
MASSACHUSETTS WATER RESOURCES AUTHORITY

**THIRTY-NINTH SUPPLEMENTAL RESOLUTION
AUTHORIZING THE ISSUANCE OF UP TO \$430,000,000
MULTI-MODAL SUBORDINATED GENERAL REVENUE REFUNDING BONDS**

**PART 1 -- RELATING TO THE ISSUANCE OF \$80,000,000
MULTI-MODAL SUBORDINATED GENERAL REVENUE REFUNDING BONDS
2002 SERIES C**

Adopted June 26, 2002

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APPENDIX I	Definitions and Provisions for the Massachusetts Water Resources Authority Subordinated General Revenue Refunding Bonds, 2002 Series C, Relating to Their Auction Rate Security Features and the Auction Agent
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**THIRTY-NINTH SUPPLEMENTAL RESOLUTION AUTHORIZING THE
ISSUANCE OF UP TO \$80,000,000 MULTI-MODAL SUBORDINATED GENERAL
REVENUE BONDS, PART 1 – RELATING TO THE ISSUANCE OF MULTI-MODAL
SUBORDINATED GENERAL REVENUE REFUNDING BONDS, 2002 SERIES C**

WHEREAS, the Massachusetts Water Resources Authority (hereinafter sometimes referred to as the "Authority") has determined that it is necessary and desirable at this time to issue its Bonds under the Massachusetts Water Resources Authority Act and pursuant to the General Revenue Bond Resolution of the Authority to refund a portion of its Outstanding Bonds;

WHEREAS, by resolution adopted on June 26, 2002 the Board of Directors of the Authority authorized the issuance pursuant to a Thirty-Ninth Supplemental Resolution of up to \$430,000,000 Multi-Modal Subordinated General Revenue Refunding Bonds and authorized certain officers of the Authority (the "Authorized Officers") to approve the final form of said Thirty-Ninth Supplemental Resolution; and

WHEREAS, the Authorized Officers have determined that it is in the best interest of the Authority to issue the aforesaid bonds in five separate series and, to facilitate such issuance, to divide said Thirty-Ninth Supplemental Resolution into five separate and independent Parts, of which this is Part 1;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Massachusetts Water Resources Authority as follows:

ARTICLE I

CERTAIN DEFINITIONS

SECTION 1.1. Definitions by Reference. Unless the context shall clearly indicate some other meaning, all words and terms used in this Thirty-Ninth Supplemental Resolution that are defined in the General Revenue Bond Resolution adopted by the Authority on January 24, 1990 (said resolution as from time to time amended or supplemented being defined as the "Resolution"), shall for all purposes of this Thirty-Ninth Supplemental Resolution have the respective meanings given to them in the Resolution. Certain terms relating to the 2002 Bonds when in the ARS Mode are defined in Appendix I hereto.

SECTION 1.2. Special Definitions. As used in this Thirty-Ninth Supplemental Resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended.

"Alternate Credit Facility" means an instrument that provides (to the extent, and subject to the terms and conditions, set forth therein) for the payment of principal of and interest on the

2002 Bonds becoming due and payable during the term thereof and is issued in substitution for a Credit Facility in accordance with, and pursuant to, Section 5.2 hereof.

"Alternate Liquidity Facility" means a liquidity facility, a counterpart original or conformed copy of which shall be filed with the Trustee, that provides (to the extent, and subject to the terms and conditions, set forth therein) for the payment of the Purchase Price of 2002 Bonds tendered or deemed tendered to the Tender Agent pursuant to this Thirty-Ninth Supplemental Resolution, satisfies the Liquidity Requirement and is issued in substitution for the Liquidity Facility in accordance with, and pursuant to, Section 5.3 hereof

"Alternate Rate" means, on any Rate Determination Date, the rate per annum specified in the index (the "Index") published by the Indexing Agent and in effect on such Rate Determination Date. The Index shall be the Indexing Agent's most recently provided index, provided that (a) with respect to 2002 Bonds which are in the Daily Mode, Weekly Mode or a Commercial Paper Mode with an Interest Period of 30 days or less, the Index shall be the Indexing Agent's most recently published index for seven day variable rate demand bonds, (b) with respect to 2002 Bonds which are in a Commercial Paper Mode with an Interest Period of greater than 30 days but less than or equal to 180 days, the yield evaluation period for the Index shall be 180-day yield evaluations, and (c) with respect to 2002 Bonds which are in the Term Rate Mode or a Commercial Paper Mode with an Interest Period greater than 180 days, the yield evaluation period for the Index shall be one-year yield evaluations. For purposes of clauses (a) and (b) of the immediately preceding sentence, the Index shall be based upon yield evaluations at par of bonds, the interest on which is excluded from gross income for purposes of federal income taxation, of not less than five "high grade" component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The bonds on which the Index is based shall not include any bonds the interest on which is subject to a "minimum tax" or similar tax under the Internal Revenue Code of 1986, unless all tax-exempt bonds are subject to such tax.

If no Indexing Agent any longer produces an Index satisfying the requirements of the preceding paragraph, the Alternate Rate for an Interest Period shall be the rate per annum specified in the most recently produced Index for a comparable Interest Period.

"Annual Installment Date" means a date selected by the Authority within 60 days after each Bond Year which date is not a Rebate Installment Date.

"ARS Mode" means the mode during which the 2002 Bonds bear interest at an ARS Rate determined as provided in Appendix I.

"Authorized Denominations" means with respect to 2002 Bonds (i) in a Short-Term Mode, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000 (ii) in an ARS Mode, \$25,000 and any integral multiple of \$25,000 and (iii) in a Term Rate Mode, \$5,000 and any integral multiple thereof, provided, however, that if as a result of the change in the Mode of the 2002 Bonds it is not possible to deliver all the 2002 Bonds required or permitted to be

Outstanding in a denomination permitted above, 2002 Bonds may be delivered, to the extent necessary, in different denominations.

“Authorized Officer” means each of the Executive Director, the Chief Financial Officer and the Treasurer of the Authority.

“Bank Bond” means any 2002 Bond during any period commencing on the day such 2002 Bond is owned by or held on behalf of the Liquidity Facility Issuer or its successors and assigns under the Reimbursement Agreement as a result of such 2002 Bond having been purchased pursuant to Article IV of this Thirty-Ninth Supplemental Resolution from the proceeds of an advance under the Liquidity Facility and ending when such 2002 Bond is, pursuant to the provisions of the applicable Reimbursement Agreement, no longer deemed to be a Bank Bond.

“Bank Interest Rate” means with respect to any amounts owing under any Bank Bond, the rate of interest which is (a) applicable to the amounts owing under such Bank Bond as specified in the applicable Reimbursement Agreement and (b) not in excess of the lesser of twenty-five percent (25%) per annum or the maximum rate permitted by applicable law as advised by counsel to the Authority.

“Bond Counsel” means any firm of attorneys selected by the Authority and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes, which may be an attorney or firm regularly providing services to the Authority, the Trustee, any Underwriter, any Remarketing Agent, any Auction Agent, any Broker-Dealer, the Tender Agent, the Credit Facility Issuer, the Liquidity Facility Issuer or any Owner.

“Bond Payment Date” means each Interest Payment Date and each Principal Payment Date.

“Bond Purchase Account” has the meaning specified in the Tender Agent Agreement.

“Bond Year” shall be the one-year period commencing each July 1.

“Business Day” means, with respect to the 2002 Bonds, any day except (i) a Saturday, Sunday or other day on which commercial banks in the City of New York, New York, or any other city in which is located the Principal Office of the Trustee or any of (as applicable) the Tender Agent, the Remarketing Agent, the Liquidity Facility Issuer, the Auction Agent or the Broker-Dealer are authorized by law to close or (ii) a day on which the New York Stock Exchange is closed.

“Closing Date” means the date on which the 2002 Bonds are first issued, sold and delivered.

“Commercial Paper Mode” means the mode during which the duration of the Interest Periods and the interest rates are determined under Section 2.3.

“Commercial Paper Rate Bond” means any 2002 Bond while in a Commercial Paper Mode.

“Credit Facility” means, with respect to the 2002 Bonds, the Initial Credit Facility, provided that if the Initial Credit Facility is surrendered for cancellation pursuant to Section 5.2 in connection with the provision of an Alternate Credit Facility, then such Alternate Credit Facility shall thereafter be the “Credit Facility” (and shall thereafter be the “Initial Credit Facility” for purposes of subsequent application of this proviso).

“Credit Facility Expiration Date” means, with respect to a Credit Facility, including without limitation the Initial Credit Facility, the scheduled expiration date of such Credit Facility, or such scheduled expiration date as it may be extended from time to time as provided in the Credit Facility; provided, however, that “Credit Facility Expiration Date” shall not mean any date upon which the Credit Facility is no longer effective by reason of an event specified in the definition of the term “Credit Facility Termination Date” or the date such Credit Facility expires in connection with the 2002 Bonds bearing interest at a Term Rate fixed to the maturity thereof or by reason of the obtaining of an Alternate Credit Facility in substitution for such Credit Facility.

“Credit Facility Issuer” means Helaba Bank or any other bank or banks, insurance company or companies, or other financial institution or institutions, or any combination of the foregoing, which is the issuer of a Credit Facility and of which the Trustee is notified in writing by the Credit Facility Issuer.

“Credit Facility Termination Date” means the date, if any, upon which a Credit Facility, including without limitation the Initial Credit Facility, is to terminate as the result of the occurrence of any event specified in the applicable Reimbursement Agreement as providing the Credit Facility Issuer an option to terminate the Credit Facility.

“Credit Requirement” means at any time and with respect to: (i) Commercial Paper Rate Bonds, an amount equal to the principal amount thereof then Outstanding plus such additional amount as is necessary to cause the 2002 Bonds to be assigned the highest short term rating of each of Moody's, S&P and Fitch, as evidenced by a written confirmation of rating delivered by each such rating agency; (ii) the 2002 Bonds bearing interest at the Daily Rate or Weekly Rate, an amount equal to the principal amount of 2002 Bonds then Outstanding plus an amount equal to 43 days' interest thereon calculated at the Maximum Rate on the basis of a 365-day year for the actual number of days elapsed; and (iii) the 2002 Bonds in the Term Rate Mode (unless such Term Rate Mode extends to the Maturity Date), an amount equal to the principal amount of 2002 Bonds then Outstanding plus such additional amount as is necessary to cause the 2002 Bonds in the Term Rate Mode to be assigned the highest applicable rating of Moody's, S&P and Fitch, as evidenced by a written confirmation of rating delivered by each such rating agency.

"Current Mode" has the meaning specified in Section 2.9(b).

"Daily Mode" means the mode during which the 2002 Bonds bear interest at a Daily Rate.

"Daily Rate" means an interest rate determined pursuant to Section 2.4 hereof.

"Delivery Office" means such address as may be specified by the Tender Agent for receiving the 2002 Bonds and the notices provided for in Article IV of this Thirty-Ninth Supplemental Resolution.

"Differential Interest Amount" has the meaning specified in Section 2.2.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means each participant for which DTC holds securities.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission or other similar electronic means of written communication.

"Expiration Date" means any Credit Facility Expiration Date and any Liquidity Facility Expiration Date.

"Expiration Tender Date" has the meaning provided in Section 4.5(a).

"Favorable Opinion of Bond Counsel" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and the Resolution and will not impair the exclusion of interest on the 2002 Bonds from gross income for purposes of federal income taxation or the exemption of interest on the 2002 Bonds from personal income taxation under the laws of the Commonwealth (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the 2002 Bonds).

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Issuer and the Liquidity Facility Issuer (neither of which shall be under any liability by reason of such approval).

"Helaba Bank" means Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, or any successor thereto.

"Indexing Agent" means either Kenny Information Systems, a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, or, as the Remarketing Agent from time to time shall elect, The Bond Market Association, and its successors and assigns, except that if such corporation or association shall be dissolved or liquidated or shall no longer produce the indices referred to in the definition of Alternate Rate, then the term "Indexing Agent" shall be deemed to refer to any other entity producing similar indices selected by the Authority and approved by the Credit Facility Issuer and the Remarketing Agent (neither of whom shall be under any liability by reason of such approval).

"Initial Credit Facility" means the Letter of Credit issued by Helaba Bank.

"Initial Liquidity Facility" means the Letter of Credit issued by Helaba Bank.

"Interest Payment Date" means, with respect to 2002 Bonds other than 2002 Bonds in the ARS Mode, the following dates upon which interest is payable on 2002 Bonds: (i) any Principal Payment Date or Mode Change Date; (ii) with respect to each Commercial Paper Rate Bond, the day following the last day of the Interest Period therefor; (iii) with respect to the Daily Mode and Weekly Mode, the first Business Day of each calendar month, commencing September 3, 2002; (iv) with respect to the Term Rate Mode, each August 1 and each other date specified by the Authority pursuant to Section 2.9(b) prior to the Purchase Date or the Maturity Date, as the case may be, and the Purchase Date, if applicable; and (v) with respect to Bank Bonds, the first Business Day of each calendar month or as otherwise provided in the Reimbursement Agreement. With respect to 2002 Bonds in an ARS Mode, "Interest Payment Date" shall have the meaning provided in Appendix I hereto.

"Interest Period" means the period of time that any interest rate remains in effect, which period:

- (i) with respect to each Commercial Paper Rate Bond, shall be the period of time established by the Remarketing Agent pursuant to Section 2.3;
- (ii) with respect to 2002 Bonds in the Daily Mode, shall be the period from and including a Business Day to and excluding the next Business Day;
- (iii) with respect to 2002 Bonds in the Weekly Mode, shall be the periods from and including the day that they began to bear interest at the Weekly Rate to and including the following Tuesday and thereafter commencing on each Wednesday to and including Tuesday of the following week;
- (iv) with respect to 2002 Bonds in the Term Rate Mode, shall be the period from and including the Mode Change Date to and including the date (which shall be a day next preceding a Business Day or the Maturity Date) selected by the Authority prior to the Mode Change Date as the last day upon which an interest rate determined by the Remarketing Agent pursuant to Section 2.6 shall be in effect and thereafter shall be the period beginning on the day after the end of the prior Interest Period and ending on the date selected by the Authority as the last day upon

which an interest rate determined by the Remarketing Agent pursuant to Section 2.6 shall be in effect, provided, that each Interest Period with respect to 2002 Bonds in the Term Rate Mode shall be not less than 271 days; and

(v) with respect to Bank Bonds, shall be the period that such Bonds remain Bank Bonds;

provided, that no Interest Period shall extend beyond the day preceding any Mandatory Purchase Date or the Maturity Date.

"Issuance Resolution" means the Issuance Resolution adopted by the Board of Directors of the Authority on June 26, 2002.

"Letter of Credit" means the Letter of Credit issued by Helaba Bank under the Reimbursement Agreement, under which the Tender Agent may draw (i) an amount not exceeding \$80,000,000 to pay in full the principal amount of the 2002 Bonds tendered for optional or mandatory purchase or to pay such principal amount when due, either upon scheduled maturity or sinking fund installment payment dates or upon acceleration of the 2002 Bonds as provided in Section 1001 of the Resolution, and (ii) an amount not exceeding \$1,130,959 (which is equal to 43 days of interest on the 2002 Bonds computed at the rate of 12% per annum, the maximum rate of interest payable on the 2002 Bonds other than 2002 Bonds in the ARS Mode), to pay interest on the 2002 Bonds or to pay the interest portion of the Purchase Price of the 2002 Bonds tendered for optional or mandatory purchase.

"Liquidity Facility" means, with respect to the 2002 Bonds, the Initial Liquidity Facility, provided that if the Initial Liquidity Facility is surrendered for cancellation pursuant to Section 5.3, or if the purchase or other funding obligations (in respect of 2002 Bonds or portions thereof tendered or deemed tendered for purchase in accordance with the terms hereof) of the Liquidity Facility Issuer under the Liquidity Facility are otherwise terminated (in accordance with the express terms of such Liquidity Facility), in each case in connection with the provision of an Alternate Liquidity Facility, then such Alternate Liquidity Facility shall thereafter be the "Liquidity Facility" (and shall thereafter be the "Initial Liquidity Facility" for purposes of subsequent application of this proviso).

"Liquidity Facility Expiration Date" means, with respect to a Liquidity Facility, including without limitation the Initial Liquidity Facility, the scheduled expiration date of such Liquidity Facility, or such scheduled expiration date as it may be extended from time to time as provided in the Liquidity Facility, provided, however, that the "Liquidity Facility Expiration Date" shall not mean any date upon which the Liquidity Facility is no longer effective by reason of an event specified in the definition of the term "Liquidity Facility Termination Date" or the date such Liquidity Facility expires in connection with all 2002 Bonds bearing interest at the ARS Rate or at a Term Rate fixed to the maturity thereof or by reason of the obtaining of an Alternate Liquidity Facility in substitution for such Liquidity Facility.

"Liquidity Facility Issuer" means Helaba Bank, or any other bank or banks, insurance company or companies, or other financial institution or institutions, or any combination of the foregoing, which is the issuer of a Liquidity Facility of which the Trustee is notified in writing by the Liquidity Facility Issuer.

"Liquidity Facility Termination Date" means the date upon which a Liquidity Facility, including without limitation the Initial Liquidity Facility, is to terminate as the result of the occurrence of any event specified in the Reimbursement Agreement as providing the Liquidity Facility Issuer an option to terminate the Liquidity Facility.

"Liquidity Requirement" means at any time and with respect to (i) Commercial Paper Rate Bonds, an amount equal to the principal amount thereof then Outstanding plus such additional amount as is necessary to cause the 2002 Bonds to be assigned the highest short term rating of each of Moody's, S&P and Fitch, as evidenced by a written confirmation of rating delivered by each such rating agency; (ii) the 2002 Bonds bearing interest at the Daily Rate or Weekly Rate, an amount to pay the Purchase Price equal to the principal amount of 2002 Bonds then Outstanding plus an amount equal to 43 days' interest thereon calculated at the Maximum Rate on the basis of a 365-day year for the actual number of days elapsed; and (iii) the 2002 Bonds in the Term Rate Mode (unless such Term Rate Mode extends to the Maturity Date), an amount equal to the principal amount of such 2002 Bonds then Outstanding plus such additional amount as is necessary to cause the 2002 Bonds in the Term Rate Mode to be assigned the highest applicable rating of Moody's, S&P and Fitch, as evidenced by a written confirmation of rating delivered by each such rating agency.

"Mandatory Purchase Date" means (i) the Purchase Date of 2002 Bonds in the Commercial Paper Mode or the Term Rate Mode, (ii) any Mode Change Date, (iii) the Substitution Date, (iv) the Expiration Tender Date and (v) the Termination Tender Date.

