For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted by the Authority which, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative, shall be fully effective in accordance with its terms:

(1) to close the Subordinated Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Supplemental Resolution on, the authentication and delivery of Subordinated Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of the Authority in the Subordinated Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in the Subordinated Resolution other limitations and restrictions to be observed by the Authority;

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

(5) to authorize Subordinated Bonds and, in connection therewith, specify and determine the matters and things referred to in Articles II through V or this Article, and also any other matters and things relative to such Subordinated Bonds which are not contrary to or inconsistent with the Subordinated Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Bonds;

(6) to confirm, as further assurance, any pledge under, and the subjection of any other property to any lien or pledge created or to be created by, the Subordinated Resolution;

(7) to modify any of the provisions of the Subordinated Resolution to permit compliance with any amendment to the Internal Revenue Code of 1986, as amended, or any successor thereto, as the same may be in effect from time to time, if, in the Opinion of Bond Counsel, failure to so modify the Subordinated Resolution either would adversely affect the ability of the Authority to issue Subordinated Bonds the interest as which is excludable from gross income for purposes of federal income taxation, or is necessary or advisable to preserve such exclusion with respect to any Outstanding Subordinated Bonds;

(8) to modify, amend or supplement the Subordinated Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Subordinated Bonds for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute;

(9) to comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(10) to comply with the requirements of any Rating Agency in order to maintain or improve a rating on the Subordinated Bonds by such Rating Agency;

(11) to implement the last sentence of the definition of Revenues in Section 101 of the General Bond Resolution;

(12) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Resolution;

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

(14) to provide for or with respect to the payment of the principal, Redemption Price and purchase price of and interest on any Subordinated Bonds by, through or under a Credit Facility or Liquidity Facility, or to comply with the requirements thereof from time to time, whether such Supplemental Resolution is adopted or effective upon original issuance of any Subordinated Bonds or at a later date, including without limiting the generality of the foregoing the establishment of, and provisions for deposits to and payments from, funds or accounts as contemplated by Section 5.02;

(15) if no Bonds are outstanding under the General Board Resolution, to amend the Subordinated Resolution in any respect necessary to incorporate any provisions of the General Board Resolution into the Subordinate Resolution to provide for the payment and security of the Subordinated Bonds consistent with the General Bond Resolution and Subordinate Resolution then in effect;

(16) to modify any of the provisions of the Subordinated Resolution in any respect whatsoever, provided that (a) such modification is to be effective upon or prior to the issuance of any Subordinated Bonds affected thereby, or (b) such modification shall be, and be expressed to be, effective only after all Subordinated Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding.

Section 8.02. Effective Upon Consent of Trustee. (a) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may

be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Representative, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to modify any provision hereof or of any previously adopted Supplemental Resolution in any respect, provided that such modification shall not adversely affect the interests of the Owners of Subordinated Bonds in any material respect; or

(2) subject to Section 8.04(d), to provide for additional duties of any Fiduciary.

(b) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.01 hereof, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (a) of this Section.

Section 8.03. Effective With Consent of Owners. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Owners of Subordinated Bonds in accordance with and subject to the provisions of Article IX, which resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative and upon compliance with the provisions of Article IX, shall become fully effective in accordance with its terms as provided in said Article.

Section 8.04. General Provisions. (a) The Subordinated Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the Subordinated Resolution it is provided shall be delivered to said Fiduciary.

(b) Any Supplemental Resolution referred to and permitted or authorized by Sections 8.01 and 8.02 may be adopted by the Authority without the consent of any of the Owners of Subordinated Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by an Opinion of Bond Counsel to the effect that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Subordinated Resolution, is authorized or permitted by the Subordinated Resolution, and is valid and binding upon the Authority.

(c) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.01, 8.02 or 8.03 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be an Opinion of Bond Counsel) that such Supplemental Resolution is authorized or permitted by the provisions of the Subordinated Resolution.

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

ARTICLE IX
AMENDMENTS

Section 9.01. Mailing of Notice of Amendment. (a) Any provision in this Article for the mailing of a notice or other paper to Owners of Subordinated Bonds shall be fully complied with if it is mailed, by first-class mail, postage prepaid only (i) to each Owner of Subordinated Bonds then Outstanding at his address appearing upon the registry books, and (ii) to the Trustee.

