
SUBORDINATED DEBT RESOLUTION

OF THE

**LOUISVILLE AND JEFFERSON COUNTY
METROPOLITAN SEWER DISTRICT**

ADOPTED APRIL 26, 2010

Regarding the issuance of its

**SEWER AND DRAINAGE SYSTEM SUBORDINATED BOND ANTICIPATION NOTES,
SERIES 2010A**

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SUBORDINATED DEBT RESOLUTION

WHEREAS, the Louisville and Jefferson County Metropolitan Sewer District (the "District") is authorized by, among other things, the provisions of Kentucky Revised Statutes Chapters 65, 58 and 76 and Section 56.513 (collectively, the "Act"), to issue and sell its notes, for the purpose of financing or refinancing capital projects;

WHEREAS, pursuant to the Act and the provisions of the District's Sewer and Drainage System Revenue Bond Resolution as adopted on December 7, 1992, as amended March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003 (as the same may be further amended and supplemented from time to time, the "Bond Resolution"), the District has previously issued its Sewer and Drainage System Revenue Bonds and may from time to time issue additional bonds, notes or other obligations on a parity as to security and sources of payment therewith pursuant to the Bond Resolution;

WHEREAS, pursuant to the Act, the District proposes to issue, from time to time, one or more series of its Sewer and Drainage System Subordinated Bond Anticipation Notes (the "Notes") pursuant to this Subordinated Debt Resolution (the "Resolution" or the "Subordinated Debt Resolution"), and pursuant to Section 2.2 below is authorizing the issuance of the District's Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2010A (the "2010A Notes") as a series of Notes hereunder, for the purpose of currently refunding the District's outstanding Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2010A;

WHEREAS, the Notes shall have a term not in excess of five years and (to the extent not previously paid from other sources) shall be paid from the proceeds of a revenue bond issue when such proceeds have been received and are available;

WHEREAS, the District desires to adopt this Subordinated Debt Resolution, in order to provide for the issuance and delivery of the 2010A Notes and each series of renewal Notes;

WHEREAS, the District hereby incorporates by reference the definitions, covenants and provisions in Articles 1, 5, 6, 7 and 13 of the Bond Resolution, all of which are hereby determined to have been made for the benefit of the holders of the Notes from time to time outstanding;

WHEREAS, any Notes issued hereunder shall initially be in the form of Exhibit A attached hereto with necessary or appropriate variations, omissions and insertions, permitted or required by this Resolution;

WHEREAS, all things necessary to make the Notes, when authenticated by the Paying Agent and issued as provided in this Resolution, the valid and binding limited obligations of the District according to the import thereof, and to constitute this Resolution a valid assignment and pledge of the amounts pledged to the payment of the principal of, premium, if any, and interest on the Notes have been done and performed, and the adoption of this Resolution and the creation, execution and issuance of the Notes, subject to the terms hereof, have in all respects been duly authorized:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, AS FOLLOWS:

GRANTING CLAUSES

NOW, THEREFORE, THIS RESOLUTION WITNESSETH, that, to secure payment of the principal of, premium, if any, and interest on the Notes according to their tenor and effect and the performance of all covenants and conditions therein and herein contained, and in consideration of the premises, and of the purchase of the Notes by Noteholders (as defined in Section 1.1 below, together with other capitalized terms used in these Granting Clauses and not defined herein), there is hereby pledged and assigned as security for the payment of the principal and Redemption Price of, and interest on, the Notes in accordance with their terms and the provisions of this Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Pledged Property (as hereinafter defined and provided for in, in part, Sections 4.1, 5.1 and 5.7 and as more particularly described in Granting Clauses First, Second and Third below) which shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all Persons having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such Persons have notice thereof; provided, however, that the pledge created hereby, insofar as it relates to the revenues pledged under the Bond Resolution to the payment of the Prior Bonds is, and is hereby expressly declared to be, subject and subordinate in all respects to the priorities, liens and rights created and existing by the Bond Resolution for the security and source of payment and protection of the Prior Bonds.