"Maturity Date" means, with respect to the 2002 Bonds, August 1, 2020.

"Maximum Rate" means twelve percent (12%) per annum; provided that the Maximum Rate may be increased by the Authority to a higher rate, not to exceed twenty percent (20%) per annum, if there shall have been delivered to the Trustee (a) a Favorable Opinion of Bond Counsel, (b) a new or amended Liquidity Facility in an amount equal to the Liquidity Requirement calculated using the new Maximum Rate and (c) the written approval of the Credit Facility Issuer of such increase; provided further, that the Maximum Rate shall never exceed the highest lawful rate as advised by counsel to the Authority. The Maximum Rate shall not apply to Bank Bonds, which shall bear interest at the Bank Interest Rate or to 2002 Bonds in an ARS Mode, which shall be subject to the Maximum Interest Rate as defined in Appendix I hereto.

"Mode" means each of the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode and the ARS Mode.

"Mode Change Date" means, with respect to 2002 Bonds, the date one Mode terminates and another Mode begins.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Issuer and the Liquidity Facility Issuer (neither of which shall be under any liability by reason of such approval).

"New Mode" has the meaning specified in Section 2.9(b).

"1992B Bonds" means the \$471,780,000 Massachusetts Water Resources Authority General Revenue Refunding Bonds, 1992 Series B issued on December 17, 1992.

"Nonpurpose Payments" has the meaning ascribed to such term in the Regulations.

"Notice Parties" means the Authority, the Trustee, each Remarketing Agent, the Tender Agent, the Credit Facility Issuer and the Liquidity Facility Issuer and, with respect to 2002 Bonds in an ARS Mode, the Auction Agent and each Broker-Dealer.

"Opinion of Counsel" means a written legal opinion from an attorney or a firm of attorneys experienced in the matters to be covered in the opinion.

"Owners" means the registered owners of 2002 Bonds or the duly authorized attorney in fact, representative or assign thereof; the term "Owners" shall include the Liquidity Facility Issuer or its assignee, if appropriate.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which DTC holds 2002 Bonds as securities depository.

"Principal Payment Date" means any date upon which the principal amount of 2002 Bonds is due hereunder at maturity or on any Redemption Date.

"Purchase Date" means, with respect to a 2002 Bond (i) in the Commercial Paper Mode or the Term Rate Mode, the Business Day after the last day of the Interest Period applicable thereto and (ii) during the Daily Mode or Weekly Mode, any Business Day upon which such 2002 Bond is tendered or deemed tendered for purchase pursuant to Section 4.1.

"Purchase Price" means an amount equal to the principal amount of any 2002 Bonds purchased on any Purchase Date or Mandatory Purchase Date, plus, unless the Purchase Date is an Interest Payment Date or the Mandatory Purchase Date would be an Interest Payment Date even if not a Mandatory Purchase Date, accrued interest to the Purchase Date or Mandatory Purchase Date plus, in the case of 2002 Bonds in the Term Rate Mode, any redemption premium applicable to such 2002 Bonds on the Purchase Date as provided pursuant to Section 3.1(d).

"Rate Determination Date" means any date on which the interest rate on any 2002 Bonds that are not Bank Bonds or ARS Bonds is required to be determined, being: (i) in the case of any Commercial Paper Rate Bond, the first day of each Interest Period therefor; (ii) in the case of 2002 Bonds in the Daily Mode, each Business Day; (iii) in the case of any 2002 Bonds to be, or continue to be, in the Weekly Mode, for any Interest Period commencing on the Closing Date or on any Mode Change Date, the Business Day immediately preceding the respective Closing Date or Mode Change Date, and for other Interest Periods, each Tuesday or, if such Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, the Business Day next preceding such Tuesday; and (iv) in the case of any 2002 Bonds to be, or continue to be, in the Term Rate Mode, a Business Day prior to the first day of the applicable Interest Period.

"Rating Agency" means each of Fitch, Moody's and S&P.

"Rating Category" means one of the general rating categories of any of Moody's, S&P or Fitch, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Rebate Installment Date" means the dates selected by the Authority pursuant to the Regulations for the computation of rebate as provided in Section 8.1(b) hereof, the first of which shall be no later than five years after the date of issue of the 2002 Bonds. Each subsequent Rebate Installment Date shall be no more than five years following the next preceding Rebate Installment Date. Rebate Installment Date shall also include the date on which final payment of the 2002 Bonds is made.

"Rebate Payment Date" means, with respect to any Rebate Installment Date, 60 days after the Rebate Installment Date.

"Record Date" means with respect to 2002 Bonds other than Bank Bonds and other than 2002 Bonds in an ARS Mode, (i) in a Commercial Paper Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) in the Daily Mode or the Weekly Mode, the opening of business on the Business Day next preceding an Interest Payment Date and (iii) in the Term Rate Mode, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date. With respect to 2002 Bonds in an ARS Mode, "Record Date" shall have the meaning provided in Appendix I hereto.

"Redemption Date" means the date fixed for redemption of any 2002 Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

"Redemption Price" means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the 2002 Bonds to be paid on the Redemption Date.

"Regulations" means the Treasury Regulations applicable to Section 148(f) of the Code.

"Reimbursement Agreement" means (i) with respect to the Initial Credit Facility and the Initial Liquidity Facility, the Letter of Credit and Reimbursement Agreement dated as of

August 1, 2002 between the Authority and Helaba Bank and any and all modifications, alterations, amendments and supplements thereto and (ii) with respect to any Alternate Credit Facility or Alternate Liquidity Facility, the agreement providing for such Alternate Credit Facility or Alternate Liquidity Facility and any and all modifications, alterations, amendments and supplements to such agreement.

"Remarketing Agent" means the remarketing agent at the time serving as such for the 2002 Bonds pursuant to Section 6.1 of this Thirty-Ninth Supplemental Resolution.

"Representation Letter" means the Blanket Issuer Letter of Representations dated January 4, 1996 from the Authority to DTC.

"S&P" means Standard & Poor's, a Division of The McGraw-Hill Companies, and its successors and assigns, except that if such division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Issuer or the Liquidity Facility Issuer (neither of which shall be under any liability by reason of such approval).

"Serial Bonds" means any 2002 Bonds provided to be such pursuant to Section 2.8(e).

"Short-Term Mode" means each of the Daily Mode, the Weekly Mode and the Commercial Paper Mode.

"Substitution Date" means the date on which an Alternate Credit Facility is to be substituted for the Credit Facility in effect pursuant to Section 5.2 hereof or on which an Alternate Liquidity Facility is to be substituted for the Liquidity Facility in effect pursuant to Section 5.3 hereof.

"Tender Agent" means the tender agent appointed for the 2002 Bonds pursuant to Section 6.2.

"Tender Agent Agreement" means the Tender Agent and Paying Agent Agreement dated as of August 15, 2002 among the Authority, the Trustee and the Tender Agent, as from time to time amended, and any replacement or substitute Tender Agent and Paying Agent Agreement entered into under this Thirty-Ninth Supplemental Resolution.

"Term Rate" means an interest rate determined pursuant to Section 2.6.

"Term Rate Mode" means the mode during which the 2002 Bonds bear interest at a Term Rate.

"Termination Date" means any Credit Facility Termination Date and any Liquidity Facility Termination Date.

"Termination Tender Date" has the meaning provided in Section 4.5(b).

"Thirty-Ninth Supplemental Resolution" means this Part 1 of the Thirty-Ninth Supplemental Resolution Authorizing the Issuance of up to \$430,000,000 Multi-Modal Subordinated General Revenue Refunding Bonds.

"2002 Bonds" has the meaning specified in Section 2.1.

"Weekly Mode" means the mode during which the 2002 Bonds bear interest at a Weekly Rate.

"Weekly Rate" means an interest rate determined pursuant to Section 2.5.

SECTION 1.3. Time. All references to the time of day or the close of business used in this Thirty-Ninth Supplemental Resolution are to the time in effect and the close of business in the City of New York, New York.

ARTICLE II

AUTHORIZATION OF ISSUANCE OF 2002 BONDS

SECTION 2.1. Authorization of 2002 Bonds.

(a) Authorization of 2002 Bonds. There is hereby authorized to be issued a Series of Bonds designated "Multi-Modal Subordinated General Revenue Refunding Bonds, 2002 Series C" (herein referred to as the "2002 Bonds") in the total principal amount of Eighty Million Dollars (\$80,000,000); provided, that in the case of 2002 Bonds at any time in an ARS Mode there may be added to the designation the words "(Auction Rate Securities)" or other words to similar effect.

The 2002 Bonds shall, subject to the rights and requirements of prior redemption and purchase under Article III and Article IV hereof, and except as otherwise permitted by Section 2.9(e), mature and become payable on August 1, 2020.

(b) Purposes. The 2002 Bonds are issued for the purposes of (i) refunding a portion of the Outstanding 1992B Bonds and (ii) paying the Costs of Issuance of the 2002 Bonds.

SECTION 2.2. Denominations, Medium, Method and Place of Payment of Principal and Interest and Dating of 2002 Bonds. The 2002 Bonds shall be issued in the form of fully registered 2002 Bonds in Authorized Denominations. The principal and Purchase Price of and premium, if any, and interest on the 2002 Bonds shall be payable in lawful money of the United States of America. The interest on the 2002 Bonds that are not Bank Bonds shall be due on the Interest Payment Dates and payable (i) in the case of 2002 Bonds in a Short-Term Mode or an ARS Mode, by wire transfer of immediately available funds to the account specified by the

Owner or by the Remarketing Agent or a Broker-Dealer in a written direction delivered to the Trustee (such direction to remain in effect until revoked or revised by such Owner or the Remarketing Agent or such Broker-Dealer in a subsequent written direction delivered to the Trustee) or, if no such account number is furnished, by check mailed by the Trustee to the Owner at the address appearing on the books required to be kept by the Trustee pursuant to the Resolution, and (ii) in the case of 2002 Bonds in the Term Rate Mode, by check mailed by the Trustee to the respective Owners thereof at their addresses as they appear on the applicable Record Date in the registration books of the Authority kept at the principal corporate trust office of the Trustee pursuant to the Resolution, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2002 Bonds, upon the written request of such Owner to the Trustee, received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. The principal of and premium, if any, on each 2002 Bond shall be payable on its Principal Payment Date, upon surrender thereof at the principal corporate trust office of the Trustee.

Each 2002 Bond shall be dated as of the Closing Date and shall also show the date of authentication thereof and shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after a Record Date and on or before the next succeeding Interest Payment Date, in which event such 2002 Bond shall bear interest from and including such Interest Payment Date, or unless such date of authentication is prior to the Record Date with respect to the first Interest Payment Date, in which event such 2002 Bond shall bear interest from the Closing Date, until the entire principal amount thereof is paid; provided if, at the time of authentication of any 2002 Bond, interest is in default or overdue thereon, such 2002 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full.

Interest on 2002 Bonds (other than Bank Bonds) in a Short-Term Mode shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed to the Interest Payment Date. Interest on 2002 Bonds in an ARS Mode with an Auction Period of less than six months or a Special Auction Period of 180 days or less shall be calculated on the basis of a 360-day year for the actual number of days elapsed. Interest on 2002 Bonds (other than Bank Bonds) in the Term Rate Mode or in an ARS Mode with an Auction Period of six months or a Special Auction Period of more than 180 days shall be calculated on the basis of a year of 360 days composed of twelve 30-day months.

The interest rates for 2002 Bonds contained in the records of the Trustee, absent manifest error, shall be conclusive and binding upon the Authority, the Remarketing Agent, the Tender Agent, the Trustee, the Credit Facility Issuer, the Liquidity Facility Issuer, the Auction Agent, each Broker-Dealer and the Owners.

Each Bank Bond shall bear interest on the outstanding principal amount thereof, and on the amount (if any) of accrued and unpaid interest thereon paid by the Liquidity Facility Issuer as

part of the Purchase Price of such 2002 Bond at the Bank Interest Rate for each day from and including the date such 2002 Bond becomes a Bank Bond to, but not including, the date such 2002 Bond is paid in full or is remarketed. The Owner of a 2002 Bond other than the Liquidity Facility Issuer shall be paid (and, shall be obligated to pay, as part of the price paid by such Owner in connection with the remarketing to it of such 2002 Bond) interest thereon for an Interest Period only in the amount that would have accrued thereon at the rate or rates established pursuant to Section 2.3, 2.4, 2.5, 2.6, 2.7 or 2.8, as applicable, regardless of whether such 2002 Bond was a Bank Bond during any portion of such Interest Period. Accrued interest in respect of any Bank Bond shall be payable to the Liquidity Facility Issuer on each Interest Payment Date applicable thereto; provided that any Differential Interest Amount due to the Liquidity Facility Issuer upon a remarketing of 2002 Bonds shall be paid by the Authority at the times specified in the applicable Reimbursement Agreement. For purposes of the preceding sentence "Differential Interest Amount" means, with respect to any Bank Bond, the excess of (a) interest which has accrued and could actually be paid on such Bank Bond at the Bank Interest Rate, up to but excluding the Business Day on which such Bank Bond is purchased from the Liquidity Facility Issuer pursuant to the Reimbursement Agreement, less (b) the interest accrued on such Bank Bonds received by the Liquidity Facility Issuer of such Bank Bond as part of the sale price of such Bank Bonds.

No 2002 Bond other than a Bank Bond (or an ARS Bond) may bear interest at an interest rate higher than the Maximum Rate.

SECTION 2.3. Determination of Interest Rates and Interest Periods During Commercial Paper Mode. Interest Periods in a Commercial Paper Mode shall be of such duration, of at least one day and not more than 270 days, ending on a day next preceding a Business Day or the Maturity Date (and on a day that is not later than the Expiration Tender Date then in effect), as the Remarketing Agent shall determine in accordance with the provisions of this Section 2.3; provided, that such Interest Periods shall be limited in duration as necessary to assure that the Liquidity Requirement for the 2002 Bonds in a Commercial Paper Mode is not exceeded. In making the determinations with respect to Interest Periods, subject to limitations imposed by the preceding sentence, the Remarketing Agent shall on each Rate Determination Date select for each 2002 Bond then subject to such adjustment the Interest Period which, if implemented on such Rate Determination Date, would result in the Remarketing Agent being able to remarket such 2002 Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on any Rate Determination Date, the Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such 2002 Bond, then the Remarketing Agent shall select the Interest Period which in the judgment of the Remarketing Agent would permit such 2002 Bond to achieve such lower average interest cost; provided, however, that if the Remarketing Agent has received notice from the Authority that any 2002 Bond is to be changed from the Commercial Paper Mode to any other Mode or if it is to be purchased pursuant to Section 4.5, the Remarketing Agent shall, with respect to such 2002 Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date. The determination by the Remarketing Agent of each interest rate

and Interest Period under this Section 2.3 shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Trustee, the Credit Facility Issuer, the Liquidity Facility Issuer, the Authority and the Owners.

At or after 4:00 p.m. on the Business Day next preceding the Rate Determination Date for any Commercial Paper Rate Bonds, any Owner of such Commercial Paper Rate Bonds may telephone the Remarketing Agent and receive notice of the anticipated next Interest Period(s) and the anticipated interest rate(s) for such Interest Periods.

By 1:00 p.m. on each Rate Determination Date, the Remarketing Agent shall, with respect to each Commercial Paper Rate Bond that is subject to adjustment on such date, determine an interest rate for the Interest Period then selected for such 2002 Bond and, no later than 1:00 p.m., shall give notice by Electronic Means to the Tender Agent, the Authority and the Trustee of the applicable Interest Period, Purchase Date and interest rate.

By acceptance of any Commercial Paper Rate Bond, the Owner thereof shall be deemed to have agreed, during each Interest Period, to the interest rate (including the Alternate Rate, if applicable), Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such 2002 Bond to the Tender Agent for purchase on the next succeeding Purchase Date at the Purchase Price if funds for such purchase are on deposit with the Tender Agent on such Purchase Date, such Owner shall have no rights under the Resolution other than to receive the payment of such Purchase Price and that interest shall cease to accrue to such Owner on such Purchase Date.

SECTION 2.4. Determination of Interest Rate During Daily Mode. The interest rate for the 2002 Bonds in the Daily Mode shall be the rate of interest per annum determined by the Remarketing Agent on or before 9:30 a.m. on the Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the 2002 Bonds in the Daily Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the rates available by Electronic Means to the Authority, the Trustee and the Tender Agent promptly on request and, absent a request, no less frequently than once a week and on the last day of each month. With respect to any day that is not a Business Day, the interest rate shall be the same rate as the interest rate established for the immediately preceding Business Day. The determination by the Remarketing Agent of each interest rate under this Section 2.4 shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Trustee, the Credit Facility Issuer, the Liquidity Facility Issuer, the Authority and the Owners.

SECTION 2.5. Determination of Interest Rate During Weekly Mode. The interest rate for the 2002 Bonds for each Interest Period during the Weekly Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the 2002 Bonds in the Weekly Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if

any. The Remarketing Agent shall make the rate available by Electronic Means to the Authority, the Trustee and the Tender Agent by 5:00 p.m. on each Wednesday. The determination by the Remarketing Agent of each interest rate under this Section 2.5 shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Trustee, the Credit Facility Issuer, the Liquidity Facility Issuer, the Authority and the Owners.

SECTION 2.6. Determination of Term Rate(s). The Term Rate to be effective for the Interest Period commencing on any Mode Change Date after which the 2002 Bonds will bear interest at a Term Rate or any Purchase Date while the 2002 Bonds are in the Term Rate Mode, shall be determined by the Remarketing Agent. No later than 4:00 p.m. on the Business Day next preceding the Mode Change Date or the Purchase Date, as the case may be, the Remarketing Agent shall determine the Term Rate and shall make the Term Rate available by Electronic Means to the Trustee, the Authority and the Tender Agent. The Term Rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the 2002 Bonds at a price equal to the principal amount thereof (or, but only in the case of 2002 Bonds in a Term Rate Mode extending to the Maturity Date, at such lesser price, not to be less than 97% of the outstanding aggregate principal amount of the 2002 Bonds, as shall have been approved in writing by the Authority) on the Rate Determination Date taking into consideration the duration of the Interest Period, which shall be established by the Authority.

SECTION 2.7. Determination of Interest Rate During ARS Mode. The interest rate for the 2002 Bonds in an ARS Mode shall be determined as provided in Appendix I to the Thirty-Ninth Supplemental Resolution.

SECTION 2.8. Alternate Rate for Interest Calculation. In the event (i) the Remarketing Agent fails to determine the interest rate(s) or Interest Periods with respect to the 2002 Bonds other than 2002 Bonds in an ARS Mode, or (ii) the method of determining the interest rate(s) or Interest Periods with respect to the 2002 Bonds other than 2002 Bonds in an ARS Mode shall be held to be invalid by a court of law of competent jurisdiction, the 2002 Bonds shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered to the Authority and the Trustee a Favorable Opinion of Bond Counsel to the effect that the method of determining such rate is valid, bear interest at the Alternate Rate for the Mode in effect and, in the case of Commercial Paper Rate Bonds, for an Interest Period of 30 days.