Section 9.02. Powers of Amendment. Any modification or amendment of the Subordinated Resolution or of the rights and obligations of the Authority and of the Owners of the Subordinated Bonds hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 9.03, (i) of the Owners of at least a majority in principal amount of the Subordinated Bonds Outstanding at the time such consent is given and (ii) in case less than all Subordinated Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of such Outstanding Subordinated Bonds that are or may be so affected; except that if such modification or amendment will, by its terms, not take effect so long as any particular Subordinated Bonds remain Outstanding, the consent of the Owner of such Subordinated Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Subordinated Bond, or shall reduce the percentages or otherwise affect the classes of Subordinated Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Subordinated Bond shall be deemed to be affected by a modification or amendment of the Subordinated Resolution if the same materially and adversely affects or diminishes the rights of the Owners of such Subordinated Bond. The Trustee may in its reasonable discretion determine whether or not, in accordance with the foregoing powers of amendment, particular Subordinated Bonds would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. For the purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification, termination or waiver adversely affects the interest of any Owners of Subordinated Bonds then Outstanding in any material respect.

Section 9.03. Consent of Owners. (a) The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 9.02, to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners of Subordinated Bonds for their consent thereto in form

satisfactory to the Trustee, shall be mailed by the Authority to Owners of Subordinated Bonds (but failure to mail such copy and request shall not affect the validity of the resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 9.02 and (b) an Opinion of Bond Counsel to the effect that such Supplemental Resolution has been duly and lawfully adopted and filed in accordance with the provisions of the Subordinated Resolution, is authorized or permitted by the Subordinated Resolution and is valid and binding upon the Authority, and (ii) a notice shall have been mailed as hereinafter provided in this Section. The Authority may fix a record date for purposes of determining Owners of Subordinated Bonds entitled to consent to a proposed Supplemental Resolution.

For the purposes of this Article IX, the purchasers of any Subordinated Bonds, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by Section 8.03 or 9.02 in the manner provided herein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Owner of such Subordinated Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of such Subordinated Bonds by the Authority.

(b) At any time after the Owners of the required percentages of Subordinated Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that Owners of such required percentages of Subordinated Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Subordinated Bonds and will be effective as provided in this Section, shall be given to Owners of Subordinated Bonds by the Authority by mailing such notice to such Owners. The Authority shall file with the Trustee proof of the giving of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Owners of all Subordinated Bonds upon the filing with the Trustee of the proof of the giving of such last mentioned notice.

Section 9.04. Modifications by Unanimous Consent. The terms and provisions of the Subordinated Resolution and the rights and obligations of the Authority and of the Owners of the Subordinated Bonds may be modified or amended in any respect upon the adopting and filing of a Supplemental Resolution and the consent of the Owners of all the Subordinated Bonds then Outstanding, such consent to be given as provided in Section 9.03 except that no notice to Owners of Subordinated Bonds shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the

Trustee of the written assent thereto of such Fiduciary, in addition to the consent of Owners of the Subordinated Bonds.

Section 9.05. Exclusion of Bonds. Subordinated Bonds owned or held by or for the account of the Authority or the Subsidiary shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Subordinated Bonds provided for in this Article, Section 6.04 or Section 7.07 or Article X and the Authority shall not be entitled with respect to such Subordinated Bonds to give any consent or take any other action provided for in this Article, Section 6.04, Section 7.07, Article VIII or Article X. At the time of any consent or other action taken under this Article, Section 6.04, Section 7.07, Article VIII or Article X, the Authority shall furnish the Trustee a Certificate of an Authorized Representative, upon which the Trustee may rely, describing all Subordinated Bonds so to be excluded.