GRANTING CLAUSE FIRST

The following property, as and when received by or for the account of the District, in each case pending the application or expenditure thereof in accordance with the Bond Resolution: [i] with respect to each series of Notes, the proceeds of sale of Notes of such series pending their application pursuant hereto, [ii] with respect to each series of Notes, the proceeds of sale of Bonds issued under the Bond Resolution to retire such series of Notes, [iii] all Revenues (as hereinafter defined), [iv] except as provided in Granting Clause Second, all amounts on deposit in the funds and accounts established or provided for under the Bond Resolution or this Resolution, including without limitation, amounts on deposit in the Subordinated Debt Subaccounts of the Construction and Acquisition Fund referred to in Section 5.5 hereof, whether or not established with the Paying Agent (such Pledged Property also consisting of the proceeds of Notes and investment income thereon and all proceeds of any of the foregoing, in each case pending the expenditure thereof, deposited in the Subordinated Debt Subaccounts of the Construction and Acquisition Fund even if not deposited with the Paying Agent) and, without limiting the generality of the foregoing, all Trust Moneys (as hereinafter defined and provided for in Sections 5.1 and 5.7 hereof), [v] such other amounts as may be pledged from time to time by the District as security for the payment of Prior Bonds or as security for a particular series of Notes and [vi] all proceeds of the foregoing;

GRANTING CLAUSE SECOND

Without limiting the generality of the Granting Clause First, all monies and securities held by the Paying Agent in any of the funds or accounts established under this Resolution (except any rebate fund referred to in Section 5.8), subject, however, to the application thereof to the uses and in the manner set forth in this Resolution and all proceeds of the foregoing; and

GRANTING CLAUSE THIRD

Without limiting the generality of the Granting Clause First, all property which is by the express provisions of this Resolution required to be subject to the lien hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof, by the District or by anyone in its behalf, and the Paying Agent is hereby authorized to receive the same at any time as additional security hereunder and all proceeds of the foregoing;

TO HAVE AND TO HOLD the Pledged Property unto the Paying Agent and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the holders from time to time of all the Notes without any priority of any one Note over any other except as herein expressly provided;

PROVIDED, HOWEVER, that if the District shall (1) pay or cause to be paid the principal of, and the premium, if any, and interest on, the Notes, at the time and in the manner mentioned in the Notes, or shall provide, as permitted hereby, for the payment thereof, (2) perform and observe all the covenants to be performed and observed by it hereunder, and (3) pay or cause to be paid to the Paying Agent all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Resolution and the rights hereby granted shall cease, determine, and be void (other than such provisions hereof, if any, as may be their express terms survive any such termination); otherwise this Resolution shall be and remain in full force and effect;

AND THEREFORE, the District hereby covenants and agrees with the Paying Agent and with the respective Owners, from time to time, of the Notes, or any part thereof, for the equal and proportionate benefit of such Owners, as follows:

ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1. Definitions. Certain terms used in this Resolution (including the Granting Clauses above) are defined in this Section 1.1 and in other Sections hereof; and, when and if used herein, such terms shall have the meanings given to them in this Section 1.1 and such other Sections (except as otherwise expressly provided or unless the context otherwise requires). All terms not defined herein which are defined in the Notes and used herein shall, unless the context otherwise requires, have the meanings in this Resolution respectively assigned to such terms in the Notes.

"Account" shall mean any account or subaccount created pursuant to the terms of this Resolution, including the General Subaccount in the Note Account and the Subordinated Debt Subaccounts.

"Accountant" shall mean an independent, certified public accountant, or a firm of independent, certified public accountants, selected by the District.

"Act" shall mean applicable provisions of Chapters 58, 65 and 76 and Section 56.513 of the Kentucky Revised Statutes, as amended.

"Act of Bankruptcy" shall mean any of the following events:

(a) The District shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the District, or of all or a substantial part of the property of any of them, (2) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or (3) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(b) A proceeding or case shall be commenced, without the application or consent of the District, as the case may be, in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the District, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the District or of all or any substantial part of the assets of the District, or (3) similar relief in respect of the District under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of 30 days from the commencement of such proceeding or case.

"Additional Bonds" shall have the meaning specified in the Bond Resolution.

"Affiliate" of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Member" shall mean a member of, or participant in, the Securities Depository.

"Authorized Denominations" shall mean \$5,000 or any integral multiple thereof.