SECTION 2.9. Changes in Mode.

(a) Authority Option to Change Modes. The 2002 Bonds shall initially be in the Daily Mode. At the option of the Authority, all (and not less than all) of the 2002 Bonds in any Mode, other than a Term Rate Mode expiring on the day before the Maturity Date, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode, the 2002 Bonds may again be changed at the option of the Authority to a different Mode at the times and in the manner hereinafter provided; provided, however, that any 2002 Bonds converted to a Term Rate Mode fixed to the maturity thereof shall not be changed to any other Mode.

(b) Notice of Intention to Change Mode. The option of the Authority to change the Mode of the 2002 Bonds shall be exercised by written notice from the Authority to the Notice Parties stating the Authority's intention to effect a change in the Mode from the Mode then prevailing (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, together with the proposed Mode Change Date. Such written notice shall be given not later than 20 days prior to the proposed Mode Change Date for any change from one Short-Term Mode to another Short-Term Mode or to an ARS Mode or from an ARS Mode to a Short-Term Mode and not later than 45 days prior to the proposed Mode Change Date for any change to or from a Term Rate Mode; provided that if the Current Mode of the 2002 Bonds is an ARS Mode and the 2002 Bonds are then in a six-month Auction Period or a Special Auction Period of more than 180 days, then such notice shall be given not later than 45 days prior to the proposed Mode Change Date. Such notice shall include, as applicable, the information described in subsections (3), (4), (5), (7) and (8) of Section 2.9(c).

(c) Notice to Owners of Changes to Modes Other Than Term Rate Mode Fixed to the Maturity of 2002 Bonds. In the case of any change from one Short-Term Mode to another Short-Term Mode or to an ARS Mode or from an ARS Mode with an Auction Period of less than six months or a Special Auction Period of 180 days or less to a Short-Term Mode, on or before the 15th day preceding the proposed Mode Change Date, and in the case of any change from an ARS Mode with an Auction Period of six months or a Special Auction Period of more than 180 days or to or from a Term Rate Mode (other than to a Term Rate Mode having an Interest Period extending to the maturity of the 2002 Bonds), on or before the 30th day preceding the proposed Mode Change Date, the Trustee shall mail to the Owners of the 2002 Bonds a notice of the proposed change in Mode stating:

- (1) the title, outstanding principal amount and CUSIP number(s) of the 2002 Bonds and the New Mode to which the 2002 Bonds are to be subject;
- (2) the proposed Mode Change Date;
- (3) the date on which the interest rate for the New Mode will be determined, and, in the case of a change to a Term Rate Mode, the Interest Period and the Interest Payment Dates for such Term Rate Mode and, in the case of a change to an ARS Mode, the Auction Period and the first Auction Date;
- (4) except in the case of a change to the Commercial Paper Mode, the Interest Payment Dates applicable to the New Mode;
- (5) the redemption provisions and the terms of purchase to be applicable to the 2002 Bonds in the New Mode;
- (6) that such Owner is required to tender such Owner's 2002 Bonds for purchase on the Mode Change Date at a price equal to par plus accrued interest, if applicable, to the Mode Change Date;

(7) whether a Credit Facility and/or a Liquidity Facility will be in effect during the New Mode and the anticipated ratings on the 2002 Bonds if available;

(8) such of the other conditions to the effectiveness of the change in Mode described in Section 2.9(d) below as are applicable; and

(9) that if all conditions precedent to the effectiveness of the New Mode are not met, the Mode applicable to the 2002 Bonds will not be changed on the Mode Change Date; provided, however, that with respect to 2002 Bonds in an ARS Mode, the consequences of all conditions precedent to the effectiveness of the New Mode not being met shall be that the proposed conversion shall not take place and the next Auction Period shall be a seven-day Auction Period and the Auction Rate of such next Auction Period shall be the Maximum ARS Rate.

(d) General Provisions Applying to Changes from One Mode to Another.

(1) The Mode Change Date must be a Business Day.

(2) Additionally, the Mode Change Date:

(i) from the Commercial Paper Mode shall be the last Purchase Date for the Commercial Paper Rate Bonds with respect to which a change is to be made; and

(ii) from an ARS Mode shall be (A) the second regularly scheduled Interest Payment Date following the final Auction Date with respect to the 2002 Bonds to be converted bearing interest at an ARS Rate in an ARS Period other than a daily Auction Period or (B) the next regularly scheduled Interest Payment Date with respect to 2002 Bonds bearing interest at an ARS Rate in a daily Auction Period; and

(iii) from a Term Rate Mode shall be the Purchase Date of the current Interest Period.

(3) On or prior to the date the Authority provides the notice to the Notice Parties pursuant to Section 2.9(b), the Authority shall deliver to the Trustee (i) a letter from Bond Counsel reasonably acceptable to the Trustee and addressed to the Trustee (with a copy to all other Notice Parties) to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date, (ii) if the Liquidity Facility is insufficient to satisfy the Liquidity Requirement (if any) applicable to the New Mode, a letter from the Liquidity Facility Issuer indicating the Liquidity Facility Issuer's willingness to increase the amount of the Liquidity Facility to the Liquidity Requirement (if any) to be applicable during the New Mode, or a letter from a prospective Liquidity Provider indicating its willingness to provide an Alternate Liquidity Facility meeting such Liquidity Requirement, and (iii) if the Credit Facility is insufficient to satisfy the

Credit Requirement (if any) applicable to the New Mode, a letter from the Credit Facility Issuer indicating the Credit Facility Issuer's willingness to increase the amount of the Credit Facility to the Credit Requirement (if any) to be applicable during the New Mode, or a letter from a prospective Credit Facility Issuer indicating its willingness to provide an Alternate Credit Facility meeting such Credit Requirement.

(4) No change in Mode will become effective unless funds sufficient to purchase all of the 2002 Bonds subject to such change shall be provided on the Mode Change Date as provided in Section 4.8, all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the Remarketing Agent by 12:00 noon, or such later time as is acceptable to the Authority, the Trustee and the Remarketing Agent, on the Mode Change Date:

(i) except in the case of a change in Mode pursuant to Section 2.9(d)(6) hereof, a Favorable Opinion of Bond Counsel dated the Mode Change Date;

(ii) a Liquidity Facility meeting the Liquidity Requirement, if any, for the New Mode;

(iii) a Credit Facility meeting the Credit Requirement, if any, for the New Mode;

(iv) in the case of a change from an ARS Mode to a Short-Term Mode or a Term Mode for less than the remaining maturity of the 2002 Bonds, a Tender Agent Agreement and an agreement with a Remarketing Agent relating to the 2002 Bonds; and

(v) in the case of a change from any Short-Term Mode or Term Mode to an ARS Mode, an Auction Agreement and one or more Broker-Dealer Agreements for the 2002 Bonds.

(5) If all conditions to the change of Mode are met by the time specified in Section 2.9(d)(4), the Interest Period(s) for the New Mode shall commence on the Mode Change Date and the Interest Rate(s) (together, in the case of a change to the Commercial Paper Mode, with the Interest Period(s)) shall be determined by the Remarketing Agent in the manner provided in Sections 2.3, 2.4, 2.5 and 2.6 or, if the New Mode is on ARS Mode, shall be determined by the Auction Agent as provided in Appendix I, as applicable.

(6) In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the 2002 Bonds will remain in the same Mode as currently in effect; provided, however, that with respect to 2002 Bonds in the ARS Mode, the consequences of all conditions precedent to the effectiveness of the New Mode not being met shall be that the proposed conversion shall not take place, the

next Auction Period shall be a seven-day Auction Period and the Auction Rate for such next Auction Period shall be the Maximum ARS Rate.

(e) Serial Bonds. The Authority may, in the notice given pursuant to Section 2.9(b) hereof in connection with any change to the Term Rate Mode, provide that all or some of the 2002 Bonds shall be Serial Bonds. The principal amount of Serial Bonds due on any August 1 shall be equal to the Sinking Fund Installment specified for such date in Section 2.1 hereof, and the remaining Sinking Fund Installments shall continue to be Sinking Fund Installments for the 2002 Bonds due on the Maturity Date, unless the Authority specifies otherwise in the notice. The interest rate for the Serial Bonds maturing on a particular date may be different from the interest rate or rates established for other 2002 Bonds.

SECTION 2.10. Form of 2002 Bonds. The 2002 Bonds and the assignment to appear thereon initially shall each be in substantially the form set forth in Exhibit A attached hereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby. Upon any change in Mode, the Authority may prepare a new form of 2002 Bonds satisfactory to the Trustee, the Credit Facility Issuer and the Liquidity Facility Issuer which contains the terms of the 2002 Bonds applicable in the New Mode. Unless the Authority shall otherwise direct, each 2002 Bond shall be lettered "02C-" followed by the last two digits of the year of maturity and the number of such 2002 Bond. The 2002 Bonds of each maturity shall be numbered consecutively from one upward.

SECTION 2.11. Registration and Authentication of 2002 Bonds.

(a) The Tender Agent shall be co-authenticating agent and co-registrar for the purpose of authenticating and registering the transfer of 2002 Bonds (other than ARS Bonds) required to be purchased pursuant to Article IV. The Tender Agent shall have no responsibility to maintain a complete record of the registered holders of the 2002 Bonds. The Trustee will deliver to the Tender Agent such records as it may request in order to enable it to perform its duties as co-authenticating agent and co-registrar for the 2002 Bonds and shall mail to the Tender Agent copies of each communication sent to the Owners of the 2002 Bonds not later than the date such communication is mailed to the Owners thereof. The Tender Agent shall promptly deliver to the Trustee for cancellation all 2002 Bonds surrendered to it for purchase along with copies of transfer documents, including any written notice of tender.

(b) The Tender Agent shall promptly notify the Trustee of the number, principal amount, date of authentication and registered Owner(s) of all 2002 Bonds authenticated by the Tender Agent. All 2002 Bonds authenticated by the Tender Agent shall have the same force and effect as if authenticated by the Trustee.

SECTION 2.12. Book-Entry System.

(a) The 2002 Bonds shall be initially issued in the form of a separate single certificated fully registered 2002 Bond registered in the name of Cede & Co., as partnership nominee of DTC as Owner.

(b) With respect to 2002 Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Trustee and the Tender Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the 2002 Bonds, (ii) the delivery to any Participant or any other person, other than the Owner, of any notice with respect to any 2002 Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than the Owner, of any amount with respect to principal of, premium, if any, interest on, or Purchase Price of the 2002 Bonds. The Authority, the Trustee and the Tender Agent may treat and consider the Owner of any 2002 Bond as the holder and absolute owner of such 2002 Bond for the purpose of payment of principal, premium, if any, the Purchase Price and interest with respect to such 2002 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2002 Bond, for the purpose of registering transfers with respect to such 2002 Bond, and for all other purposes whatsoever. The Trustee and the Tender Agent shall pay all principal of, premium, if any, the Purchase Price of and interest on the 2002 Bonds only to or upon the order of the Owner, as provided herein, or its respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, the Purchase Price and interest on the 2002 Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee and the Tender Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the word "Cede & Co." in this Thirty-Ninth Supplemental Resolution shall refer to such new nominee of DTC.

(c) The delivery of the Representation Letter by the Authority shall not in any way limit the provisions of Section 2.12(b) hereof or in any other way impose upon the Authority, the Trustee or the Tender Agent any obligation whatsoever with respect to persons having interests in the 2002 Bonds other than the Owner. The Trustee shall take all action necessary for all representations in the Representation Letter with respect to the Trustee to at all times be complied with.

(d) (i) DTC may determine to discontinue providing its services with respect to the 2002 Bonds at any time by giving written notice to the Authority, the Trustee and the Tender Agent and discharging its responsibilities with respect thereto under applicable law.

(ii) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2002 Bonds if the Authority determines that:

(A) DTC is unable to discharge its responsibilities with respect to the 2002 Bonds, or

(B) a continuation of the requirement that all 2002 Bonds be registered in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners thereof.

(iii) Upon the termination of the services of DTC with respect to the 2002 Bonds pursuant to subsection 2.12(d)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the 2002 Bonds pursuant to subsection 2.12(d)(i) or subsection 2.12(d)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Authority is obligated to deliver 2002 Bonds, as described in this Thirty-Ninth Supplemental Resolution, and the 2002 Bonds shall no longer be restricted to being registered in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging 2002 Bonds shall designate to the Trustee in writing, in accordance with the provisions of this Thirty-Ninth Supplemental Resolution.

(e) Notwithstanding any other provisions of this Thirty-Ninth Supplemental Resolution to the contrary, as long as the 2002 Bonds are registered in the name of Cede & Co., as nominee of DTC, or in the name of a substitute securities depository or a nominee thereof, all payments with respect to principal, premium, if any, the Purchase Price of and interest on the 2002 Bonds, all tenders, transfers and deliveries of 2002 Bonds and all notices with respect to the 2002 Bonds shall be made and given, respectively, in accordance with the procedures of DTC or such substitute securities depository, as the case may be.

ARTICLE III

REDEMPTION OF 2002 BONDS

SECTION 3.1. Optional Redemption.

(a) 2002 Bonds in the Commercial Paper Mode shall be subject to optional redemption at the option of the Authority, in whole or in part, on their respective Purchase Dates at a Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

(b) 2002 Bonds in the Daily Mode, Weekly Mode or ARS Mode shall be subject to optional redemption by the Authority, in whole or in part, on any Interest Payment Date, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

(c) 2002 Bonds in the Term Rate Mode shall be subject to redemption, in whole or in part on the applicable Purchase Dates, at the option of the Authority at a Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

(d) 2002 Bonds in the Term Rate Mode also shall be subject to redemption, in whole or in part, at the option of the Authority, on such dates and at such redemption prices, plus accrued interest to the date of redemption, as the Authority may specify on or before the Mode Change Date in accordance with Section 2.9.

(e) The Authority may, in connection with a change to a Term Rate Mode, or on any Purchase Date for 2002 Bonds bearing interest at Term Rate, waive or otherwise alter its rights to redeem any 2002 Bonds on and after the Mode Change Date or Purchase Date, as the case may be; provided, that notice describing the waiver or alteration shall be submitted to the Tender Agent, the Trustee and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel addressed to them.

(f) Each notice by the Authority of any optional redemption of 2002 Bonds under this Section 3.1 shall either (i) explicitly state that the proposed redemption is conditional on there being on deposit in the applicable Fund or Account on the Redemption Date sufficient money to pay the full Redemption Price of the 2002 Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full Redemption Price of the 2002 Bonds to be redeemed is on deposit in the applicable Fund or Account and invested in Government Obligations or other Investment Securities rated in the highest Rating Category by each of S&P, Moody's and Fitch maturing when needed.

SECTION 3.2. [Reserved].

SECTION 3.3. Redemption of Bank Bonds. The Bank Bonds shall be subject to optional and mandatory redemption under the same terms and conditions as provided in Section 3.1 with respect to the 2002 Bonds; provided, however, that notwithstanding anything expressed or implied therein or in this Thirty-Ninth Supplemental Resolution to the contrary, any and all redemptions of the Bank Bonds in whole or in part shall be at a Redemption Price equal to the principal amount (or portion thereof) to be redeemed plus accrued and unpaid interest thereon to the redemption date; and in no event shall any redemption premium be payable under or with respect to the Bank Bonds.

Bank Bonds shall be retired by Sinking Fund Installments which shall be sufficient to redeem such Bank Bonds as may be required under the terms of the Reimbursement Agreement (which terms shall be specified to the Trustee by the Authority).

SECTION 3.4. Redemption in Part; Bank Bonds To Be Redeemed First. In the event of redemption of less than all the 2002 Bonds having the same Purchase Date, then the particular 2002 Bonds or portions thereof to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine; provided, however, the portion of such 2002 Bonds to be redeemed shall be in Authorized Denominations; and provided further that in the event of any partial redemption of 2002 Bonds, the Trustee shall first select for redemption all then Outstanding Bank Bonds prior to selecting for redemption any 2002 Bonds which are not Bank Bonds, unless the Trustee shall have actual knowledge that the Liquidity Facility Issuer shall be in default under the Liquidity Facility, in which case, the Trustee shall at the written direction of the Authority first select for redemption all then Outstanding 2002 Bonds which are not Bank Bonds prior to selecting for redemption any Bank Bonds. The Trustee shall promptly give the Liquidity Facility Issuer and the Remarketing Agent notice by telephone of the selection of any Bank Bonds for redemption pursuant to the foregoing provision. Subject to Section 2.12, new 2002 Bonds representing the unredeemed balance of the principal amount thereof shall be

issued to the registered Owner thereof, without charge therefor. Any new 2002 Bond issued pursuant to this Section 3.4 shall be executed by the Authority and authenticated by the Trustee and shall be in any Authorized Denominations in an aggregate unpaid principal amount equal to the unredeemed portion of such 2002 Bond surrendered.

SECTION 3.5. Notice of Redemption. The Authority shall notify the Trustee of its election to optionally redeem 2002 Bonds as provided in Section 602 of the Resolution and shall at the same time send copies of such notice to the Tender Agent, the Remarketing Agent, the Credit Facility Issuer, the Liquidity Facility Issuer, the Auction Agent and each Broker-Dealer. Notice of the redemption of each 2002 Bond shall be mailed by the Trustee during any period the 2002 Bonds are in a Short-Term Mode or an ARS Mode with an Auction Period of less than six months or a Special Auction period of less than 180 days, at least once not less than fifteen (15) calendar days prior to the date fixed for the redemption thereof, by first class mail, postage prepaid, to the Owner of such 2002 Bond at its address as it appears on the books of registry kept pursuant to the Resolution as of the twentieth (20th) day (whether or not a Business Day) next preceding the date fixed for the redemption thereof, and during other periods, not less than thirty (30) calendar days nor not more than forty-five (45) days prior to the date fixed for the redemption thereof, by first class mail, postage prepaid, to the Owner of such 2002 Bond at its address as it appears on such books of registry as of the forty-fifth (45th) day (whether or not a Business Day) next preceding the redemption date. The failure of the Owner of a 2002 Bond to receive such notice by mail or any defect in such notice will not affect the sufficiency of the proceedings for the redemption thereof.

The Trustee shall also send notice of any redemption by first class mail, postage prepaid, to the Information Services and the Securities Depositories at the same time it sends notice of redemption to the Owners.

As used in this Section 3.5, the term "Information Services" means any of the following services: Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or such other services providing information with respect to called bonds as the Authority may designate in a certificate delivered to the Trustee.