Section 9.06. Notation on Bonds. Subordinated Bonds authenticated and delivered after the effective date of any action taken as in this Article or Section 7.07 or Article VIII provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Subordinated Bond Outstanding at such effective date and presentation of his Subordinated Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Subordinated Bond Outstanding at such effective date, suitable notation shall be made on such Subordinated Bond or upon any Subordinated Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Subordinated Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Subordinated Bond then Outstanding shall be exchanged for Subordinated Bonds of the same maturity then Outstanding, upon surrender of such Subordinated Bonds and without the imposition by the Authority or the Trustee of any fee or cost.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.01. Events of Default. Each of the following events is defined as and shall constitute an "Event of Default":

(1) a default in the due and punctual payment of the principal or Redemption Price of any Subordinated Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption, or otherwise; or

(2) a default in the due and punctual payment of any installment of interest on any Subordinated Bond, including any deferred interest, when and as such interest installment shall become due and payable, (subject to the deferral of any due date thereof as provided in a Supplemental Resolution providing for the issuance of a Series of Subordinated Bonds), and such default shall continue for a period of five (5) days; or

(3) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part or on the part of the Authority in this Subordinated Resolution, any Supplemental Resolution or in the Subordinated Bonds contained, and such default shall continue for a period of sixty days (60) after written notice thereof stating that such notice is a "Notice of Default" to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than sixty-six and two-thirds percent (66-2/3%) of the principal amount of the Subordinated Bonds Outstanding, provided that if such default shall be such that it cannot be corrected within such sixty day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected; or

(4) a default under the Financing Agreement by the Subsidiary shall have occurred and be continuing for a period of sixty (60) days after written notice thereof stating that such notice is a "Notice of Default" to the Authority and the Subsidiary by the Trustee, or to the Authority and the Subsidiary and the Trustee by the Owners of not less than sixty-six and two-thirds percent (66-2/3%) of the principal amount of Subordinated Bonds Outstanding, provided that if such default shall be such that it cannot be corrected within such sixty day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected; or

(5) if the Authority or the Subsidiary (1) files a petition seeking a composition of its indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or the Subsidiary or any substantial portion of either of their property; (3) makes any assignment for the benefit of creditors; or (4) admits in writing its inability generally to pay its debts generally as they become due; or

(6) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority or the Subsidiary adjudging the Authority or the Subsidiary a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority or the Subsidiary in an involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or Subsidiary or of any substantial portion of either of their property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(7) with respect to the Bonds of any Series, any other event specified in the Supplemental Resolution authorizing the issuance thereof as an Event of Default with respect to such Bonds.

Subordinated Bonds shall not be subject to acceleration of principal or interest except to the extent provided in the Supplemental Resolution authorizing the issuance thereof, but the Trustee and Owners may exercise any other remedies as provided in this Article X.

Section 10.02. Accounting and Examination of Records After Default.

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

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

Section 10.03. Application of Revenues and Other Moneys After Default.

(a) Subject to the prior and superior pledge of the Trust Estate for the payment and security of Bonds, Parity Reimbursement Obligations and Parity Contract Obligations and the prior payment of Operating Expenses as provided in the General Bond Resolution, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys and of the reasonable expenses, liabilities and advances incurred or made by the Trustee, be applied, subject to Section 6.12, as follows and in the following order:

(A) Unless the principal of all of the Subordinated Bonds shall have become or have been declared due and payable,

First: from payments made by the issuers of Credit Facilities securing Subordinated Bonds, to the payment to the persons entitled thereto of all installments of interest then due and payable on the related Subordinated Bonds in the order of the maturity of such installments, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same

date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: from payments made by the issuers of Credit Facilities securing Subordinated Bonds, to the payment to the persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the related Subordinated Bonds which shall have become due and payable (other than Subordinated Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Subordinated Resolution), in the order of their due dates, with interest on such Subordinated Bonds at the rate or rates expressed therein from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full all such Subordinated Bonds due on any particular date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Third: to the payment to the issuers of Credit Facilities and Liquidity Facilities of all amounts currently owing thereto under any Reimbursement Agreement and to the Owners of Subordinated Bonds not secured by Credit Facilities, and if the amounts available shall not be sufficient to pay in full all such issuers and Owners of Subordinated Bonds on any particular date, then to the payment thereof, ratably, to such issuers and the Owners of such Subordinated Bonds entitled thereto, without discrimination or preference; provided, however, that no amounts derived from any Credit Facility or Liquidity Facility shall be used to make payments pursuant to this Section 10.03(a) A Third.