"Authorized Investments" shall mean any of the following securities, to the extent legal for investment of the District's funds: [a] Government Obligations and, to the extent from time to time permitted by law, [b] obligations of [i] Federal Home Loan Banks, senior debt

obligations, [ii] Federal Home Loan Mortgage Corporation, participation certificates and senior debt obligations, [iii] Student Loan Marketing Association, senior debt obligations, [iv] Resolution Funding Corporation and [v] Federal National Mortgage Association mortgage-backed securities and senior debt obligations; [c] money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard and Poor's of AAAM-G, AAAM or AAM; [d] certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association or any savings and loan association; provided, however, that such certificates of deposit or time deposits shall be fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by Government Obligations in which the Note Registrar has a perfected first security interest, [e] investment agreements (for investment of moneys held in the Construction and Acquisition Fund) or other investments approved in writing by the Insurer, [f] commercial paper rated at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P, [g] bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies, [h] federal funds or banker acceptances with a maximum term of 1 year with a rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P, and [i] any repurchase agreement approved in writing by the Insurer or any repurchase agreement with a term not in excess of 30 days that is a legal investment for public funds under state law (as determined by a written legal opinion delivered to the District) and is with a primary dealer on the Federal Reserve reporting dealer list rated A or better by Moody's and S&P or any bank or trust company (including the Note Registrar) rated "A" or better by Moody's and S&P for Government Obligations or obligations described in [b] above in which the Note Registrar shall be given a first security interest and on which no third party shall have a lien. The underlying repurchase obligations must be valued weekly and marked to market at a current market price plus accrued interest of at least 104% (105% if the underlying securities are Federal National Mortgage Association Mortgage-backed securities and senior debt obligations) of the amount of the repurchase obligations of the bank or trust company. All obligations purchased must be transferred to the Note Registrar or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations. Any investment in a repurchase agreement shall be considered to mature on the date the obligor providing the repurchase agreement is obligated to repurchase the obligations. Any investment in obligations described in [a] and [b] above may be made in the form of an entry made on the records of the issuer of the particular obligation.

The Note Registrar, any Paying Agent, or other custodian of funds of the District, respectively, may trade with itself in the purchase and sale of securities for such investment and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In the absence of any direction from the District, the Note Registrar, any Paying Agent, or other custodian of funds of the District, respectively, shall invest all funds in sweep accounts, money market funds and similar short-term investments, provided that all such investments shall constitute Authorized Investments.

"Authorized District Representative" shall mean the Chairperson or Vice-Chairperson or Executive Director or Director of Finance or Secretary or Treasurer of the District or such Persons as, at the time, are designated to act in behalf of the District by written

certificate furnished to the Paying Agent and the District, containing the specimen signature of each such Person and signed on behalf of the District.

"Bond Counsel" shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds and the status of the income thereon for purposes of federal income taxation as may be acceptable to the District.

"Bond Resolution" shall mean the District's Sewer and Drainage System Revenue Bond Resolution as adopted on December 7, 1992, and amended on March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996 and February 24, 2003, as the same may be further amended and supplemented from time to time.

"Book-Entry Form" or "Book-Entry System" shall mean, with respect to the Notes, a form or system, as applicable, under which (i) the ownership of beneficial interests in Notes and Note service charges may be transferred only through a book entry and (ii) physical Note certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as holder, with the physical Note certificates in the custody of a Securities Depository.

"Business Day" shall mean any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in Louisville, Kentucky, or in any other city where the principal United States office of any Paying Agent is located are required or authorized by law (including executive order) to close or on which the principal United States office of any Paying Agent is closed for a reason not related to financial condition, or (c) a day on which The New York Stock Exchange is closed.

"Closing Date" shall mean the date of the issuance and delivery of a series of Notes.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as it applies to the Notes, including applicable regulations and revenue rulings thereunder. Reference herein to sections of the Code are to the sections thereof as they exist on the date of execution of this Resolution, but include any successor provisions thereof.

"Construction and Acquisition Fund" shall mean the fund by that name established and maintained under the Bond Resolution.

"Counsel" shall mean an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Default" shall mean any event which with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Defaulted Interest" shall have the meaning stated in Section 2.2(e).

"District" shall mean the Louisville and Jefferson County Metropolitan Sewer District, and any successor to its functions hereunder.

"District Certificate" shall mean a certificate signed by an Authorized District Representative and delivered to the Paying Agent.

"District Note" shall mean any Note registered in the name of the District or any beneficial ownership interest in the Notes held by the District.

"District Request", "District Order" or "District Consent" shall mean, respectively, a written request, order or consent of the District, signed by an Authorized District Representative and delivered to the Paying Agent.

"District Resolution" shall mean a resolution or other appropriate enactment by the District certified by the Secretary or another Authorized District Representative to have been duly adopted by the District and to be in full force and effect on the date of such certification, and delivered to the Paying Agent.