As used in this Section 3.5, the term "Securities Depositories" means any of the following registered securities depositories: (i) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - 516/227-4039 or 4190, (ii) Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax - 312/663-2343, and (iii) Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department,

Fax - 215/496-5058; or such other securities depositories as the Authority may designate in a certificate delivered to the Trustee.

In addition, if any 2002 Bonds in the ARS Mode are to be redeemed in part and not in whole at a time when the 2002 Bonds are held by a Securities Depository, the Trustee shall include in the notice of redemption provided under this Section 3.5 (i) under a heading entitled "Publication Date for Securities Depository Purposes" the date that is three Business Days after the Auction Date immediately preceding the redemption date (the "Publication Date") and (ii) an instruction to each Securities Depository to (x) determine on such Publication Date, after the Auction held on the immediately preceding Auction Date has settled, the participants of such Securities Depository whose Securities Depository positions will be redeemed and the principal amount of such 2002 Bonds to be redeemed from each such position (the "Securities Depository Redemption Information") and (y) notify the Auction Agent immediately after such determination of the positions of the participants of such Securities Depository in such 2002 Bonds immediately prior to such Auction settlement, the positions of the participants of such Securities Depository in such 2002 Bonds immediately following such Auction settlement and the Securities Depository Redemption Information.

SECTION 3.6. Notice to Tender Agent. Upon each redemption of 2002 Bonds or portions thereof pursuant to Section 3.1, the Trustee shall within five Business Days of each redemption notify each of the Tender Agent, the Credit Facility Issuer, the Liquidity Facility Issuer and the Auction Agent of such event.

ARTICLE IV

PURCHASE OF 2002 BONDS

SECTION 4.1. Optional Tenders of 2002 Bonds in Daily Mode and Weekly Mode.

(a) Any 2002 Bonds (or portions thereof in Authorized Denominations) in the Daily Mode that are not Bank Bonds are subject to purchase, on the demand of the Owner thereof, at a price equal to the Purchase Price on any Business Day (such purchase to be made on the Business Day upon which such demand is made), upon delivery of an irrevocable written notice of tender, or irrevocable telephonic notice of tender promptly confirmed in writing, to the Remarketing Agent and the Tender Agent not later than 11:00 a.m. on such Business Day, stating the number and principal amount of the 2002 Bond being tendered and the Purchase Date. Such tender notice, once transmitted to the Remarketing Agent and the Tender Agent, shall be irrevocable with respect to the tender for which such tender notice was delivered and such tender shall occur on the Business Day specified in such Tender Notice. Upon request of the Remarketing Agent, the Tender Agent shall, as soon as practicable, provide by facsimile a summary of all such notices. The Tender Agent shall also, as soon as practicable after 11:00 a.m. on each Business Day on which it receives any such notice, notify the Authority, the Trustee and the Liquidity Facility Issuer of the principal amount of 2002 Bonds being tendered. The contents of any such irrevocable telephonic tender notice shall be conclusive and binding on all parties.

(b) The Owners of 2002 Bonds in a Weekly Mode that are not Bank Bonds may elect to have such 2002 Bonds (or portions thereof in Authorized Denominations) purchased at a price equal to the Purchase Price upon delivery of an irrevocable written notice of tender, or irrevocable telephonic notice of tender promptly confirmed in writing, to the Remarketing Agent and the Tender Agent, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Purchase Date specified by the Owner. Such notice shall (i) state the number and the principal amount of such 2002 Bond being tendered and (ii) state that such 2002 Bond shall be purchased on the Purchase Date so specified by the Owner. The Tender Agent shall notify the Authority, the Remarketing Agent, the Trustee and the Liquidity Facility Issuer by the close of business on the next succeeding Business Day of the receipt of any notice pursuant to this paragraph.

(c) Notwithstanding anything herein to the contrary, during any period that the 2002 Bonds are registered in the name of DTC or a nominee thereof pursuant to this Thirty-Ninth Supplemental Resolution, (i) any notice of tender delivered pursuant to this Section 4.1 shall also (A) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the beneficial owner or a custodian for the beneficial owner of the 2002 Bonds referred to in the notice, and (B) if the beneficial owner is other than a DTC Participant, identify the DTC Participant through whom the beneficial owner will direct transfer; (ii) on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said 2002 Bonds on the records of DTC; and (iii) it shall not be necessary for 2002 Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such 2002 Bonds had been so delivered, and the purchase price thereof shall be paid to DTC. In accepting a notice of tender pursuant to this Section 4.1, the Trustee and the Tender Agent may conclusively assume that the person providing the notice of tender is the beneficial owner of the 2002 Bonds being tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be such a beneficial owner of the 2002 Bonds or, in the discretion of either, rejecting such tender, if it reasonably believes such person has not demonstrated its status as such a beneficial owner.

SECTION 4.2. Mandatory Purchase at End of Commercial Paper Mode Interest Period. Each 2002 Bond in the Commercial Paper Mode shall be subject to mandatory tender for purchase on its Purchase Date at the Purchase Price. No notice of such mandatory purchase shall be given to the Owners.

SECTION 4.3. Mandatory Purchase on Any Mode Change Date. 2002 Bonds to be changed to any Mode from any other Mode are subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price, whether or not all of the conditions to such Mode change are satisfied, except that 2002 Bonds in an ARS Mode shall not be subject to mandatory tender for purchase if such conditions are not satisfied.

SECTION 4.4. Mandatory Purchase at End of Term Rate Period. 2002 Bonds in the Term Rate Mode are subject to mandatory purchase on each Purchase Date at the Purchase Price.

SECTION 4.5. Mandatory Purchase Upon Expiration Date, Termination Date and Substitution Date. Except for the Bank Bonds and 2002 Bonds in an ARS Mode, the 2002 Bonds shall be subject to mandatory tender for purchase on:

(a) the fifth Business Day preceding each Credit Facility Expiration Date and each Liquidity Facility Expiration Date (unless an Alternate Credit Facility or Alternate Liquidity Facility, respectively, will be in effect on the Business Day immediately preceding the Expiration Date), which Business Day is hereinafter referred to as the "Expiration Tender Date";

(b) a Business Day not later than the fifth calendar day following receipt by the Trustee and the Tender Agent of a notice of non-reinstatement of an interest drawing under the Letter of Credit (regardless of whether such non-reinstatement is based on a failure to reimburse the Credit Facility Issuer or is based on the occurrence of an event of default under the applicable Reimbursement Agreement) and, in any other event, the fifth Business Day preceding each Credit Facility Termination Date and Liquidity Facility Termination Date (unless an Alternate Credit Facility or Alternate Liquidity Facility, respectively, will be in effect on the Business Day immediately preceding the Termination Date), which Business Day is hereinafter referred to as the "Termination Tender Date"; and

(c) the Substitution Date, if the Trustee has been required to give notice as provided in Section 4.6(c).

SECTION 4.6. Notice of Mandatory Tender for Purchase.

(a) The Trustee shall, at least 15 days prior to the Expiration Tender Date, give notice of mandatory tender of 2002 Bonds on such Expiration Tender Date if it has not thereto received confirmation that the Expiration Date has been extended (including, without limitation, by the provision of an Alternate Credit Facility and/or an Alternate Liquidity Facility).

(b) The Trustee shall, at least five days prior to each Termination Tender Date (or, in the case of a Termination Tender Date following the non-reinstatement of an interest drawing under the Letter of Credit, at least three days prior thereto), give notice of the mandatory tender of 2002 Bonds on such Termination Tender Date if it has not theretofore received from the Credit Facility Issuer or the Liquidity Facility Issuer, as the case may be, a notice stating that the occurrence which resulted in the giving of notice of the Termination Date has been cured or waived and that the Credit Facility Issuer or the Liquidity Facility Issuer has rescinded its election to terminate the Credit Facility or the Liquidity Facility, as the case may be. Such notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as provided in this subsection (b) shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

(c) At least 15 days prior to each Substitution Date, if it has not theretofore received written confirmation from each of S&P, Moody's and Fitch to the effect that such rating agency has reviewed the proposed Alternate Credit Facility and/or Alternate Liquidity Facility, as the case may be, and that the substitution of the proposed Alternate Credit Facility and/or Alternate

Liquidity Facility for the existing Credit Facility and/or Liquidity Facility, respectively, will not, by itself, result in a reduction or withdrawal of the then-current long term rating or the then-current short term rating assigned by such rating agency to the 2002 Bonds, the Trustee shall give notice of mandatory tender of the 2002 Bonds on the Substitution Date.

(d) At least 15 days prior to any Mode Change Date with respect to a change in Mode from a Short-Term Mode to another Short-Term Mode or to an ARS Mode or from an ARS Mode with an Auction Period of less than six months or a Special Auction Period of 180 days or less to a Short-Term Mode and at least 30 days prior to any other Mode Change Date or any Purchase Date for 2002 Bonds in the Term Rate Mode, the Trustee shall give notice of the mandatory tender for purchase of 2002 Bonds on such Date.

(e) Except as provided in Section 4.2 and in subsection (b) above, notice of any mandatory tender of 2002 Bonds shall state that such 2002 Bonds are to be purchased pursuant to Section 4.3, 4.4 or 4.5 and shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of 2002 Bonds at the respective addresses shown on the books of registry. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, specify the Purchase Date, the Purchase Price and the place and manner of payment and state that no further interest will accrue from and after the Mandatory Purchase Date to such Owner. Each notice of mandatory tender for purchase on the Substitution Date pursuant to Section 4.5(c) also shall state that the Trustee has not received written confirmation from each of S&P, Moody's and Fitch that the substitution of the proposed Alternate Liquidity Facility or Alternate Credit Facility, as the case may be, will not, by itself, result in a reduction or withdrawal of the then-current long term rating or a reduction or withdrawal of the then-current short term rating assigned by said Rating Agency to the 2002 Bonds. In the event a mandatory tender of 2002 Bonds shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. The Trustee shall give a copy of any notice of mandatory tender given by it to the other Notice Parties. Any notice mailed as provided in this Section 4.6(e) shall be conclusively presumed to have been duly given whether or not the Owner of any 2002 Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice.

SECTION 4.7. Remarketing of 2002 Bonds, Notices.

(a) Remarketing of 2002 Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for (i) all 2002 Bonds or portions thereof as to which notice of tender pursuant to Section 4.1 has been given, (ii) all 2002 Bonds required to be tendered for purchase pursuant to Section 4.2, 4.3, 4.4 or 4.5(c), except for 2002 Bonds converted to an ARS Mode, and (iii) all Bank Bonds. No 2002 Bonds shall be remarketed after a notice of mandatory tender for purchase thereof has been provided pursuant to Section 4.5(a) or 4.5(b) (and not revoked) and before the Mandatory Purchase Date. Any 2002 Bonds purchased pursuant to Section 4.5 (other than ARS) shall not be released unless the Liquidity Facility has been

reinstated or an Alternate Liquidity Facility is in effect or unless the 2002 Bonds are in a Term Rate Mode with an Interest Period extending to the Maturity Date. No 2002 Bonds shall be remarketed to the Authority. No Bank Bonds shall be remarketed unless the Liquidity Facility has or will be immediately upon such remarketing reinstated by the amount of the reduction that occurred when such 2002 Bonds become Bank Bonds or unless the Liquidity Facility is no longer to be in effect. So long as any Bank Bonds shall be outstanding, the Remarketing Agent shall assign priority to the remarketing of such Bank Bonds over the remarketing of other 2002 Bonds.

(b) Notice of Remarketing; Registration Instructions; New 2002 Bonds. If at any time the 2002 Bonds shall not be book-entry securities as provided in Section 2.12:

(1) The Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 12:00 noon on the Purchase Date or Mandatory Purchase Date of the registration instructions (i.e., the names of the tendering Owners and the names, addresses and taxpayer identification numbers of the purchasers, the desired Authorized Denominations and, in the case of 2002 Bonds in Short-Term Mode, any account number for payment of principal and interest furnished by a purchaser to the Remarketing Agent) with respect thereto.

(2) The Tender Agent shall authenticate and have available for delivery to the Remarketing Agent prior to 1:30 p.m. on the Purchase Date or Mandatory Tender Date new 2002 Bonds for the respective purchasers thereof.

(c) Transfer of Funds: Draw on Liquidity Facility.

(1) The Remarketing Agent shall at or before 12:30 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, (i) notify the Tender Agent by Electronic Means of the amount of tendered 2002 Bonds that were successfully remarketed, and (ii) confirm to the Tender Agent the transfer of the Purchase Price of remarketed 2002 Bonds to the Tender Agent in immediately available funds at or before 12:30 p.m., such confirmation to include the pertinent Fed Wire reference number.

(2) Except in the case of a mandatory purchase of ARS being converted to another Mode, the Tender Agent shall draw on the Liquidity Facility by 1:00 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, in an amount equal to the Purchase Price of all 2002 Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds transferred to the Tender Agent by the Remarketing Agent pursuant to clause (1) of this Section 4.7(c). If the Tender Agent does not receive notice from the Remarketing Agent pursuant to clause (1) above, the Tender Agent shall draw on the Liquidity Facility in an amount equal to the Purchase Price of all 2002 Bonds tendered or deemed tendered for purchase.

(3) Except in the case of a mandatory purchase of ARS being converted to another Mode, the Tender Agent shall confirm to the Authority and the Trustee by the

close of business on the Purchase Date or Mandatory Purchase Date, receipt of the proceeds of any draw on or advance under the Liquidity Facility.

(d) Notice to Authority. The Remarketing Agent shall notify the Authority and the Liquidity Facility Issuer by Electronic Means of any proposed remarketing of Bank Bonds by the close of business on the Business Day preceding the proposed date of remarketing of such Bank Bonds.

SECTION 4.8. Source of Funds for Purchase of 2002 Bonds. On or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to 2002 Bonds, the Tender Agent shall purchase such 2002 Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and neither the Authority, the Trustee, the Tender Agent nor the Remarketing Agent shall be obligated to provide funds from any other source:

(a) immediately available funds on deposit in the Bond Purchase Account; and

(b) in the case of a Mandatory Purchase Date in connection with a change of Mode from a Term Rate Mode to a different Term Rate Mode having an Interest Period extending to the Maturity Date, when such 2002 Bonds are being remarketed at a discount to their par value as permitted by Section 2.6 and the definition of "Purchase Price", immediately available funds of the Authority not exceeding the amount of the discount;

provided, however, that in the case of mandatory purchase on a Mode Change Date of 2002 Bonds in the ARS Mode being converted to another Mode, such funds may be the proceeds of the remarketing of such 2002 Bonds or other funds of the Authority, as the Authority may elect.

SECTION 4.9. Delivery of 2002 Bonds. The 2002 Bonds other than in an ARS Mode shall be delivered as follows:

(a) 2002 Bonds sold by the Remarketing Agent pursuant to Section 4.7 shall be delivered by the Remarketing Agent to the purchasers of those 2002 Bonds by 3:00 p.m., on the Purchase Date or the Mandatory Purchase Date, as the case may be.

(b) 2002 Bonds purchased by the Tender Agent with moneys drawn under the Liquidity Facility shall be immediately registered in the name of the Liquidity Facility Issuer or its nominee on or before the close of business on the Purchase Date or Mandatory Purchase Date, as the case may be.

(c) When any Bank Bonds are remarketed, the Tender Agent shall not release the 2002 Bonds so remarketed (including any Bank Bonds registered in the name of the Liquidity Facility Issuer) to the Remarketing Agent until the Tender Agent has received and forwarded to the Liquidity Facility Issuer the proceeds of such remarketing and (unless the Liquidity Facility is no longer to remain in effect) has been advised in writing by the Liquidity Facility Issuer that the

Liquidity Facility has been reinstated by an amount equal to the Liquidity Requirement calculated with respect to the principal amount of such Bank Bonds.

SECTION 4.10. Delivery and Payment for Purchased 2002 Bonds; Undelivered 2002 Bonds. 2002 Bonds purchased pursuant to this Article shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any 2002 Bond purchased pursuant to Section 4.1 shall be made only if such 2002 Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or, if the Owner has not provided or caused to be provided wire transfer instructions, by check mailed to the Owner. If 2002 Bonds to be purchased are not delivered by the Owners to the Tender Agent by 12:00 noon on the Purchase Date or the Mandatory Purchase Date, as the case may be, the Tender Agent shall hold any funds received for the purchase of those 2002 Bonds in trust in a separate account, uninvested, and shall pay such funds to the former Owners upon presentation of the 2002 Bonds subject to tender. Such undelivered 2002 Bonds shall be deemed tendered and cease to accrue interest or to be otherwise outstanding as to the former Owners on the Purchase Date or the Mandatory Purchase Date, as the case may be, and moneys representing the Purchase Price shall be available against delivery of those 2002 Bonds at the Principal Office of the Tender Agent; provided, however, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Owner of any such 2002 Bond not presented for purchase for a period of five years after delivery of such funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by the Authority and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to the Authority free of any trust or lien and thereafter the former Owner of such 2002 Bond shall look only to the Authority and then only to the extent of the amounts so received by the Authority without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the purchase price of such 2002 Bonds. The Tender Agent shall authenticate a replacement 2002 Bond for any undelivered 2002 Bond which may then be delivered to the purchasers thereof by the Remarketing Agent or to the Liquidity Facility Issuer by the Tender Agent.

SECTION 4.11. Draws on Credit Facility and Liquidity Facility.

(a) On each Purchase Date or Mandatory Purchase Date with respect to 2002 Bonds, as the case may be, the Tender Agent shall draw on the Liquidity Facility in accordance with the terms thereof so as to have funds deposited with the Tender Agent therefrom by 3:45 p.m. on such date in an amount in immediately available funds, sufficient, together with the proceeds of the remarketing of such 2002 Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith; provided, however, that in the case of an Expiration Tender Date, Termination Tender Date or Substitution Date relating to the expiration, termination or substitution of a Credit Facility, such draw shall be made under the Credit Facility (if permitted under the Credit Facility) rather than under the Liquidity Facility. As a matter of

clarification, in the case of a mandatory tender for purchase on a Substitution Date pursuant to Section 4.5(c), the draw shall be on the Credit Facility or Liquidity Facility which is proposed to be replaced.

(b) On each Interest Payment Date and Principal Payment Date (other than a Purchase Date or a Mandatory Purchase Date) and, so long as the Initial Credit Facility (or any Alternate Credit Facility permitting such draws in the event of acceleration) shall be in effect, on any date on which the 2002 Bonds are accelerated pursuant to Section 1001 of the Resolution, the Tender Agent shall draw under the Credit Facility an amount sufficient to pay the principal of and interest on the 2002 bonds due on such date. To the extent any amount of principal or interest accrued with respect to any 2002 Bond is paid with amounts drawn under the Letter of Credit, then if and to the extent that Helaba Bank is not reimbursed for such amount by the Authority Helaba Bank shall succeed to and be subrogated to the rights of the holder of such 2002 Bond to the extent of such payment.