(B) If the principal of all the Subordinated Bonds shall have become or have been declared due and payable, ratably to the payment of (i) the principal and interest (at the rate or rates expressed in the Subordinated Bonds) then due and unpaid upon the Subordinated Bonds and, if applicable, to the Redemption Price of the Subordinated Bonds without preference or priority of principal or Redemption Price over interest or of interest over principal or Redemption Price, or of any installment of interest over any other installment of interest, or of any Subordinated Bond over any other Subordinated Bond, ratably, according to the amounts due respectively for principal, Redemption Price and interest, to the persons entitled thereto without any discrimination or preference and (ii) to the payment of all amounts due and owing to any issuer of a Credit Facility or Liquidity Facility under any Reimbursement Agreement; provided, however, that no amounts derived from any Credit Facility or Liquidity Facility shall be used to make payments pursuant to clause (ii) hereof.

(C) If the principal of all Subordinated Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of Section 10.03(a)(1)(B), which shall be applicable in the event that the principal of all Subordinated Bonds shall later become due and payable, such moneys shall be applied in accordance with the provisions of Section 10.03(a)(A).

The provisions of this Section 10.03(a) shall survive the payment in full of the Subordinated Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (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; provided, however, that if the principal or Redemption Price of the Subordinated Bonds Outstanding, together with accrued interest thereon, shall have been declared to be due and payable pursuant to Section 10.01, such date of declaration shall be the date from which interest shall cease to accrue. The Trustee shall give such written notice to all Owners of Subordinated Bonds as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Subordinated Bond until such Subordinated Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.04. Proceedings Brought by Trustee. (a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the Owners of the Subordinated Bonds under the Subordinated Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Subordinated Resolution.

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

(c) The Owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the Subordinated Bonds at the time Outstanding may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners of Subordinated Bonds not parties to such direction.

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

(e) Regardless of the happening of an Event of Default, the Trustee shall have the power to, but (unless requested in writing by the Owners of not less than sixty-six and two-thirds percent (66-2/3 %) in principal amount of the Subordinated Bonds then Outstanding, and furnished with reasonable security and indemnity) shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Subordinated Resolution by any acts which may be unlawful or in violation of the Subordinated Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Subordinated Bonds.

Section 10.05. Restriction on Actions by Owners. (a) No Owner of any Subordinated Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Subordinated Resolution or the execution of any trust under the Subordinated Resolution or for any remedy under the General Bond Resolution, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of not less than sixty-six and two-thirds percent (66-2/3 %) in principal amount of the Subordinated Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Section or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more Owners of Subordinated Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Subordinated Resolution, or to enforce any right under this Subordinated Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Subordinated Resolution shall be instituted, had and maintained in the manner provided in the Subordinated Resolution and for the equal benefit of all Owners of the Outstanding Subordinated Bonds.

(b) Nothing in this Subordinated Resolution or in the Subordinated Bonds contained shall affect or impair the obligation of the Authority, which is absolute and

unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Subordinated Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of such Owner's Subordinated Bond.

Section 10.06. Trustee May File Proofs of Claim. (a) In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Authority or the Subsidiary, or any property of the Authority or the Subsidiary, the Trustee (whether or not the principal of the Subordinated Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Authority for the payment of overdue principal and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(i) to file and prove a claim for the whole amount of the principal, Redemption Price, if any, and interest owing and unpaid in respect of the Subordinated Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Owner to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.12. Nothing in this Section shall confer or be deemed to confer on the Trustee any right to collect and receive moneys or other property other than the Trust Estate or in respect thereof, and in each such case subject and subordinate in all respects to the rights of the holders of or parties to the Bonds and Parity Obligations, and the Trustee (as such term is different in the General Bond Resolution) under the General Bond Resolution in respect of itself and of such holders and parties.

(b) No provision of the Subordinated Resolution shall empower the Trustee to authorize or consent to or accept or adopt on behalf of any Owners of the Subordinated Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Subordinated Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding.

Section 10.07. Remedies Not Exclusive. No remedy by the terms of this Subordinated Resolution conferred upon or reserved to the Trustee or the Owners of Subordinated Bonds is intended to be exclusive of any other remedy, but each and every such

remedy shall be cumulative and shall be in addition to every other remedy given under the Subordinated Resolution or existing at law or in equity or by statute on or after the date of adoption of this Subordinated Resolution.