"Eastern Time" shall mean the prevailing time in the City of Louisville, Kentucky.

"Eligible Moneys" shall mean (a) proceeds of the sale of Notes not sold to the District or an Affiliate of the District, (b) moneys deposited with the Paying Agent by the District (including proceeds of Notes sold to an Affiliate of the District) for the benefit of the Noteholders for more than 183 days during which no Act of Bankruptcy has occurred as evidenced by a certificate of the District, (c) moneys with respect to which the District delivers to the Paying Agent an Opinion of Counsel with nationally recognized expertise in bankruptcy acceptable to the Paying Agent that such payments will not constitute a voidable transfer or preference under and pursuant to Section 547 of the Federal Bankruptcy Code and (d) investment income on the foregoing types of money.

"Event of Default" shall mean any event defined as such in Section 8.1.

"Extraordinary Services and Extraordinary Expenses" shall mean all reasonable services rendered and all reasonable expenses incurred by the Paying Agent under this Resolution other than Ordinary Services and Ordinary Expenses.

"Fitch" shall mean Fitch Ratings, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, Fitch shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the District.

"Fund" shall mean any fund or account created pursuant to this Resolution, including the Note Account.

"Government Obligations" shall mean direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America. In addition, investments having a maturity of seven days or less in a money market or other fund, which fund is rated by Moody's and S & P in the highest rating category, and investments of which fund are exclusively in Government Obligations, shall be considered investments in Government Obligations.

"Granting Clauses" means the granting clauses appearing at the beginning of this Resolution.

"Immediate Notice" shall mean notice (a) by telex, telecopier or telephone, or delivery by hand, (b) promptly followed by written notice by first class mail, postage prepaid, and (c) to such address or such telex, telecopier or telephone number as the Person receiving such notice shall have previously furnished to the Paying Agent in writing.

"Independent" when used with respect to any specified Person shall mean such a Person who (a) is in fact independent; (b) does not have any direct financial interest or any material indirect financial interest in the District or any Affiliate of the District, other than the payment to be received under a contract for services to be performed by such Person; and (c) is not connected with the District or any Affiliate of the District, as an official, officer, employee, promoter, underwriter, trustee, partner, subsidiary, director or Person performing similar functions. Whenever it is hereby provided that any Independent Person's opinion or certificate shall be furnished to the Paying Agent, such Person shall be appointed by the District or the Paying Agent, as the case may be, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Interest Payment Date" shall mean the date or dates for the payment of interest on each series of Notes as provided therein.

"Maturity" when used with respect to any Note shall mean the date on which the principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the District.

"2010A Notes" shall mean the District's Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2010A issued pursuant to this Resolution.

"Noteholder", "Owner", "owner", "Holder" or "holder" or any similar term, when used with reference to any of the Notes, shall mean any Person who shall be the registered owner on the records of the Note Registrar of any then Outstanding Notes.

"Notes" shall mean the District's Subordinated Sewer and Drainage System Revenue Notes issued pursuant to this Resolution.

"Note Account" shall mean the fund created in Section 5.2.

"Note Documents" shall mean this Resolution and the Notes.

"Note Register" shall have the meaning specified in Section 2.5.

"Note Registrar" shall mean the Paying Agent in its capacity as bond registrar, appointed and serving in such capacity pursuant to this Resolution.

"Notice by Mail" or "notice" of any action or condition "by Mail" shall mean a written notice meeting the requirements of this Resolution mailed by first-class mail, postage prepaid, to the Holders of specified Notes at the addresses shown in the Note Register. If, because of the temporary or permanent suspension of mail service or for any other reason, it is impossible or impracticable to mail any such notice in the manner described, then such notification in lieu thereof as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

"Official Statement" shall mean the offering document for a series of Notes, as from time to time amended.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Opinion of Counsel" shall mean a written opinion of Counsel, who may (except as otherwise expressly provided in this Resolution) be counsel for the District.

"Ordinary Services and Ordinary Expenses" shall mean those services normally rendered and those expenses normally incurred by a paying agent, bond registrar or trustee under instruments similar hereto, including all costs of administering the optional redemption provisions hereof, including, but not limited to, reasonable attorneys' fees.