(c) The proceeds of each such draw shall be paid to the Tender Agent, who shall deposit said proceeds as provided in the Tender Agent Agreement.

(d) Notwithstanding the foregoing provisions of this Section 4.11, the Trustee and the Tender Agent shall not draw on a Credit Facility or a Liquidity Facility with respect to any payments due or made in connection with Bank Bonds or 2002 Bonds owned by the Authority or to pay any amounts other than principal of and interest on the 2002 Bonds and the Purchase Price of 2002 Bonds.

SECTION 4.12. Series C Special Accounts. There are established and shall be maintained with the Tender Agent, in respect of the 2002 Bonds, the five separate special purpose, non-interest bearing, trust accounts described in Section 2(a) of the Tender Agent Agreement, which shall be administered as provided in the Tender Agent Agreement.

ARTICLE V

THE CREDIT FACILITY AND THE LIQUIDITY FACILITY

SECTION 5.1. Administrative Procedures.

(a) The Tender Agent is directed to draw under the Credit Facility and the Liquidity Facility as provided in the Tender Agent Agreement.

(b) [Reserved.]

(c) The Authority shall give the Credit Facility Issuer and the Liquidity Facility Issuer notice of the resignation or removal of the Trustee or the Remarketing Agent and the appointment of a successor of either.

(d) The Authority shall give the Credit Facility Issuer copies of all notices required to be delivered to holders of the 2002 Bonds and, on an annual basis, copies of the Authority's annual budget and audited financial statements.

(e) Any notice that is required to be given by the Authority or the Trustee to a holder of the 2002 Bonds or to the Trustee pursuant to the Resolution shall also be provided in writing by such party to the Credit Facility Issuer.

(f) The Authority shall give the Credit Facility Issuer notice of all amendments to the Resolution. Unless the Credit Facility Issuer shall be in default of its obligations under the Credit Facility, the Credit Facility Issuer shall be deemed to be the holder of the 2002 Bonds for the purpose of exercising any voting right or privilege, giving any consent or direction or taking any other action that the holders of the 2002 Bonds are entitled to take pursuant to Article IX (pertaining to amendments to the Resolution), Article X (pertaining to Events of Default) or Article XI (pertaining to the removal of or appointment of a successor Trustee) of the Resolution. In addition, unless the Credit Facility Issuer shall be in default of its obligations under the Credit Facility, no change in the 2002 Bonds or this Thirty-Ninth Supplemental Resolution shall be made without the prior written approval of the Credit Facility Issuer, and upon the occurrence and continuation of an Event of Default, the Credit Facility Issuer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as a holder of 2002 Bonds may institute any action under Section 1005 of the Resolution.

(g) The obtaining of the Initial Credit Facility is hereby authorized and approved, and the proper officers and employees of the Authority are hereby authorized and directed to pay or cause to be paid to the provider thereof on the Closing Date, the premium or fee payable for such policy.

(h) Neither the Trustee nor the Tender Agent shall sell, assign or otherwise transfer the Credit Facility or the Liquidity Facility, except to a successor Trustee hereunder or a successor Tender Agent under the Tender Agent Agreement and in accordance with the terms of the Credit Facility or the Liquidity Facility, as the case may be, and this Thirty-Ninth Supplemental Resolution

SECTION 5.2. Alternate Credit Facility. The Authority may provide for an Alternate Credit Facility relating to the 2002 Bonds on the terms specified in this Section 5.2.

(a) On or before 45 days before the effective date of such Alternate Credit Facility (and as a condition to acceptance by the Tender Agent or the Trustee of such Alternate Credit Facility), the Authority shall deliver to the Tender Agent and the Trustee written notice stating that it intends to deliver an Alternate Credit Facility, which notice shall include the information described in clauses (ii), (iii) and (iv) of Section 5.2(c), and the form of the Alternate Credit Facility, together with a Favorable Opinion of Bond Counsel (addressed to the Authority, the Tender Agent and the Trustee) stating that delivery of such Alternate Credit Facility is authorized and permitted under this Thirty-Ninth Supplemental Resolution and will not cause interest on the 2002 Bonds to be included in gross income for federal income tax purposes and

that the form of such Alternate Credit Facility is permitted under this Thirty-Ninth Supplemental Resolution. On the effective date of any such Alternate Credit Facility, the Authority shall (as a condition to acceptance by the Tender Agent or the Trustee of such Alternate Credit Facility) (A) deliver to the Tender Agent the executed Alternate Credit Facility, and the Tender Agent shall immediately notify the Trustee of its receipt thereof, and (B) deliver to the Trustee (1) a copy of the executed Alternate Credit Facility, (2) a supplemental Opinion of Bond Counsel to the effect set forth in the previous sentence, (3) an Opinion of Counsel for the Credit Facility Issuer providing the Alternate Credit Facility (addressed to the Authority, the Tender Agent and the Trustee) to the effect that such Credit Facility has been duly executed and delivered by such Credit Facility Issuer and is the legal, valid and binding obligation of such Credit Facility Issuer, (4) written evidence from each Rating Agency by which the 2002 Bonds are then rated to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and that substitution of the proposed Alternate Credit Facility for the existing Credit Facility will not, by itself, result in the reduction or withdrawal of the then applicable rating(s) on the 2002 Bonds, (5) an executed copy of the Reimbursement Agreement entered into with respect to such Alternate Credit Facility and (6) a certificate from the Credit Facility Issuer of the then effective Credit Facility that no amounts are owed to it under the then existing Reimbursement Agreement.

(b) In addition, the Authority may provide for an Alternate Credit Facility to be delivered to the Tender Agent or the Trustee which meets all of the requirements of Section 5.2(a) other than clause (B)(4) thereof, provided that the 2002 Bonds shall be subject to mandatory tender for purchase as provided in Section 4.5(c). The Tender Agent shall give notice to the Owners of 2002 Bonds as specified in Section 4.6 in connection with the delivery of such Alternate Credit Facility in addition to giving the notice specified in Section 5.2(c).

(c) Upon receipt from the Authority of the form of Alternate Credit Facility and Opinion of Bond Counsel provided for in the second sentence of Section 5.2(a), the Tender Agent or the Trustee, as the case may be, shall give telephonic notice to that effect within five days following such receipt to the Remarketing Agent and to the Trustee or the Tender Agent, respectively, and shall give notice by first-class mail to the Owners of the 2002 Bonds at least ten Business Days prior to the proposed effective date of the Alternate Credit Facility relating to the 2002 Bonds, which notice shall state in substance:

(i) that, on the applicable issuance date, certain payments on the 2002 Bonds described therein will be supported by the proposed Alternate Credit Facility in accordance with the terms thereof if, on such issuance date, the conditions specified in such notice are satisfied;

(ii) the principal terms of the Alternate Credit Facility, including, without limitation, the terms on which such Alternate Credit Facility terminates and may be extended;

(iii) the proposed effective date of the Alternate Credit Facility;

(iv) the name of the related Credit Facility Issuer;

(v) that the Authority has delivered to the Tender Agent and the Trustee an Opinion of Bond Counsel stating that, under the laws existing on the date of such opinion, the delivery of the Alternate Credit Facility is authorized and permitted under this Thirty-Ninth Supplemental Resolution and will not cause the interest on the 2002 Bonds to be included in gross income for federal income tax purposes;

(vi) that the Alternate Credit Facility shall not be accepted unless the Opinion of Bond Counsel referred to above is redelivered to the Tender Agent and the Trustee on (and as of) the effective date of the Alternate Credit Facility; and

(vii) the names of the Tender Agent and the Trustee and the address of the principal office of each of the Tender Agent and the Trustee.

(d) Failure to mail the notice described in subsection (c), or any defect therein, shall not affect the issuance of the Credit Facility or extend the period for tendering any of the 2002 Bonds for purchase.

(e) In the event that the Authority does not deliver an Alternate Credit Facility relating to the 2002 Bonds to the Tender Agent or the Trustee as set forth above, the 2002 Bonds shall be subject to mandatory tender for purchase as provided in Section 4.5(c).

(f) Upon the delivery of an Alternate Credit Facility satisfying the requirements of this Section 5.2, the Tender Agent or the Trustee, as the case may be, shall accept such Alternate Credit Facility and shall surrender the Credit Facility then in effect to the Credit Facility Issuer on the effective date of the Alternate Credit Facility, provided that all draws under such existing Credit Facility have been honored.

(g) The Authority shall not amend or terminate the Initial Credit Facility, and shall not replace the Initial Credit Facility, except as permitted by this Section 5.2.

SECTION 5.3. Alternate Liquidity Facility.

(a) At any time, the Authority may, with the consent of the Credit Facility Issuer, which consent shall not unreasonably be withheld, provide for the delivery to the Trustee or the Tender Agent of an Alternate Liquidity Facility with respect to the 2002 Bonds. The scheduled expiration date of such Alternate Liquidity Facility shall be a date not earlier than 364 days from its effective date, subject to earlier termination upon the occurrence of (i) the Termination Date, (ii) the issuance of a subsequent Alternate Liquidity Facility, (iii) payment in full of the Outstanding 2002 Bonds or (iv) the date all of the 2002 Bonds bear interest at a Term Rate fixed to the maturity thereof. On or prior to the date of the delivery of an Alternate Liquidity Facility to the Trustee the Authority shall furnish to the Trustee and the Tender Agent (x) a Favorable Opinion of Bond Counsel and (y) written confirmation from each of Moody's, S&P and Fitch to the effect that such Rating Agency has reviewed the proposed Alternate Liquidity Facility and

that the substitution of the proposed Alternate Liquidity Facility for the Liquidity Facility will not, by itself, result in a reduction or withdrawal of the then-applicable ratings(s) assigned by such Rating Agency to the 2002 Bonds.

(b) Notwithstanding any other provision contained herein, the Authority may, with the written consent of the Credit Facility Issuer, deliver an Alternate Liquidity Facility with respect to the 2002 Bonds in substitution for a Liquidity Facility without obtaining and providing to the Trustee and the Tender Agent the written confirmations of ratings required by clause (y) of Section 5.3(a); provided that (i) a Favorable Opinion of Bond Counsel is furnished and (ii) all Outstanding 2002 Bonds will thereby become subject to mandatory tender for purchase pursuant to Section 4.5(c).

(c) At the direction of the Authority, the Trustee or the Tender Agent, as the case may be, shall execute and deliver (i) any instrument that, upon such execution and delivery by the Trustee, would constitute an Alternate Liquidity Facility and/or (ii) the related Reimbursement Agreement.

(d) If at any time there shall have been delivered to the Trustee or the Tender Agent (i) an Alternate Liquidity Facility in substitution for the Liquidity Facility then in effect, (ii) a Favorable Opinion of Bond Counsel and (iii) written evidence that the Liquidity Facility Issuer is satisfied with the provision for purchase from the Liquidity Facility Issuer of all Bank Bonds, if any, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due it under the Reimbursement Agreement on or before the effective date of such Alternate Liquidity Facility, then the Trustee shall accept such Alternate Liquidity Facility and shall surrender the Liquidity Facility then in effect to the Liquidity Facility Issuer on the effective date of the Alternate Liquidity Facility. The Authority shall give the Trustee, the Tender Agent, the Remarketing Agent and the Liquidity Facility Issuer written notice, indicating the proposed effective date of the Alternate Liquidity Facility, of the proposed substitution of an Alternate Liquidity Facility for the Liquidity Facility then in effect no less than forty (40) calendar days prior to the proposed effective date. Unless a notice of mandatory tender is required to be given pursuant to Section 4.6 hereof, the Trustee shall mail to the Owners of the 2002 Bonds, at least twenty (20) calendar days prior to the proposed effective date of such Alternate Liquidity Facility, a notice of the substitution.

(e) If a Substitution Date occurs by reason of the obtaining of an Alternate Liquidity Facility pursuant to Section 5.3(b), the Trustee or the Tender Agent, as the case may be, shall, on or before the Substitution Date, draw upon the Liquidity Facility in effect prior to such Alternate Liquidity Facility to pay the Purchase Price of 2002 Bonds due on such Substitution Date.

(f) To the extent any Liquidity Requirement exists with respect to the 2002 Bonds, any termination of the Initial Liquidity Facility at the option of the Authority pursuant to the Initial Liquidity Facility shall not become effective until an Alternate Liquidity Facility has been delivered and become effective pursuant to this Section 5.3.

(g) Upon the delivery of an Alternate Liquidity Facility satisfying the requirements of this Section 5.3, the Tender Agent or the Trustee, as the case may be, shall accept such alternate Liquidity Facility and shall surrender the Liquidity Facility then in effect to the Liquidity Facility Issuer on the effective date of the Alternate Liquidity Facility, provided that all draws under such existing Liquidity Facility have been honored.

ARTICLE VI

AGENTS

SECTION 6.1. Remarketing Agent. Pursuant to the Issuance Resolution, Lehman Brothers Inc. is appointed the initial Remarketing Agent for the 2002 Bonds. The Remarketing Agent shall keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Authority, the Trustee and the Liquidity Facility Issuer at all reasonable times.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Thirty-Ninth Supplemental Resolution by giving at least thirty (30) days' notice to the Trustee, the Authority, the Credit Facility Issuer, the Liquidity Facility Issuer and the Tender Agent or otherwise as provided in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the Trustee, the Remarketing Agent and the Tender Agent and upon at least thirty (30) days' notice to the Remarketing Agent. Any successor Remarketing Agent shall be selected by the Authority with the consent of the Liquidity Facility Issuer, such consent not to be unreasonably withheld or delayed, and shall be a member of the National Association of Securities Dealers, Inc., shall have a capitalization of at least fifteen million dollars (\$15,000,000), and shall be authorized by law to perform all the duties set forth in this Thirty-Ninth Supplemental Resolution. The Authority's delivery to the Trustee and the Tender Agent of a certificate of an Authorized Officer setting forth the effective date of the appointment of a successor Remarketing Agent and the name, address and telephone number of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of this Thirty-Ninth Supplemental Resolution and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of this Thirty-Ninth Supplemental Resolution.

SECTION 6.2. Tender Agent. Pursuant to the Issuance Resolution, State Street Bank and Trust Company, N.A. was appointed the initial Tender Agent for the 2002 Bonds. In addition, State Street Bank and Trust Company, N.A. is hereby appointed a Depository and a Paying Agent within the meaning of the Resolution, to perform the duties set forth in this Thirty-Ninth Supplemental Resolution and the Tender Agent Agreement.

The Tender Agent shall hold all 2002 Bonds delivered to it hereunder in trust solely for the benefit of the respective Owners which shall have so tendered such 2002 Bonds until moneys representing the Purchase Price of such 2002 Bonds shall have been delivered to, or for the account of, or to the order of such Owners; and hold all moneys delivered to it hereunder for the

purchase of 2002 Bonds in trust solely for the benefit of the person which shall have so delivered such moneys until the 2002 Bonds purchased with such moneys shall have been delivered to or for the account of such person.

The Tender Agent may at any time resign and be discharged of the duties and obligations set forth herein by giving at least sixty (60) days notice to the Authority, each Remarketing Agent, the Credit Facility Issuer, the Liquidity Facility Issuer and the Trustee. The Tender Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the Tender Agent and the Trustee. Any successor Tender Agent shall be a commercial bank with trust powers, national banking association with trust powers or trust company doing business and having an office in New York, New York, and shall be appointed by the Authority with the consent of the Liquidity Facility Issuer, such consent not to be unreasonably withheld or delayed.

In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any 2002 Bonds and moneys held by it in such capacity to its successor. No resignation or removal of the Tender Agent shall be effective unless the rights and obligations of the Tender Agent have been transferred to its successor or the Trustee.

SECTION 6.3. Several Capacities. Anything in this Thirty-Ninth Supplemental Resolution to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the Tender Agent and the Remarketing Agent and in any other combination of such capacities, to the extent permitted by law.

ARTICLE VII

SPECIAL COVENANTS AND MATTERS

SECTION 7.1. Defeasance. If any 2002 Bonds are defeased while in the Daily Mode or the Weekly Mode (i) the Owners thereof shall continue to have the right to tender such 2002 Bonds for purchase pursuant to Section 4.1 hereof, (ii) any 2002 Bonds so purchased shall be canceled upon payment to the purchaser thereof (including the Liquidity Facility Issuer) of all principal and interest (including, in the case of Bank Bonds, interest at the Bank Interest Rate) in respect of such 2002 Bonds and shall not be reissued or remarketed and (iii) the amount required for defeasance shall be determined by calculating interest at the Maximum Rate. Prior to defeasing any 2002 Bonds, the Authority shall obtain written confirmation from each of Moody's, S&P and Fitch that the ratings assigned by it to such 2002 Bonds will not be reduced or withdrawn as a result of such defeasance.

SECTION 7.2. Amendments to this Thirty-Ninth Supplemental Resolution. This Thirty-Ninth Supplemental Resolution may be amended, at any time or from time to time, without the consent of the Owners of the Outstanding 2002 Bonds, (i) for the purpose of making changes in the provisions hereof relating to the characteristics and operational provisions of the Modes, (ii) in order to provide for and accommodate Alternate Credit Facilities or Alternate Liquidity Facilities, (iii) pursuant to written advice of Bond Counsel, in order to preserve the exemption from federal or Massachusetts income taxation of the interest on the 2002 Bonds or to preserve

the ability of the Authority to issue obligations the interest on which will be exempt from federal and Massachusetts income taxation and (iv) in connection with any changes in Mode, for the purpose of making any changes with respect to the New Mode. Each such amendment shall become effective with respect to the 2002 Bonds on the Rate Determination Date next following (or, with respect to 2002 Bonds in a Term Rate Mode, on the seventh day following) the filing of a copy thereof with the Trustee, the Tender Agent, the Remarketing Agent, the Credit Facility Issuer, the Liquidity Facility Issuer, the Auction Agent and each Broker-Dealer, together with a Favorable Opinion of Bond Counsel. No such amendment which is reasonably believed by the Trustee, the Tender Agent, the Remarketing Agent, the Credit Facility Issuer or the Liquidity Facility Issuer to adversely affect its rights, immunities and duties hereunder shall be effective without the written consent thereto of the Trustee, the Tender Agent, the Remarketing Agent, the Credit Facility Issuer or the Liquidity Facility Issuer, as the case may be; provided, that failure of any such Person to object in writing within 30 days following receipt of a draft in substantially final form of any proposed amendment shall constitute acceptance of such amendment for the purpose of this sentence. Without limitation of the foregoing, (x) any provision of this Thirty-Ninth Supplemental Resolution expressly recognizing or granting rights in or to the Credit Facility Issuer may not be amended in any manner which affects the rights of the Credit Facility Issuer hereunder without the prior written consent of the Credit Facility Issuer and (y) any provision of this Thirty-Ninth Supplemental Resolution expressly recognizing or granting rights in or to the Liquidity Facility Issuer may not be amended in any manner which affects the rights of the Liquidity Facility Issuer hereunder without the prior written consent of the Liquidity Facility Issuer.