Section 10.08. No Delay or Omission Deemed to be Waiver. No delay or omission of the Trustee or of any Owners of Subordinated Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Owners of Subordinated Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of Subordinated Bonds. Notwithstanding the foregoing, in the event of a draw on a Credit Facility or Liquidity Facility providing for the payment of all or a portion of the principal of or interest on any Subordinated Bonds, no waiver of an Event of Default shall be effective unless and until such Credit Facility or Liquidity Facility has been reinstated.

Section 10.09. Special Rights Under Credit or Liquidity Facility. To the extent a Credit Facility or Liquidity Facility is in effect with respect to any Subordinated Bonds, the issuer of such Credit Facility or Liquidity Facility shall have such rights of the Owners of such Subordinated Bonds, including without limitation consent to, direct or approve amendments, the exercise of remedies, defeasance or any other matters arising under the Subordinated Resolution, and, in addition, may have the right to approve or consent to amendments to the Financing Agreement, in each case as may be provided in such Credit Facility or Liquidity Facility or in the related Reimbursement Agreement or by Supplemental Resolution.

ARTICLE XI

DEFEASANCE; UNCLAIMED MONEYS

Section 11.01. Defeasance. (a) If the Authority shall pay or cause to be paid to the Owners of all Subordinated Bonds then Outstanding, the principal and Redemption Price, if any, of and interest to become due thereon, at the times and in the manner stipulated therein and in the Subordinated Resolution, and if all amounts due and owing to the issuer of any related Credit Facility or Liquidity Facility under the related Reimbursement Agreement shall be paid in full, (i) the Trustee shall promptly deliver for cancellation the Credit Facility or Liquidity Facility to the issuer thereof and (ii) then, at the option of the Authority, expressed in Certificate of an Authorized Representative of the Authority and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Owners of Subordinated Bonds shall be discharged or satisfied and such Owners shall cease to be entitled to any lien, benefit or security under the Subordinated Resolution. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys, securities and funds held by them pursuant to the Subordinated Resolution which are not required for the payment or redemption of Subordinated Bonds not theretofore surrendered for such payment or redemption.

(b) Subordinated Bonds or any portion thereof for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. Any Outstanding Subordinated Bonds or any portion thereof shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section either (A) as provided in the Supplemental Resolution authorizing their issuance or (B) if (i) in case any of said Subordinated Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee written instructions to mail, at the expense of the Authority and as provided in Article IV, notice of redemption of such Subordinated Bonds (other than Subordinated Bonds which have been purchased by the Trustee at the direction of the Authority as hereinafter provided prior to the mailing of such notice of redemption) on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Subordinated Bonds or portion thereof on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Subordinated Bonds are not to be redeemed within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable and at the expense of the Authority, a notice to the Owners of such Subordinated Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Subordinated Bonds or portion thereof (as the same

thereafter may change) are deemed to have been paid in accordance with this Section and stating such maturity or redemption date (as the same thereafter may change) upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Subordinated Bonds or portion thereof (other than Subordinated Bonds which have been purchased by the Trustee at the direction of the Authority as hereinafter provided prior to the publication of the notice of redemption referred to in clause (i) hereof). The Trustee also shall mail, as soon as practicable, a notice to the Owners of any Subordinated Bonds affected by any change contemplated by the preceding clause (iii), describing such change. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section to the retirement of said Subordinated Bonds (or portions thereof) in amounts equal to the unsatisfied balances of any sinking fund installments with respect to such Subordinated Bonds (or portions thereof), all in the manner provided in the Subordinated Resolution.