"Outstanding" when used with respect to Notes shall mean, as of the date of determination, all Notes theretofore authenticated and delivered under this Resolution, except:

(a) Notes theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Notes for whose payment or redemption money (which shall be Eligible Moneys to the extent, if any, provided in this Resolution) in the necessary amount has been theretofore deposited with the Paying Agent in trust for the Holders of such Notes, provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Resolution or provision therefor satisfactory to the Paying Agent has been made;

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Resolution; provided, however, that in determining whether the Holders of the requisite principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, District Notes shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Paying Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes of which the Responsible Officer of the Paying Agent located at the Paying Agent's principal corporate trust office has actual knowledge are District Notes are disregarded; and

(d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Holders of all or a specified percentage of Outstanding Notes hereunder, all District Notes.

"Paying Agent" shall mean the paying agent for the Notes, which shall be The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, or any successor appointed and serving in such capacity pursuant hereto.

"Payment of the Notes" shall mean the payment in full of principal of, premium, if any, and interest on the Notes or provisions for such payment sufficient to discharge this Resolution as provided herein.

"Person" shall mean any natural person, corporation, limited liability company, joint venture, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity, as in the context may be appropriate.

"Prior Bonds" or "Senior Debt" shall mean any bonds, notes or other obligations issued on a parity as to security and sources of payment pursuant to the Bond Resolution.

"Project" shall mean a capital project of the District to be financed or refinanced with the proceeds of any of the Notes, and with respect to the Series 2010A Notes shall mean the current refunding of the District's outstanding Sewer and Drainage System Bond Anticipation Notes, Series 2009A.

"Rating Agency" shall mean Moody's, S&P and/or Fitch.

"Record Date" shall mean no more than the twentieth day preceding any Interest Payment Date or as may be specified in the Notes.

"Redemption Date" when used with respect to any Note to be redeemed shall mean the date on which it is to be redeemed pursuant hereto.

"Redemption Price" when used with respect to any Note to be redeemed shall mean the price at which it is to be redeemed pursuant thereto.

"Responsible Officer" when used with respect to the Paying Agent shall mean the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice-president, any trust officer, or any other officer of the Paying Agent customarily performing functions similar to those performed by any of the above designated officers and who, in any event is located at the principal corporate trust office of the Paying Agent and shall also mean, with respect to a particular corporate trust matter any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject; with respect to any signature on or authentication of Notes by the Paying Agent, the term "Responsible Officer" shall also include any authorized signers of the Paying Agent.

"Revenues" shall mean all revenues, rates, fees, rents, charges and other operating income and receipts, as derived by or for the account of the District from or for the operation, use or services of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Revenues shall include, without limiting the generality of the foregoing, (i) revenue from capital charges recovered or reimbursed to the District, capacity charges and service connection fees, (ii) acquisition surcharges and assessments levied by the District (regardless of whether any of the same are allocated or designated by the District for capital expenditures) and (iii) interest or other income received or to be received from any source, including but not limited to interest or other income received or to be received on any monies or securities held pursuant to this Resolution or the Bond Resolution. Revenues shall not include customer deposits and contributions in aid of construction, except to the extent the same would constitute revenues or income in accordance with generally accepted accounting principles.

"Securities Depository" shall mean any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in notes and note service charges, and to effect transfers of notes in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

"Securities Depository Nominee" shall mean any nominee of a Securities Depository and shall initially mean Cede & Co., New York, New York, as nominee of The Depository Trust Company.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Senior Debt" or "Prior Bonds" shall mean any bonds, notes or other obligations issued on a parity as to security and sources of payment pursuant to the Bond Resolution.

"Special Record Date" shall mean the date fixed by the Paying Agent pursuant to Section 2.2(e) relating to the payment of any Defaulted Interest.

"S&P" shall mean Standard & Poor's Ratings Group, a division of The McGraw-Hill Company, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, S&P shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the District.

"State" or "Commonwealth" shall mean the Commonwealth of Kentucky.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon shall mean the date specified in such Note as the fixed date on which principal of such Note or such installment of interest is due and payable.

"Subordinated Debt Subaccounts" shall have the meaning assigned to such term in Section 6.05 hereof.

"Supplemental Resolution" shall mean any resolution supplemental to this Resolution entered into pursuant to Article X.

"System" shall mean [i] the sewer facilities, drainage facilities and all appurtenant facilities or any other facilities owned, operated or controlled by the District from time to time, [ii] any Project, and [iii] all improvements, additions, extensions and betterments to the foregoing which may be hereafter acquired by the District by any means whatsoever.