SECTION 7.3. Provisions Relating to Trustee and Tender Agent.

(a) Neither the Trustee nor the Tender Agent shall have a lien or claim for payment of its compensation, expenses, disbursements, losses or liabilities upon the proceeds of the remarketing of 2002 Bonds or amounts received pursuant to any Credit Facility or Liquidity Facility.

(b) Provided that nothing herein shall be deemed to amend or set aside the provisions of Section 1107 or 1108 of the Resolution, any resignation or removal of the Trustee shall not become effective unless and until a successor has been appointed and has assumed the duties of Trustee. The Trustee that is resigning or being removed shall transfer to its successor all its rights under this Thirty-Ninth Supplemental Resolution, the Credit Facility and the Liquidity Facility.

ARTICLE VIII

DETERMINATIONS PURSUANT TO RESOLUTION; APPLICATION OF PROCEEDS

SECTION 8.1. Establishment of Accounts and Subaccounts.

(a) Pursuant to Section 502(b) of the Resolution, there are hereby established within the Funds and Accounts heretofore established under the Resolution, the following subaccounts:

(1) In the Subordinated Debt Service Fund:

- (A) 2002 Series D-G Principal and Interest Subaccount
- (B) 2002 Series D-G Redemption Subaccount

(2) In the Cost of Issuance Fund:

- (A) 2002 Series C-G Cost of Issuance Subaccount

(b) 2002 Series C-G Subaccount of the Rebate Fund.

(i) Establishment. There is hereby established within the Rebate Fund, for the purpose of compliance with Section 148(f) of the Code, a 2002 Series C-G Subaccount, which shall be used solely for purposes of making the payments described in this Section 8.1(b) until the requirements of Section 148(f) of the Code and the Regulations applicable thereto shall have been satisfied. The Authority agrees that the requirements of this Section 8.1(b) are subject to, and shall be interpreted in accordance with, Section 148(f) of the Code and the Regulations applicable thereto, including without limitation the provisions of Section 148(f)(4)(C)(viii) if an election has been made thereunder.

(ii) Calculations of Rebate Deposits and Payments.

(A) Promptly upon the close of each Bond Year and also upon the retirement of 2002 Bonds, or at any other Rebate Installment Date selected by the Authority, the Trustee and each Depository shall provide the Authority with a statement of earnings on all Funds, Accounts, or Subaccounts with respect to the 2002 Bonds held in trust under the Resolution which are subject to the requirements of this Section 8.1(b) during any period not covered by a prior statement delivered pursuant to this Section 8.1(b). The statement shall include the purchase and sale prices of each investment (including any commission paid thereon which shall be separately stated if such information is available), the dates of each investment transaction, information as to whether such transactions were made at a discount or premium, and such other information known to the Trustee or each Depository as the Authority shall reasonably require.

(B) The Authority agrees to notify promptly the Trustee of each date which it selects as a Rebate Installment Date. At least 15 days prior to each Rebate Payment Date, and additionally at least 15 days after each Annual Installment Date, the Authority shall, in accordance with the Regulations, determine and report to the Trustee the amount, if any, to be deposited into the Rebate Fund pursuant to Section 506(a) of the Resolution based upon Nonpurpose Payments and Nonpurpose Receipts allocable to the 2002 Bonds. Such amount shall consist of: (1) the difference between the future values, as of the next succeeding Rebate Installment Date, or Annual Installment Date as determined by

the Authority, of all Nonpurpose Payments (including, as authorized by the Regulations, any rebate previously paid) and Nonpurpose Receipts (whether held under the Resolution or otherwise), reduced by (2) any amounts already on deposit in the applicable Subaccount of the Rebate Fund. For purposes of calculating the foregoing future values, the yield on the 2002 Bonds, determined in accordance with the Regulations, shall be used. Except as may otherwise be provided by law, the computation of the amounts to be deposited into such Subaccounts of the Rebate Fund need not take into account any earnings on any "tax exempt bond" under Section 150(a)(6) of the Code and Section 1.150-1 of the Regulations and which is not a specified private activity bond as defined in Section 57(a)(5)(C) of the Code or any earnings as to which exceptions are provided under Section 148(f)(4)(A), (B) or (C) of the Code or Section 1.148-7 of the Regulations. The Authority shall also determine the amount of any applicable "yield restriction payments", as provided under Section 1.148-5(c) of the Regulations.

(iii) The Trustee shall deposit from the Revenue Fund, pursuant to Section 506(a) of the Resolution, the amounts determined as provided under subsection (ii) to the applicable Subaccount of the Rebate Fund. If, according to the calculations made pursuant to subsection (ii) above, together with calculations made in prior years pursuant to such subsection, the amount on deposit in the Rebate Fund exceeds the amount required to be on deposit therein as of the Annual Installment Date, the Trustee shall transfer such excess, as directed by the Authority, to the Revenue Fund.

(iv) Payment of Rebate.

(A) No earlier than 60 days, or later than 35 days, before each Rebate Payment Date, the Trustee shall notify the Authority by first-class mail, postage prepaid, or by telecopy, of its obligation to furnish the following not later than 15 days prior to the applicable Rebate Payment Date: (1) a copy of Form 8038-T, (2) a statement of the amount due on the Rebate Payment Date and (3) a certificate of a firm of accountants or other professionals with expertise in calculating the amount required to be paid pursuant to Section 148(f) of the Code as to the accuracy of such determination. Upon receipt of the foregoing, the Trustee shall make the payment provided for in subsection (iv)(B) below, but if the Trustee shall not have received all of the foregoing on the date due, the Trustee shall pay over to the United States within the period prescribed in SubSection (iv)(B) below all of the funds then held in the applicable Subaccount of the Rebate Fund, together with a copy of the applicable Form 8038-T, if available, unless on or before such date, the Authority shall have provided to the Trustee an unqualified Bond Counsel's Opinion stating that no further action by the Authority or the Trustee is necessary for compliance as of such Rebate Installment Date with Section 148(f) of the Code.

(B) No later than each Rebate Payment Date, the Trustee, at the direction of the Authority, shall pay to the United States from amounts on deposit in the applicable Subaccount of the Rebate Fund any "yield reduction payments" as aforesaid and/or a rebate amount which is at least 90% of the amount required to be paid pursuant to the provisions of Section 148(f) of the Code as calculated by or on behalf of the Authority, taking into account any credit permitted by the Regulations. On a date selected by the Authority no later than 60 days after the date on which the 2002 Bonds have been paid in full, the Trustee, at the direction of the Authority, shall pay to the United States from amounts on deposit in the applicable Subaccount of the Rebate Fund any "yield reduction payments" as aforesaid and/or a rebate equal to 100% of the entire amount then payable pursuant to Section 148(f) of the Code as calculated by or on behalf of the Authority, including actual or imputed earnings as provided by the Regulations. Any amounts in such Subaccount in excess of amounts due shall be deposited in the Revenue Fund. Unless otherwise provided by law, each payment shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 or any other address specified by the Internal Revenue Service and accompanied by a copy of Form 8038-T furnished by the Authority.

(v) Conclusive Compliance by Trustee. The Trustee shall be deemed conclusively to have complied with the provisions of this Section 8.1(b) if it makes payments in accordance with the certifications and directions of the Authority provided in accordance with this Section 8.1(b). By agreeing to give the notices referred to in subsection (iv) of this Section 8.1(b) and to make the payments referred to in this Section 8.1(b), the Trustee assumes no responsibility whatsoever for compliance by the Authority with the requirements of Section 148(f) of the Code.

(vi) Records. The Authority, each Depository and the Trustee shall keep such records as will enable them to fulfill their respective responsibilities under this Section and Section 148(f) of the Code, and each shall engage, at the Authority's expense, a firm of accountants or other professionals with appropriate expertise in the area for which they have been retained as may be necessary in connection with such responsibilities. For purposes of the computation required under this Section 8.1(b), the Trustee and each Depository shall make available to the Authority during normal business hours all information in the control of the Trustee or Depository as the case may be which is necessary to such computations.

(vii) Section 8.1(b) to Survive Defeasance of the Resolution. This Section 8.1(b), as amended from time to time, shall survive the defeasance of the Resolution and of the 2002 Bonds. Only upon (i) the retirement of the 2002 Bonds or provision for the same pursuant to Section 1201 of the Resolution, (ii) the payment of all amounts due under Section 148 of the Code with respect to the 2002 Bonds and (iii) presentation of a certificate of the Authority in a form satisfactory to the Trustee that the provisions of Section 148 of the Code have been satisfied with respect to the 2002 Bonds, shall any

amounts remaining in the applicable Subaccount of the Rebate Fund be paid to the Revenue Fund.

(c) No Debt Service Reserve. For purposes of Section 502(c) of the Resolution, no Special Account for the 2002 Bonds is being established in the Subordinated Debt Service Reserve Fund.

(d) No Capitalized Interest. For purposes of Section 502(b)(ii) of the Resolution, no Subaccount for the 2002 Bonds is being established in the Capitalized Interest Account of the Subordinated Debt Service Fund.

SECTION 8.2. Refundable Principal Installments. Pursuant to Sections 206(c)(xiv) and 206A of the Resolution, it is hereby determined that none of the Principal Installments for the 2002 Bonds (other than Bank Bonds) shall be Refundable Principal Installments. Pursuant to Section 206(c)(xiv) of the Resolution, it is hereby determined that the Principal Installments, if any, of any Bank Bonds shall be Refundable Principal Installments and that the Refundable Principal Installment Pro Forma Interest Rate with respect thereto (determined on a level debt service basis from the Expiration Date or the Termination Date, as the case may be, through 30 years after such Date) is seven percent (7%) per annum. A schedule showing the Adjusted Debt Service for the Bank Bonds shall be issued by the Authority not later than the 45th day following the Expiration Date or the Termination Date, as the case may be, if any Bank Bonds are then outstanding.

SECTION 8.3. Deposits to Funds and Accounts: Application of Proceeds. Pursuant to Sections 206(d) and 206A of the Resolution, the Authority hereby directs that the proceeds of sale of the 2002 Bonds, net of Underwriter's discount and bond insurance premium, shall be deposited as directed by a Certificate of an Authorized Representative who shall direct that such moneys shall be applied:

(i) to fund the 2002 Series C-G Subaccount of the Cost of Issuance Fund in the amount determined by the Authorized Representative;

(ii) to fund the 2002 Series D-G Subaccount of the Interest Account of the Subordinated Debt Service Fund in the amount of the accrued interest on the 2002 Bonds, if any; and

(iii) to fund the refunding escrow account securing the 1992B Bonds to be refunded in part by the 2002 Bonds.

SECTION 8.4. Pledge of Revenues.

(a) As provided in Section 501(b) of the Resolution, there are pledged for the payment of both the principal of and interest on the 2002 Bonds (i) all Revenues, (ii) all moneys or securities in any of the Funds, Accounts and Subaccounts (except the Operating Fund, the Rebate Fund, the Note Payment Fund, the Debt Service Fund and the Debt Service Reserve Fund) together with

the investment earnings thereon except to the extent such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Resolution and (iii) all other moneys and securities to be received, held or set aside by the Authority or any Fiduciary pursuant to the Resolution. Such pledge is subject to the prior pledge thereof created for the payment of Bonds in Section 501(a) of the Resolution and on a parity with the pledge created for the payment of other Subordinated Bonds in Section 501(b) of the Resolution.

(b) Pursuant to Section 210 of the Resolution, it is hereby determined to pledge the Revenues of the Authority for the payment of both the principal of and interest on the Reimbursement Obligations relating to the 2002 Bonds subject to the prior pledge thereof created for the payment of Bonds in Section 501(a) of the Resolution and on a parity with the pledges heretofore and hereafter created for the payment of Subordinated Bonds pursuant to Supplemental Resolutions.

(c) The principal of and interest on the 2002 Bonds and the principal of and interest on the related Reimbursement Obligations constitute general obligations of the Authority, to which its full faith and credit are pledged.

SECTION 8.5. Pro Forma Bond Issue. As the Series Debt Service Reserve Fund Requirement for the 2002 Bonds will be zero, there is no need to stipulate an interest rate on a Pro Forma Bond Issue for the purposes of Sections 206(c)(v) and 206A of the Resolution.

ARTICLE IX

MISCELLANEOUS MATTERS

SECTION 9.1. Effect of Section Headings and Table of Contents. The headings or titles of the several Sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning or construction, interpretation or effect of this Thirty-Ninth Supplemental Resolution.

SECTION 9.2. Notices.

(a) All notices required to be given to Owners of 2002 Bonds under this Thirty-Ninth Supplemental Resolution, unless otherwise expressly provided in this Thirty-Ninth Supplemental Resolution, shall be given by first class mail, postage prepaid.

(b) So long as the 2002 Bonds are rated by Moody's, S&P and Fitch, the Authority shall give to each such rating agency then rating the 2002 Bonds prior written notice of any of the occurrence of any of the following events:

(1) Any change of Trustee, Tender Agent, Remarketing Agent or Auction Agent with respect to the 2002 Bonds;

(2) Any changes to this Thirty-Ninth Supplemental Resolution or the Resolution that affect the 2002 Bonds;

(3) Any changes to the Reimbursement Agreement, the Credit Facility, the Liquidity Facility, any Auction Agreement or any agreement with the Remarketing Agent or Tender Agent (a copy of which notice also shall be sent to each Owner of 2002 Bonds);

(4) Any expiration, termination or extension of the Credit Facility or Liquidity Facility or the obtaining of an Alternate Credit Facility or Alternate Liquidity Facility (a copy of which notice also shall be sent to each Owner of 2002 Bonds);

(5) Any notice to Notice Parties in connection with a change of Mode of the 2002 Bonds; and

(6) Any redemption, defeasance, mandatory tender or acceleration of all Outstanding 2002 Bonds.

(c) Notices, Demands, Requests. All notices, demands and requests to be given to or made hereunder by the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Facility Issuer, the Credit Facility Issuer, Moody's, S&P or Fitch or any Auction Agent or Broker-Dealer shall, unless otherwise expressly provided herein, be given or made in writing and shall be deemed to be properly given or made if by United States registered or certified mail, return receipt requested, postage prepaid, addressed as set forth below. Notices, demands and requests that may be given by Electronic Means may be sent to the telecopier numbers set forth below:

- | | | | |
|-----|---------------------|---|---|
| (1) | As to the Authority | - | Massachusetts Water Resources Authority
100 First Avenue
Charlestown Navy Yard
Boston, Massachusetts 02129
Attention: Treasurer
Telephone: (617) 242-6000
Telecopier: (617) 788-2721 |
| (2) | As to the Trustee | - | State Street Bank and Trust Company
Corporate Trust Department
2 Avenue de Lafayette, 6 th Floor
Boston, Massachusetts 02111
Attention: Patrick E. Thebado,
Vice President
Telephone: (617) 662-1726
Telecopier: (617) 662-1458 |

- (3) As to the Tender Agent - State Street Bank and Trust Company, NA
61 Broadway, 15th Floor
New York, New York 10006
Attention: Jean Clark
Telephone: (212) 612-3267
Telecopier: (212) 612-3205
- (4) As to Helaba Bank for administrative matters - Landesbank Hessen-Thüringen Girozentrale
New York Branch
420 Fifth Avenue
New York, New York 10018-2729
Attention: Ms. Gudrun Dronca
Telephone: (212) 703-5244
Telecopier: (212) 703-5256
- (5) As to Helaba Bank for credit matters - Landesbank Hessen-Thüringen Girozentrale
New York Branch
420 Fifth Avenue
New York, New York 10018-2729
Attention: Manager Public Finance
Telephone: (212) 703-5200
Telecopier: (212) 703-5256
- (6) As to the Remarketing Agent - Lehman Brothers Inc.
745 Seventh Avenue, 4th Floor
New York, New York 10019
Attention: Short Term Municipal Remarketing
Desk
Telecopier: (646) 758-2554
- (7) As to Moody's - Moody's Investors Service
99 Church Street
New York, New York 10007-2796
Attention: Structured Finance Group
Telecopier: (212) 553-4919
- (8) As to S&P - Standard & Poor's Rating Service
55 Water Street, 38th Floor
New York, New York 10041
Attention: Public Finance Department
(Surveillance)
Telecopier: (212) 438-2152

(9) As to Fitch

- Fitch Ratings
One State Street Plaza
New York, New York 10004
Attention: Municipal Structured Finance Group
Telecopier: (212) 635-0466

or to such other address as is provided by the entity or any successor thereto.

As to each Auction Agent and each Broker-Dealer, to the address provided by such entity in connection with its execution and delivery of an Auction Agreement or Broker-Dealer Agreement, respectively, or to such other address as is subsequently provided by such entity.

Each of the foregoing addresses shall be the initial Principal Office or Delivery Office of the applicable party.

SECTION 9.3. Forms of Requisitions. Requisitions for disbursements from the 2002 Series C-G Subaccount of the Cost of Issuance Fund pursuant to Section 504 of the Resolution shall be in substantially the form attached hereto as Exhibit B.

SECTION 9.4. Express Reservation of Rights. The Authority hereby expressly reserves the right to issue hereafter Subordinated Bonds payable from the Subordinated Debt Service Fund prior to, on a parity with or junior to the 2002 Bonds, to establish one or more covenants for the sole benefit of some or all of such additional Subordinated Bonds, and to fund one or more accounts within the Subordinated Debt Service Reserve Fund for the sole benefit of some or all of such Subordinated Bonds.

SECTION 9.5. Application of Certain Provisions of the Sixth Supplemental Resolution. So long as any 2002 Bonds are Outstanding, the Authority covenants to comply with the provisions of Sections 305, 306, 310 and 311 of the Sixth Supplemental Resolution as if such Sections were fully set forth herein.

SECTION 9.6. Authority for Supplemental Resolution. This Thirty-Ninth Supplemental Resolution is adopted pursuant to the provisions of the Resolution.

SECTION 9.7. Effective Date. This Thirty-Ninth Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by any of the Executive Director, Chief Financial Officer, Treasurer, Secretary or Assistant Secretary of the Authority acting singly with such changes and insertions as may be approved by such officer, the filing of such certified copy to be conclusive evidence of approval in accordance with the Issuance Resolution.