The Trustee shall, if so directed by the Authority (x) prior to the maturity date of Subordinated Bonds (or portions thereof) deemed to have been paid in accordance with this Section which are not to be redeemed prior to their maturity date or (y) prior to the mailing of the notice of redemption referred to in clause (i) above with respect to any Subordinated Bonds deemed to have been paid in accordance with this Section which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Subordinated Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Subordinated Bonds and the Trustee shall immediately thereafter cancel all such Subordinated Bonds so purchased; provided, however, that the Trustee shall receive an Accountant's Certificate showing that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Subordinated Bonds shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due or to become due on all Subordinated Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be, and a Bond Counsel's Opinion to the effect that such redemption or sale of such Defeasance Obligations will not adversely affect the exclusion of the interest on such Subordinated Bonds (if issued on a tax-exempt basis) from gross income for purposes of federal income taxation and that such redemption or sale otherwise complies with or is permitted by the provisions of the Subordinated Resolution. The directions given by the Authority to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Subordinated Bonds so purchased and canceled to be applied against the obligation of the Trustee to pay Subordinated Bonds deemed paid in accordance with this Section upon their maturity date or dates and the portion, if any, of such Subordinated Bonds so purchased and canceled to be applied against the obligation of the Trustee to redeem Subordinated Bonds deemed paid in accordance with this Section on any date or dates prior to their maturity. In the event that on any date as a result of any purchases and cancellations of Subordinated Bonds as provided in this Section the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under this Section is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Subordinated Bonds in order to satisfy clause (ii) of the first paragraph of this subsection (b) the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any lien or pledge securing said Subordinated Bonds or otherwise existing under the Subordinated Resolution. Neither Defeasance Obligations nor moneys deposited with the Trustee

pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Bonds; provided, however, that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Subordinated Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested at the written direction of an Authorized Representative of the Authority in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Subordinated Bonds on or prior to such 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 lien or pledge securing said Bonds or otherwise existing under the Subordinated Resolution.

Section 11.02. Unclaimed Moneys. Anything in this Subordinated Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Subordinated Bonds which remain unclaimed for two years after the date when such principal or interest, respectively, has become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such principal or interest, as the case may be, becomes due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Subordinated Bonds shall look only to the Authority for the payment of such principal or interest, as the case may be. Notwithstanding the foregoing or anything in the Subordinated Resolution to the contrary, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed after such moneys were to be applied to the payment of such principal or interest, as the case may be, in accordance with the Subordinated Resolution may be applied at the direction of the Authority in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State, or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Subordinated Bonds shall look only to the Authority or the Comptroller of the State for the payment of such principal or interest, as the case may be. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law (or its successor) of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners of the Subordinated Bonds entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law (or its successor) of the State, as the case may be.

Section 11.03. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment due on any date with respect to particular Subordinated Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Subordinated Bonds entitled thereto.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Evidence of Signatures of Owners and Ownership of Bonds.

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

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

Section 12.02. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of the Subordinated Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any Owner of Subordinated Bonds and their agents and their representatives, any of whom may make copies thereof.

Section 12.03. Parties Interested Herein. Nothing in the Subordinated Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries, the issuers of any Credit Facility or Liquidity Facility and parties to Financial Contracts, if any, relating to Subordinated Bonds, and the Owners of the Subordinated Bonds, any right, remedy or claim under or by reason of the Subordinated Resolution or any covenant, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in the Subordinated Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the issuers of any Credit Facility or Liquidity Facility and parties to such Financial Contracts, if any, and the Owners of Subordinated Bonds.

Section 12.04. No Personal Liability on Bonds or Subordinated Indebtedness. Neither the Trustees of the Authority nor any person executing Subordinated Bonds or Parity Subordinated Reimbursement Obligations shall be liable personally thereon or be subject to any personal liability or accountability by the issuance thereof.

Section 12.05. Successors and Assigns. Whenever in this Subordinated Resolution the Authority is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Subordinated Resolution contained by or on

behalf of the Authority shall bind and enure to the benefit of its successors and assigns whether so expressed or not.

Section 12.06. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in the Subordinated Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Subordinated Resolution.

Section 12.07. Payments on Saturdays, Sundays and Holidays. In any case where the date of any payment required to be made under the Subordinated Resolution shall be a Saturday or a Sunday or shall be, at the place designated for such payment a legal holiday or a day on which banking institutions are authorized by law to close, then such payment shall not be made on such date but shall be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close.

Section 12.08. Governing Law. The Subordinated Resolution shall be governed by and interpreted in accordance with internal laws of the State without regard to conflicts of laws principles.

Section 12.09. Effective Date. This Subordinated Resolution shall take effect immediately.