"Trust Funds" shall mean all of the funds and accounts held by the Paying Agent pursuant to the terms hereof, including moneys held by the Paying Agent under Section 5.2(a)(ii) but otherwise excluding the Rebate Fund.

"Trust Moneys" shall have the meaning stated in Section 5.1.

Section 1.2. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Resolution:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption or calling for redemption of Notes shall not be deemed to refer to or connote the payment of Notes at their Stated Maturity.

(c) All references herein to particular articles or sections are references to articles or sections of this Resolution.

(d) The headings and the table of contents herein are solely for convenience of reference and shall not constitute a part of this Resolution nor shall they affect its meaning, construction or effect.

(e) This Resolution shall be construed for the benefit of the District to the extent not inconsistent with the rights of the Paying Agent and the Noteholders.

(f) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

ARTICLE II THE NOTES

Section 2.1. Authorized Amount of Notes. No Notes may be issued under the provisions of this Resolution except in accordance with this Article. The 2010A Notes shall be issued in an aggregate principal amount not to exceed \$250,000,000 (the actual amounts for each series and for the 2010A Notes as a whole to be specified by the Chairperson, Executive Director or Finance Director of the District upon the recommendation of the Financial Advisor).

Section 2.2. Terms of Notes; Book-Entry Form; Securities Depository; Issuance of Notes.

(a) Each series of Notes (1) shall be designated "Sewer and Drainage System Subordinated Bond Anticipation Notes" with a series designation to distinguish it from all other series and (2) shall be in such aggregate principal amounts as shall be designated by an Authorized District Representative on or before the applicable Closing Date, and shall bear interest from their date (which shall be the applicable Closing Date), until paid, at the rates provided in Sections 2.3 and 2.5 payable (except as to Defaulted Interest) on each Interest Payment Date, and (3) shall mature as designated on or before the applicable Closing Date by an Authorized District Representative.

(b) Interest on the Notes shall be computed from the Interest Payment Date to which interest on the Notes has been paid or duly provided for next preceding the date of authentication thereof, unless (1) such date of authentication shall be prior to the first Interest Payment Date, in which case interest shall be computed from the Closing Date, or (2) such date of authentication shall be an Interest Payment Date to which interest on the Notes has been paid or duly provided for, in which case interest shall be computed from such Interest Payment Date, or (3) such date of authentication shall be after any Record Date and before the next succeeding Interest Payment Date, in which case interest shall be computed from the next succeeding Interest Payment Date.

(c) The Notes shall be issued in fully registered form without coupons in Authorized Denominations and shall be issued in Book-Entry Form and registered in the name of the Securities Depository or the Securities Depository Nominee as provided in Section 2.2(i) below.

(d) Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by the Notes exceed the lesser of twelve percent (12%) per annum or the maximum contract rate of interest permitted from time to time by the laws of the State (the "Maximum Rate").

(e) The principal and purchase price of and premium, if any, and interest on the Notes registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee shall be payable by wire transfer from the Paying Agent to the Security Depository or the Securities Depository Nominee. The principal and premium, if any, of the Notes, and the purchase price for any such Notes not registered in Book-Entry Form shall be payable at the principal corporate trust office of the Paying Agent upon surrender of the Notes at such principal corporate trust office. Interest on the Notes (other than Defaulted Interest) shall be payable by check drawn upon the Paying Agent and paid to the Persons in whose names the Notes are registered on the Note Register as of the close of business on the Record Date next preceding the relevant Interest Payment Date, provided that on written request to the Paying Agent by any Person who is the registered owner of Notes in a principal amount of \$1,000,000 or more received by the Paying Agent on or before fifteen days prior to such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), interest on such Notes shall be payable by wire transfer of immediately available funds to an account at a bank located in the continental United States specified by the Person in whose name such Notes

are registered in the Note Register. Any interest on any Note which is payable but which is not punctually paid or duly provided for ("Defaulted Interest") shall cease being payable to the Person in whose name such Note is registered at the close of business on the Record Date and instead shall be payable to the Person in whose name such Note is registered in the Note Register at the close of business on a Special Record Date selected by the Paying Agent and which shall be at least 10 days but not more than 30 days before the date selected by the Paying Agent for payment of such Defaulted Interest. The Paying Agent shall give Notice by Mail of the Special Record Date and date for payment of Defaulted Interest at least 10 days before the Special Record Date.

(f) Upon the original issuance and delivery of the Notes, the Notes shall be dated the date of such issuance and delivery. Each Note exchanged or transferred shall be dated as of the date of authentication and delivery.