SECTION 9.8. Notice to Owners. The Authority shall give or cause to be given to each Owner of 2002 Bonds prior notice of any change in the identity of the Remarketing Agent and any replacement or substitute Credit Facility or Liquidity Facility.

SECTION 9.9. Certain Amendments. In connection with obtaining any Alternate Credit Facility, Liquidity Facility or Alternate Liquidity Facility, the Authority may make such amendments to this Thirty-Ninth Supplemental Resolution as shall be necessary and appropriate to conform the provisions of this Thirty-Ninth Supplemental Resolution to the form and terms of such Credit Facility or Liquidity Facility.

FORM OF 2002 BOND

Registered
No. 02C - ___

\$80,000,000

United States of America
The Commonwealth of Massachusetts

MASSACHUSETTS WATER RESOURCES AUTHORITY

Multi-Modal Subordinated General Revenue Refunding Bond
2002 Series C

CUSIP: 576049 ___

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: Eighty Million Dollars

MATURITY DATE: August 1, 2020

DATED DATE: August 15, 2002

FOR VALUE RECEIVED, THE MASSACHUSETTS WATER RESOURCES AUTHORITY (the "Authority"), a body corporate and politic constituting a public instrumentality created and existing under and by virtue of the Massachusetts Water Resources Authority Act, as amended (the "Act"), hereby promises to pay, but solely in the manner and from the revenues and sources hereinafter provided, to the Registered Owner stated above, or registered assigns, on the Maturity Date specified above (subject to the right of prior redemption and mandatory purchase hereinafter mentioned), upon presentation and surrender hereof, the Principal Amount stated above, and to pay to the Registered Owner hereof interest on the balance of said Principal Amount from time to time remaining unpaid, at the rate and at the times provided herein. Principal and redemption price of this bond shall be payable at the principal corporate trust office of the Trustee, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THE RESOLUTIONS (HEREINAFTER DEFINED) PROVIDE THAT THE 2002 BONDS, INCLUDING THIS BOND, SHALL BE GENERAL OBLIGATIONS OF THE AUTHORITY AND THE FULL FAITH AND CREDIT OF THE AUTHORITY ARE PLEDGED FOR THE PAYMENT OF THE 2002 BONDS. THIS BOND SHALL BE SECURED EQUALLY AND RATABLY WITH ALL OTHER SUBORDINATED BONDS ISSUED PURSUANT TO THE GENERAL RESOLUTION (AS HEREINAFTER DEFINED) BY A SUBORDINATE LIEN ON CERTAIN OF THE REVENUES OF THE AUTHORITY DERIVED FROM ITS WATERWORKS AND SEWER SYSTEM OR ITS OTHER ACTIVITIES AUTHORIZED BY THE ACT. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE COMMONWEALTH OF MASSACHUSETTS (THE "COMMONWEALTH") NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM OR INTEREST ON ANY 2002 BOND AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR THE PREMIUM OR INTEREST ON, ANY 2002 BOND.

The 2002 Bonds are being issued in fully registered form by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the 2002 Bonds in principal amounts of Authorized Denominations (hereinafter defined) thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and interest on this bond are payable in clearinghouse funds to Cede & Co., as nominee of DTC, as registered owner of this bond. Transfer of principal and interest payments to participants of DTC is the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Authority is not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

This bond is issued under and by virtue of the Act and under and pursuant to the Massachusetts Water Resources Authority General Revenue Bond Resolution duly adopted by the Board of the Authority on January 24, 1990, as amended (the "General Resolution"); as the same from time to time may be amended or supplemented by further resolutions of the Authority, including but not limited to Part 1 of the Thirty-Ninth Supplemental Resolution Authorizing the Issuance of up to \$430,000,000 Multi-Modal Subordinated General Revenue Refunding Bonds, duly adopted on June 26, 2002 (the "Thirty-Ninth Supplemental Resolution" and, together with the General Resolution, collectively referred to as the "Resolutions"), for the purposes of (i) refunding a portion of the Outstanding 1992B Bonds of the Authority (as such terms are defined in the Resolutions) and (ii) paying the Costs of Issuance of the 2002 Bonds.

This bond is one of a series of bonds designated as "Massachusetts Water Resources Authority Multi-Modal Subordinated General Revenue Refunding Bonds, 2002 Series C" issued in the aggregate principal amount of \$80,000,000 and duly issued under and by virtue of the Act

and under and pursuant to the Resolutions (collectively, the "2002 Bonds"). Copies of the Resolutions are on file at the office of the Secretary of the Authority in Boston, Massachusetts, and at the principal corporate trust office of the Trustee in Boston, Massachusetts. Reference to the Resolutions and to the Act is hereby made for a description of the pledge and covenants securing the 2002 Bonds and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee and a statement of the rights of the owner hereof. Such pledge and other obligations of the Authority under the Resolutions may be discharged at or prior to the maturity or redemption of the 2002 Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Resolutions. Additional Bonds may be issued from time to time pursuant to the General Resolution and additional supplemental resolutions in one or more series and in various principal amounts. Except as may be provided in the Act, the aggregate principal amount of bonds which may be issued under the General Resolution (collectively, including 2002 Bonds, the "Bonds") is not limited, and all Bonds issued thereunder may be equally and ratably secured by the pledge and covenants made in the Resolutions.

The full and prompt payment of the principal and Purchase Price of and the interest on the 2002 Bonds is secured by an irrevocable direct pay letter of credit (the "Letter of Credit") issued by Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch ("Helaba Bank"), for the account of the Authority and for the benefit of the Tender Agent pursuant to a Letter of Credit and Reimbursement Agreement dated as of August 1, 2002 (as from time to time in effect, the "Reimbursement Agreement") between the Authority and Helaba Bank. The Letter of Credit is issued in the initial stated amount of \$81,130,959, pursuant to which the Tender Agent may draw (i) an amount not exceeding \$80,000,000 to pay in full the principal amount of the 2002 Bonds as and when due upon the redemption, maturity or acceleration thereof or the principal portion of the Purchase Price of 2002 Bonds tendered for optional or mandatory purchase and (ii) an amount not exceeding \$1,130,959 (which is equal to 43 days interest on the 2002 Bonds computed at the rate of 12% per annum, the maximum rate of interest payable on the 2002 Bonds) to pay interest on the 2002 Bonds when due or to pay the interest portion of the Purchase Price of 2002 Bonds tendered for optional or mandatory purchase.

EXCEPT AS OTHERWISE PROVIDED HEREIN AND UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE, WORDS AND PHRASES USED HEREIN SHALL HAVE THE SAME MEANINGS AS ASSIGNED TO SUCH WORDS AND PHRASES IN THE RESOLUTIONS.

To the extent and in the respects permitted by the Resolutions, the Resolutions may be modified or amended by action on behalf of the Authority taken in the manner and subject to the conditions and exceptions prescribed in the Resolutions. The owner of this bond shall have no right to enforce the provisions of the Resolutions or to institute an action with respect to an Event of Default under the Resolutions or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Resolutions. Upon an Event of Default, the principal of this bond may be declared due and payable in the manner and with the effect provided in the Resolutions.

This bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the principal corporate trust office of the Trustee, by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the Registered Owner or his duly authorized attorney. This bond may not be transferred or exchanged in a manner which would involve the delivery of bond certificates to the beneficial owners of 2002 Bonds unless the book-entry system has been discontinued by the Authority in accordance with the Resolutions. Upon transfer of this bond, there shall be issued in the name of the transferee a new registered 2002 Bond or Bonds of the same tenor and maturity of an Authorized Denomination or Denominations and for the same aggregate amount, all as provided in the Resolutions and upon the payment of the charges therein prescribed. The Authority, the Trustee and any paying agent may treat and consider the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest hereon and for all other purposes whatsoever, irrespective of any notice to the contrary.

The interest hereon is payable on each Interest Payment Date (i) if this 2002 Bond is in a Commercial Paper Mode, the Daily Mode, the Weekly Mode or the ARS Mode, by wire transfer of immediately available funds to the account specified by the Owner or by the Remarketing Agent in a written direction delivered to the Trustee (such direction to remain in effect until revoked or revised by such Owner or the Remarketing Agent in a subsequent written direction delivered to the Trustee) or, if no such account number is furnished, by check mailed by the Trustee to the Owner at the address appearing on the books required to be kept by the Trustee pursuant to the provisions of the Resolutions, and (ii) if this 2002 Bond is in the Term Rate Mode, by check mailed by the Trustee to the Owner thereof at its address appearing on the applicable Record Date in the books required to be kept by the Trustee pursuant to the provisions of the Resolutions, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2002 Bonds, upon the written request of such Owner to the Trustee, received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds, and (iii) if this 2002 Bond is a Bank Bond, as provided in the Reimbursement Agreement. The purchase price of this 2002 Bond payable upon optional or mandatory purchase shall be payable at the Delivery Office of State Street Bank and Trust Company, N.A., New York, New York, as Tender Agent appointed under the Thirty-Ninth Supplemental Resolution, or any successor thereto under the Thirty-Ninth Supplemental Resolution.

CALCULATION OF INTEREST

This 2002 Bond is initially issued in the Daily Mode. This 2002 Bond may at any time be in the Commercial Paper Mode, Daily Mode, Weekly Mode, Term Rate Mode or ARS Mode, all as provided in the Thirty-Ninth Supplemental Resolution. During any Interest Period or Auction Period in any Mode, the interest rate on this 2002 Bond will be determined as provided in, and in accordance with, the Thirty-Ninth Supplemental Resolution.

Interest hereon shall be computed in the manner provided in the Thirty-Ninth Supplemental Resolution.

This 2002 Bond shall bear interest on the outstanding principal thereof and on the amount (if any) of accrued and unpaid interest provided by the Liquidity Facility Issuer as part of the Purchase Price of such 2002 Bond at the Bank Interest Rate if this 2002 Bond shall be a Bank Bond in accordance with and as provided in the Thirty-Ninth Supplemental Resolution. The Bank Interest Rate is a rate determined from time to time and accrues only to the Liquidity Facility Issuer (and its successors and assigns under the Reimbursement Agreement) as the Owner of this 2002 Bond, all in accordance with and as provided in the Thirty-Ninth Supplemental Resolution. Accrued interest in respect of any Bank Bond shall be payable to the Liquidity Facility Issuer on each Interest Payment Date applicable thereto; provided that the Authority shall pay any Differential Interest Amount due to the Liquidity Facility Issuer upon a remarketing of any such 2002 Bond at the times specified in the Reimbursement Agreement.

MANDATORY PURCHASE OF 2002 BOND

This 2002 Bond is subject to mandatory purchase at a price equal to the principal amount thereof plus accrued interest on any one of the following dates (herein a "Mandatory Tender Date"):

(1) if this 2002 Bond is in the Commercial Paper Mode, on the Business Day after the last day of any Interest Period (the "Purchase Date" hereof);

(2) if this 2002 Bond is in the Term Rate Mode, on the Business Day after the last day of any Interest Period, unless such Interest Period extends to the maturity of such 2002 Bond (the "Purchase Date" hereof);

(3) on any date that the Mode hereof is changed (a "Mode Change Date");

(4) under certain circumstances, on the Business Day on which the Authority replaces or substitutes an Alternate Credit Facility and/or Alternate Liquidity Facility for the Letter of Credit;

(5) any Expiration Tender Date (as defined in the Thirty-Ninth Supplemental Resolution); and

(6) any Termination Tender Date (as defined in the Thirty-Ninth Supplemental Resolution).

Notice of any proposed Mandatory Tender Date shall be given to Owners of 2002 Bonds by the Trustee as provided in the Thirty-Ninth Supplemental Resolution. Owners shall be required to tender their 2002 Bonds for purchase on the Mandatory Tender Date.

OPTIONAL PURCHASE OF 2002 BOND

When this 2002 Bond is in the Weekly Mode, its Owner may elect to have it or any portion thereof in an amount equal to \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 purchased on any Business Day at a price equal to its principal amount plus accrued interest, by delivering:

(i) an irrevocable written notice of tender, or telephonic notice of tender promptly confirmed in writing, to the Remarketing Agent and the Tender Agent, by 4:00 p.m. on a Business Day not less than seven days before the purchase date specified by the Owner, stating the bond number, its principal amount, and the purchase date, and

(ii) this 2002 Bond to the Tender Agent on or before 12:00 noon on the purchase date.

When this 2002 Bond is in the Daily Mode, its Owner may elect to have it or a portion thereof in an amount equal to \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, purchased on any Business Day (such purchase to be made on the Business Day on which such demand is made) at a price equal to its principal amount plus accrued interest, by delivering:

(i) an irrevocable written notice of tender, or irrevocable telephonic notice of tender promptly confirmed in writing, to the Remarketing Agent and the Tender Agent by 11:00 a.m., New York City time, stating the bond number, its principal amount and the purchase date, and

(ii) the 2002 Bond to the Tender Agent on or before 12:00 noon on the purchase date.

If the Owner delivers a purchase notice with respect to this 2002 Bond or a portion thereof and does not deliver such 2002 Bond as required above, such 2002 Bond or portion thereof shall be deemed purchased and shall not bear interest from and after such Purchase Date, and shall not be entitled to any rights under, or be secured by the lien of the Resolution, and the Owner thereof shall have only the right to receive the purchase price due as a result of such purchase.

Funds for the payment of such purchase price due upon an optional or mandatory purchase of 2002 Bonds shall be derived solely from the following sources in the order of priority indicated and neither the Authority, the Trustee, the Tender Agent nor the Remarketing Agent shall be obligated to provide funds from any other source:

(i) funds made available as a result of the remarketing of the 2002 Bonds;

(ii) funds made available as a result of a draw on the Liquidity Facility; and

(iii) funds made available by the Authority in the amount of any discount at which the 2002 Bonds are remarketed upon a change of Mode (or Interest Period) to a Term Rate Bond with an Interest Period extending to the maturity date of such 2002 Bonds.

REDEMPTION OF 2002 BONDS

This 2002 Bond shall be subject to redemption prior to maturity at a Redemption Price equal to the principal amount hereof to be redeemed plus accrued interest on such principal amount to the date of redemption (i) during any period this 2002 Bond is in the Commercial Paper Mode or Term Rate Mode on any Purchase Date and (ii) during any period this 2002 Bond bears interest at a Daily Rate, Weekly Rate or ARS Rate on any Interest Payment Date.

2002 Bonds in the Term Rate Mode are subject to redemption in whole or in part, at the option of the Authority, on such dates and at such redemption prices, plus accrued interest to the date of redemption, as the Authority may specify on or before the Mode Change Date in accordance with Section 2.9 of the Thirty-Ninth Supplemental Resolution.

Under certain circumstances described in the Thirty-Ninth Supplemental Resolution, the Authority may, in connection with a change to a Term Rate Mode or on any Purchase Date for 2002 Bonds in the Term Rate Mode waive or otherwise alter its rights to redeem thereafter any 2002 Bonds in the Term Rate Mode.

The principal of Bank Bonds shall be subject to redemption at the times and in the amounts provided for in the Thirty-Ninth Supplemental Resolution.

GENERAL REDEMPTION PROVISIONS

If the principal amount of this bond is a multiple of the applicable minimum Authorized Denomination, a portion of such principal amount equal to such Authorized Denomination or an integral multiple thereof may be redeemed. In the event of redemption of less than all the 2002 Bonds, then the particular 2002 Bonds or portions thereof to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine; provided, however, that in the event of any partial redemption of the 2002 Bonds, the Trustee shall, unless the Liquidity Facility Issuer is in default under the Liquidity Facility, first select for redemption all then Outstanding Bank Bonds prior to selecting for redemption any other of the 2002 Bonds that are not Bank Bonds.

Notice of redemption shall be given at the times and in the manner provided in the Thirty-Ninth Supplemental Resolution.

OTHER GENERAL PROVISIONS

To the extent any amount of principal or interest accrued with respect to this bond is paid with amounts drawn under the Letter of Credit, then if and to the extent that Helaba Bank is not reimbursed for such amount by the Authority Helaba Bank shall succeed to and be subrogated to the rights of the holder of this bond to the extent of such payment.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the Commonwealth and by the Resolutions to exist, to have happened or to have been performed precedent to or in connection with the issuance of this bond exist, have happened and have been performed and that the issuance of the 2002 Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by said Constitution and statutes.

This bond shall not be valid until the Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, MASSACHUSETTS WATER RESOURCES AUTHORITY has caused this bond to be signed in its name and on its behalf by its Authorized Officer and attested by its Assistant Secretary (the signatures of said Authorized Officer and Assistant Secretary may be by facsimile), and has caused its corporate seal to be affixed or reproduced hereon, and said officials by the execution hereof do adopt as and for their own proper signatures the signatures appearing on each of the 2002 Bonds, all as of the Dated Date specified above.

MASSACHUSETTS WATER RESOURCES
AUTHORITY

By _____
Treasurer

ATTEST:

Assistant Secretary

[SEAL]

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This bond is one of the 2002 Bonds described in the within-mentioned Resolutions, and is one of the series of such 2002 Bonds designated "Multi-Modal Subordinated General Revenue Refunding Bonds, 2002 Series C" of the Massachusetts Water Resources Authority.

STATE STREET BANK AND TRUST
COMPANY, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

ASSIGNMENT

For value received _____ hereby sells, assigns and transfers unto

Please insert social security or other
tax identifying number of assignee

(name and address of assignee)

the within-mentioned bond and hereby irrevocably constitutes and appoints _____

attorney-in-fact, to transfer the same on the books of registry in the office of the within-mentioned Trustee with full power of substitution in the premises.

Dated: _____

Signature

Signature Guaranteed: _____

NOTE: The signature to this assignment must correspond with name as written on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

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2002 SERIES C-G BONDS

FORM OF DISBURSEMENT REQUEST (COST OF ISSUANCE FUND)

MASSACHUSETTS WATER RESOURCES AUTHORITY
100 FIRST AVENUE
CHARLESTOWN NAVY YARD
BOSTON, MA 02129

TREASURY DEPARTMENT

(617) 242-6000

EXT. 2211 OR 2212

TRUSTEE
WIRE INSTRUCTIONS NO.

Date of Call _____

Authorized Representative of MWRA _____

Signature _____

State Street Representative _____

Cash Date _____ Book Date _____

WIRE FROM:

<u>Account #</u>	<u>Account Name</u>	<u>Bank Name</u>	<u>Amount</u>
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WIRE TO:

<u>Account #</u>	<u>Account Name</u>	<u>Bank Name</u>	<u>Amount</u>
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**DEFINITIONS AND PROVISIONS FOR THE MASSACHUSETTS
WATER RESOURCES AUTHORITY SUBORDINATED GENERAL REVENUE REFUNDING
BONDS, 2002 SERIES C, RELATING TO THEIR
AUCTION RATE SECURITY FEATURES AND THE AUCTION AGENT**

ARTICLE I

Definitions

In addition to the words and terms elsewhere defined in this Thirty-Ninth Supplemental Resolution and in the Resolution, the following words and terms as used in this Appendix I and elsewhere in this Thirty-Ninth Supplemental Resolution have the following meanings with respect to 2002 Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"ARS" or "ARS Bonds" means the Series Bonds.