(g) The principal of and interest on the Notes shall be payable in lawful money of the United States of America.

(h) The Notes shall be numbered as determined by the Paying Agent, provided that each Note shall bear a number preceded by the prefix "R".

(i) (1) Except as otherwise provided in this Section 2.2, each series of the Notes shall be registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof shall be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members thereof. Initially, each series of the Notes shall be registered in the name of Cede & Co., as the nominee of the Depository Trust Company. Except as provided in subsection (4) of this Section 2.2(i), the Notes of such series may be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, or to a successor Securities Depository selected or approved by the Corporation or to a nominee of such successor Securities Depository. As to any Note, the Person in whose name the Note shall be registered shall be the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on any such Note shall be made only to or upon the order of the registered owner thereof or his legal representative.

(2) Neither the District nor the Paying Agent shall have any responsibility or obligation with respect to: (i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Notes; (ii) the delivery to any Agent Member, any beneficial owner of the Notes or any other Person, other than the Securities Depository, of any notice with respect to the Notes; or (iii) the payment to any Agent Member, any beneficial owner of the Notes or any other Person, other than the Securities Depository, of any amount with respect to the principal, premium, if any, or interest on the Notes.

(3) So long as any Notes are registered in Book-Entry Form, the District and the Paying Agent may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such Notes for all purposes whatsoever, including without limitation: [i] the payment of principal, premium, if any,

and interest on such series of Notes; [ii] giving notices of redemption and other matters with respect to such series of Notes; [iii] registering transfers with respect to such series of Notes; [iv] the selection of Notes for redemption; [v] for purposes of obtaining consents under this Resolution; provided, however, that notwithstanding the definition of the term "Noteholder" or "Holder" or "Owner" or "owner" or "holder" herein, as referencing registered holders of the Notes, the Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Notes, of which it has knowledge, with reference to consent, if any, required from Holders pursuant to the terms of this Resolution.

(4) If at any time the Securities Depository notifies the District that it is unwilling or unable to continue as Securities Depository with respect to any series of the Notes, or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation, or alternatively, if the District notifies the Securities Depository that it has elected to terminate the Book-Entry System, and a successor Securities Depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, then this Section 2.2(i) shall no longer be applicable and the District shall execute and the Paying Agent shall authenticate and deliver certificates representing the Notes of such series to the Noteholders.

(5) Payment of principal, premium, if any, and interest on any Notes not registered in Book-Entry Form shall be made as provided in Section 2.2(e) hereof.

(j) For the purposes set forth in the preamble hereto, there is hereby authorized and directed [i] the issuance, execution, sale and delivery of the 2010A Notes and each series of renewal Notes thereof by manual or facsimile signature of the Chairperson or Vice Chairperson and attested to by the manual or facsimile signature of the Secretary or Finance Director of the District, in the principal amount of not to exceed \$250,000,000, as provided in this Resolution; and [ii] the use of the proceeds of the 2010A Notes to refund the District's outstanding Sewer and Drainage System Bond Anticipation Notes, Series 2009A and to pay costs of issuance of the 2010A Notes.

(k) The 2010A Notes and each series of renewal Notes shall be offered at public sale upon sealed bids as more particularly described below in this Section 2.2. The Chairperson or Vice-Chairperson or Executive Director or Director of Finance of the District (each an "Authorized Officer") is hereby authorized and directed to cause an appropriate form of a Notice of Sale of such Notes to be published in The Courier-Journal, Louisville, Kentucky, which will afford local and statewide notice of the sale, and in The Bond Buyer, New York, New York, which is a publication having general circulation among bond buyers, and such publications are hereby declared to be qualified to publish such notices for the District within the meaning and provisions of KRS Chapter 424. An Authorized Officer of the District is also hereby authorized and directed, on the recommendation of the Financial Advisor to the District, to cause the applicable Notice of Sale to be posted on the Internet and through one or more nationally recognized municipal market information or electronic bidding service providers. The applicable Notice of Sale shall be in substantially the form set forth in Exhibit B to this Resolution, which is hereby authorized, ratified, confirmed and approved.