"ARS Conversion Date" means the Mode Change Date on which a conversion of the 2002 Bonds to an ARS Mode takes effect pursuant to Section 2.9 of this Thirty-Ninth Supplemental Resolution.

"ARS Index" shall have the meaning specified in Section 2.06 of this Appendix I.

"ARS Multiple" means, as of any Auction Date, the percentage of ARS Index (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Series Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Prevailing Rating</u>	<u>Percentage of ARS Index</u>
AAA/AAA/Aaa	125%
AA/AA/Aa	150
A/A/A	175
BBB/BBB/Baa	200
Below BBB/BBB/Baa	225

"ARS Rate" means, for the Series Bonds, the rate of interest to be borne by the Series Bonds of such Series during each Auction Period determined in accordance with Section 2.03 of this Appendix I; provided, however, in no event may the ARS Rate exceed the Maximum Interest Rate.

"ARS Rate Period" means, with respect to the Series Bonds after the Initial Period any period of time commencing on the day following the Initial Period and ending on but not including a Mode Change Date or the Maturity Date for the Series Bonds.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Appendix I with respect to the Series Bonds.

"Auction Agreement" means each agreement among the Authority, the Auction Agent and the Paying Agent pursuant to which the Auction Agent agrees to follow the procedures specified in this Appendix I, with respect to the Series Bonds while bearing interest at an ARS Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Series Bonds are in a daily Auction Period, each Business Day, (ii) if the Series Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (iii) if the Series Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for the Series Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to the Series Bonds in an Auction Period other than a daily Auction Period or Special Auction Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Mode Change Date for the Series Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Series Bonds; and provided, further, that if the Series Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Mode Change Date for the Series Bonds and (y) the Business Day next preceding the final maturity date for the Series Bonds. The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Series Bonds shall be the date specified by the Authority pursuant to Section 2.8(c)(3) of this Thirty-Ninth Supplemental Resolution.

"Auction Period" means (i) a Special Auction Period, (ii) with respect to Series Bonds in a daily mode, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (iii) with respect to Series Bonds in a seven-day mode, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) with respect to Series Bonds in a 28-day mode, a period of generally 28 days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (v) with respect to Series Bonds in a 35-day mode, a period of generally 35 days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (vi) with respect to Series Bonds in a three-month mode, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period, and (vii) with respect to Series Bonds in a semiannual mode, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding February 1 or August 1; provided, however, that if there is a conversion of Series Bonds (1) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (*i.e.*, the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (2) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (*i.e.*, the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (3) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (*i.e.*, the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

"Auction Procedures" means the procedures for conducting Auctions for the Series Bonds during an ARS Rate Period set forth in this Appendix I.

"Auction Rate" means with respect to the Series Bonds for each Auction Period (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Series Bonds are the subject of Submitted Hold Orders, the Minimum ARS Rate with respect to the Series Bonds, and (ii) if Sufficient Clearing Bids do not exist, the Maximum ARS Rate with respect to the Series Bonds.

"Available Series Bonds" means for the Series Bonds on each Auction Date, the aggregate principal amount of Series Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Appendix I.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Appendix I that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Authority and that is a party to a Broker-Dealer Agreement with the Auction Agent.

"Broker-Dealer Agreement" means an agreement among the Auction Agent, the Authority and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Appendix I, as such agreement may from time to time be amended or supplemented.

"Default Rate" means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to two hundred fifty percent (250%) of the ARS Index determined on the Auction Date next preceding the first day of such Auction Period or in the case of Series Bonds in a daily Auction Period, two hundred fifty percent (250%) of the ARS Index determined on the Auction Date which was the first day of such Auction Period, provided, however, that the Default Rate shall not exceed the Maximum Interest Rate.

"Existing Owner" means a Person who is listed as the beneficial owner of Series Bonds in the records of the Auction Agent.

"Hold Order" has the meaning specified in subsection (a) of Section 2.01 of this Appendix I.

"Initial Period" means the period from the Mode Change Date on which the Series Bonds are converted to ARS to but not including the first Interest Payment Date.

"Interest Payment Date" means, with respect to Series Bonds bearing interest at ARS Rates, the Business Day immediately following the first Auction Date and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period and (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Auction Period, or (ii) 92 or more days, each thirteenth Wednesday after the first day of such Special Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Special Auction Period.

"LIBOR" has the meaning specified in subsection (a) of Section 2.06 of this Appendix I.

"Maximum Interest Rate" means the lesser of fifteen percent (15%) or the maximum rate of interest permitted by applicable law.

"Maximum ARS Rate" means as of any Auction Date, the product of the ARS Index multiplied by the ARS Multiple; provided, however, that in no event shall the Maximum ARS Rate exceed the lesser of (x) 15% or (y) the maximum rate of interest permitted by applicable law, anything herein to the contrary notwithstanding.

"Minimum ARS Rate" means, as of any Auction Date, 55% of the ARS Index in effect on such Auction Date.

"No Auction Rate" means, as of any Auction Date, the then current rate of interest on the Series Bonds, which with respect to Series Bonds in a seven-day, 28-day or 35-day mode will remain in effect for the succeeding Auction Period and with respect to Series Bonds in any other mode will remain in effect for a one-week period.

"Order" means a Hold Order, Bid or Sell Order.

"Paying Agent" means the Trustee.

"Person" means any natural person, corporation, limited liability company, partnership, trust, joint venture, association, company, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Series Bonds in addition to the Series Bonds currently owned by such Person, if any.

"Prevailing Rating" means (a) AAA/AAA/Aaa, if the Series Bonds shall have a rating of AAA or better by each of S&P and Fitch and a rating of Aaa or better by Moody's, (b) if not AAA/AAA/Aaa, AA/AA/Aa if the Series Bonds shall have a rating of AA- or better by each of S&P and Fitch and a rating of Aa3 or better by Moody's, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Series Bonds shall have a rating of A- or better by each of S&P and Fitch and a rating of A3 or better by Moody's, (d) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, BBB/BBB/Baa if the Series Bonds shall have a rating of BBB- or better by each of S&P and Fitch and a rating of Baa3 or better by Moody's and (e) if not AAA/AAA/Aaa, AA/AA/Aa, A/A/A or BBB/BBB/Baa, then below BBB/BBB/Baa, whether or not the Series Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA", "AA-", "A-" and "BBB-", Fitch's rating categories of "AAA", "AA-", "A-" and "BBB-" and Moody's rating categories of "Aaa", "Aa3", "A3" and "Baa3" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Series Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Series Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the ARS Rate shall be the Maximum ARS Rate.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in writing to the Authority, the Paying Agent and each Broker-Dealer.

"Rating Agency" means each of Fitch, Moody's and S&P.

"Record Date" means during an ARS Rate Period other than a daily Auction Period, the second Business Day preceding an Interest Payment Date therefor, and during a daily Auction Period, the last Business Day of the month preceding an Interest Payment Date.

"Securities Depository" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Authority which agrees to follow the procedures required to be followed by such securities depository in connection with the Series Bonds.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Appendix I.

"Series Bonds" means the 2002 Bonds while they are in an ARS Rate Period.

"Special Auction Period" means any period of not less than seven nor more than 1092 days which begins on an Interest Payment Date and ends on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date for Series Bonds not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date for Series Bonds in a daily

Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.03 of this Appendix I.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.03 of this Appendix I.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.03 of this Appendix I.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.03 of this Appendix I.

"Sufficient Clearing Bids" means with respect to the Series Bonds, an Auction for which the aggregate principal amount of Series Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum ARS Rate is not less than the aggregate principal amount of Series Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum ARS Rate.

"Winning Bid Rate" means with respect to the Series Bonds the lowest rate specified in any Submitted Bid for Series Bonds which if selected by the Auction Agent as the ARS Rate would cause the aggregate principal amount of Series Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Series Bonds of such series.

ARTICLE II

Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.*

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Series Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Series Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Series Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Series Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Series Bonds, if any, which each such Potential Owner irrevocably

offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b)(i) A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Series Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Series Bonds to be determined as described in subsection (a)(v) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Series Bonds to be determined as described in subsection (b)(iv) of Section 2.04 hereof if such specified rate shall be higher than the Maximum ARS Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Series Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Series Bonds as described in subsection (b)(iv) of Section 2.04 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Series Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Series Bonds as described in subsection (a)(vi) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Series Bonds to be held, purchased or sold in a principal amount which is not an Authorized Denomination shall be rounded down to the nearest Authorized Denomination, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Series Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Series Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Series Bonds for such Auction;

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Paying Agent or the Authority of the occurrence of a failure to pay principal, premium or interest on any Series Bond when due (provided, however, that for purposes of this provision only payment by the Credit Facility Issuer shall be deemed to cure such failure and no such suspension of the Auction Procedures shall occur) but shall resume two Business Days after the date on which the Auction Agent receives notice from the Paying Agent that such failure has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter;

(v) if the ownership of the Series Bonds is no longer maintained in book-entry form by a Securities Depository, the Auction Procedures shall be suspended but shall resume two Business Days after the date on which the Auction Agent receives notice from the Paying Agent that registration of the Series Bonds in book-entry form has been resumed, with the next Auction for the Series Bonds to occur on the next regularly scheduled Auction Date occurring thereafter; and

(vi) if an Order or Orders covering all outstanding Series Bonds held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of outstanding Series Bonds held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and, if requested, specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Series Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Series Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Series Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Series Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Series Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Series Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Series Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Series Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Series Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of Series Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Series Bonds held by such Existing Owner over the principal amount of the Series Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Series Bonds held by such Existing Owner over the principal amount of Series Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Series Bonds held by such Existing Owner over the principal amount of Series Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Series Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Series Bonds equal to the excess of the principal amount of Series Bonds held by such Existing Owner over the sum of the principal amount of the Series Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Series Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Series Bonds specified therein.

(f) Any Bid submitted for Series Bonds by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum ARS Rate shall be treated as a Bid specifying the Minimum ARS Rate.

(g) None of the Authority, the Paying Agent or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(h) All Hold Orders shall be deemed to specify the Minimum ARS Rate.

Section 2.03. Determination of ARS Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for Series Bonds, the Auction Agent shall advise the Broker-Dealers and the Paying Agent by telephone or other electronic communication acceptable to the parties of the Minimum ARS Rate, the Maximum ARS Rate and the ARS Index for the Series Bonds.

(b) Promptly after the Submission Deadline on each Auction Date for Series Bonds, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a

“Submitted Bid” or a “Submitted Sell Order,” as the case may be, and collectively as a “Submitted Order”) and shall determine (i) the Available Series Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Paying Agent by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Paying Agent shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the ARS Rate for such Auction Period, with respect to the Series Bonds, shall be the No Auction Rate; provided, however, that if the Auction Procedures are suspended due to the failure to pay principal of, premium or interest on any of the Series Bonds, the ARS Rate for the next succeeding Auction Period shall be the Default Rate; and provided, further, that if the Auction Procedures are suspended or the Auction Agent otherwise fails to timely provide the Auction Rate for such Auction Period on account of a failure of the ARS Bonds to be maintained in book-entry form through a Securities Depository as provided in Section 2.12 of this Thirty-Ninth Supplemental Resolution, the ARS Rate for the next succeeding Auction Period shall be the Maximum ARS Rate.

(e) In the event of a failed conversion of the Series Bonds to a New Mode or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the ARS Rate for the next Auction Period shall be the Maximum ARS Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Series Bonds are not rated, then the ARS Rate shall be the Maximum ARS Rate.

Section 2.04. *Allocation of Series Bonds.*

(a) In the event of Sufficient Clearing Bids for Series Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for the Series Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Series Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Series Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Series Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Series Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Series Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraph (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Series Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding Series Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Series Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Series Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Series Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Series Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraph (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Series Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Series Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for the Series Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for the Series Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Series Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum ARS Rate with respect to the Series Bonds, shall be accepted, thus requiring each such Existing Owner to continue to hold the Series Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum ARS Rate with respect to the Series Bonds, shall be accepted, thus requiring each such Potential Owner to purchase the Series Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum ARS Rate with respect to Series Bonds, shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Series Bonds obtained by multiplying (A) the aggregate principal amount of Series Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Outstanding Series Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Series Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Series Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum ARS Rate with respect to the Series Bonds shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Series Bonds which is not an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Series Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Series Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Series Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of Series Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Series Bonds for purchase among

Potential Owners so that the principal amount of ARS purchased on such Auction Date by any Potential Owner shall be an Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing Series Bonds on such Auction Date.

Section 2.05. Notice of ARS Rate.

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to the Series Bonds for which an Auction was held on such Auction Date:

- (i) the ARS Rate determined on such Auction Date for the succeeding Auction Period;
- (ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;
- (iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Series Bonds, if any, to be sold by such Existing Owner;
- (iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Series Bonds, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of the Series Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Series Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker Dealer) and the principal amount of Series Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and
- (vi) the immediately succeeding Auction Date.

(b) On each Auction Date with respect to the Series Bonds, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the ARS Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Series Bonds to be purchased pursuant to such Bid (including, with respect to the Series Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Series Bonds) against receipt of such Series Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Series Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.06. ARS Index

(a) The ARS Index on any Auction Date with respect to Series Bonds in any Auction Period shall be LIBOR for such Auction Period. "LIBOR" means, on any date of determination for any Auction Period, (i) for any Auction Period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date or, if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the "calculation date") and (ii) for any Auction Period of:

(A) 49 or more but fewer than 70 days, such rate for deposits in U.S. dollars for a two-month period; (B) 70 or more but fewer than 85 days, the arithmetic average of such rates for deposits in U.S. dollars for two and three-month periods; (C) 85 or more but fewer than 120 days, such rate for deposits in U.S. dollars for a three-month period; (D) 120 or more but fewer than 148 days, the arithmetic average of such rates for deposits in U.S. dollars for three and six-month periods; (E) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six-month period; (F) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods; (G) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period; (H) 290 or more but fewer than 325 days, the arithmetic average of such rates for deposits in U.S. dollars for nine-month and one-year periods; and (I) 325 or more days, such rate for deposits in U.S. dollars for a one-year period. If such rate is unavailable, the ARS Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Authority.

(b) If for any reason on any Auction Date the ARS Index shall not be determined as hereinabove provided in this Section 2.06, the ARS Index shall be the ARS Index for the current Auction Period.

(c) The determination of the ARS Index as provided herein shall be conclusive and binding upon the Authority, the Paying Agent, each Broker-Dealer, the Auction Agent and the Owners of the Series Bonds.

Section 2.07. Miscellaneous Provisions Regarding Auctions.

(a) In this Appendix I, each reference to the purchase, sale or holding of "Series Bonds" shall refer to beneficial interests in Series Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to the Series Bonds, the provisions of this Appendix I and the definitions contained herein, including without limitation the definitions of Maximum ARS Rate, Minimum ARS Rate, No Auction Rate, ARS Index, Default Rate, ARS Multiple and ARS Rate, may be amended, by obtaining the consent of the owners of all Outstanding Series Bonds bearing interest at an ARS Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Paying Agent mailed notice of such proposed amendment to the registered owners of the Outstanding Series Bonds, (i) the ARS Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Authority and the Paying Agent an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Series Bonds or any exemption from federal income tax to which the interest on the Series Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Outstanding Series Bonds bearing interest at an ARS Rate.

(c) During an ARS Rate Period, so long as the ownership of the Series Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Series Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Series Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Series Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Series Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.08. Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the Authority may from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Series Bonds among daily, seven days, 28 days, 35 days, three months, six months and a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the Series Bonds; provided, however, in the case of a change from a Special Auction Period the date of such change shall be

the Interest Payment Date immediately following the last day of the final Auction Period. The Authority shall initiate the change in the length of the Auction Period by giving written notice to the Paying Agent, the Credit Facility Issuer, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least ten Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven days, 28 days, 35 days, three months, six months or a Special Auction Period and shall be for all of the Series Bonds in an ARS Rate Period.

(iii) The change in the length of the Auction Period for the Series Bonds shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period for Series Bonds shall take effect only if (A) the Paying Agent and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Authority consenting to the change in the length of the Auction Period specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Series Bonds except to the extent such Existing Owner submits a Bid or a Hold Order with respect to such Series Bonds. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period shall be the Maximum ARS Rate, and the Auction Period shall be a seven-day Auction Period.

(v) On the conversion date for Series Bonds selected for conversion from one Auction Period to another, any Series Bonds which are not the subject of a specific Hold Order or Bid shall be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, with the written consent of the Authority, may specify an earlier Auction Date for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Series Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Paying Agent, the Authority, the Broker-Dealers and the Securities Depository.

ARTICLE III

Auction Agent

Section 3.01. *Auction Agent.*

(a) The Auction Agent shall be appointed by the Authority to perform the functions specified herein and in the Auction Agreement. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Authority, the Paying Agent and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Authority and the Paying Agent.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Series Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. *Qualifications of Auction Agent; Resignation; Removal.* The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Appendix I and the Auction Agreement and a member of or a participant in the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by hereby and by the Auction Agreement by giving at least ninety (90) days notice to the Authority, the Credit Facility Issuer and the Paying Agent. The Auction Agent may be removed at any time by the Authority by written notice, delivered to the Auction Agent, the Authority, the Credit Facility Issuer and the Paying Agent. Upon any such resignation or removal, the Authority shall appoint a successor Auction Agent meeting the requirements of this Section 3.02. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Series Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Authority. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the Authority and the Paying Agent even if a successor Auction Agent has not been appointed.

ARTICLE IV

Amendments

Notwithstanding any other provision of this Thirty-Ninth Supplemental Resolution or the Resolution, the provisions of this Thirty-Ninth Supplemental Resolution relating to ARS may be amended by the Authority (i) at any time when no ARS are Outstanding, (ii) upon obtaining an opinion of Bond Counsel that the proposed amendment would not materially adversely affect the rights of the Owners of any Series Bonds or (iii) by obtaining the consent of the Owners of all Series Bonds at the time Outstanding; provided, however, that in each case such amendment shall be subject to the provisions of the third and fourth sentences of Section 7.2 of this Thirty-Ninth Supplemental Resolution. In the case of clause (iii) above, the Trustee shall mail notice of such amendment to the Owners of all Series Bonds, and if, on the first Auction Date occurring at least 30 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the Owners of all Series of ARS. As an additional condition precedent to any such amendment pursuant to the provisions of this Article IV, there shall be delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the ARS or the exclusion of interest on any of the ARS from gross income for federal income tax purposes. Written notice of each such amendment shall be delivered by the Authority to the Trustee, the Auction Agent, each Broker-Dealer and the Credit Facility Issuer.