(l) The 2010A Notes and each series of renewal Notes shall be offered as a whole, at not less than 100.00% (or such higher percentage as may be specified in the applicable Official Terms and Conditions of Note Sale) of par, plus accrued interest, if any. Only bids submitted on an Official Bid Form shall be given favorable consideration. On the recommendation of the Financial Advisor to the District, bids may be taken or required to be submitted electronically, provided all electronic proposals shall be deemed to incorporate the provisions of the applicable Official Bid Form. The applicable Official Bid Form shall be in substantially the form set forth in Exhibit C to this Resolution, which is hereby authorized, ratified, confirmed and approved. An Authorized Officer of the District is also hereby authorized and directed, on the recommendation of the Financial Advisor to the District, to cause the applicable Official Bid Form to be posted on the Internet and through one or more nationally recognized municipal market information or electronic bidding service providers.

(m) The right to reject any or all bids shall be expressly reserved by the District. On the occasion set forth in the Notice of Sale, the Chairperson, Vice-Chairperson, Executive Director or Director of Finance of the District shall consider all proposals made pursuant to such notice, and if, on the recommendation of the Financial Advisor to the District, an acceptable bid is received shall award the 2010A Notice and any Notes issued to currently refund such Notes to the Successful Bidder in the manner and for the purposes herein provided.

(n) The Finance Director of the District is hereby authorized to approve on behalf of the District [i] the interest rate or rates to be borne by the 2010A Notes and each series of renewal Notes; provided however, that such interest rate or rates shall not exceed 12% per annum except as provided herein, [ii] the final principal amount, and actual terms and maturity schedule for the such Notes, provided that (a) the principal amount of the such Notes shall not exceed \$250,000,000 and (b) the final maturity of any of the such Notes shall not extend beyond the fifth anniversary of the date of original issuance of the such Notes, if such date occurs first, unless in either case extended in strict accordance with the terms of this Resolution and [iii] shall take all other necessary and proper steps in the sale and issuance of the the Notes, subject to the limitations contained herein.

(o) The Chairperson, Vice Chairperson, Executive Director, Finance Director or Secretary of the District may cause to be prepared multiple copies of one or more Official Terms and Conditions of Sale giving more complete and particular descriptions of each series of the Notes, provisions for the security and payment thereof, disposition of proceeds and other information that it is not feasible to give within the limits of the published notice or notices, and may furnish copies of such Official Terms and Conditions of Sale to all interested bidders on request in substantially the form set forth in Exhibit D to this Resolution, which is hereby authorized, ratified, confirmed and approved. The Chairperson, Vice Chairperson, Executive Director, Finance Director or Secretary of the District is also hereby authorized and directed, on the recommendation of the Financial Advisor to the District, to cause the applicable Official Terms and Conditions for such Notes to be posted on the Internet and through one or more nationally recognized municipal market information or electronic bidding service providers.

(p) The preparation and distribution of an Official Statement relating to the 2010A Notes and each series of renewal Notes in substantially the form attached hereto is hereby authorized and approved. The Chairperson or Vice Chairperson is hereby authorized and

directed to execute or to certify its approval of the preliminary or final form of such Official Statement on behalf of the District. Certification by the Chairperson or Vice Chairperson on behalf of the District of the Official Statement as the official statement which the issuer deems final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") is hereby ratified and approved. In order to assist bidders for the 2010A Notes in complying with any applicable requirements of the amendments to the Rule, or to respond to requests, if any, from potential purchasers of the 2010A Notes, the Executive Director and Secretary-Treasurer and the Finance Director of the District, or either of them, is hereby authorized to approve or execute, on behalf of the District, for the benefit of the holders of the 2010A Notes, a Continuing Disclosure Certificate which shall be dated as of the date of original issuance of the 2010A Notes (the "Continuing Disclosure Certificate"), setting forth the undertaking of the District to provide notices of certain events as contemplated by the Rule and in the form heretofore made available to this Board. A description of the Continuing Disclosure Certificate of the District, if one is approved or entered into by the District, shall be set forth in the Official Statement relating to the 2010A Notes.

(q) The Chairperson, Vice Chairperson, Executive Director, Finance Director or Secretary of the District are hereby authorized to approve such minor changes, insertions or omissions as any such officer shall approve, with respect to the Official Statement, the Notes and the other documents referred to this Section 2.2, the execution of any such document to constitute conclusive evidence of the approval by the officer executing same of the form thereof. The foregoing officers or officials and other appropriate officers, officials and employees of the District are hereby further authorized and directed to approve the form of (the execution thereof to constitute conclusive evidence of the approval by the officer executing same of the form thereof), execute, acknowledge and deliver or attest to, on behalf of the District any and all other papers, instruments, certificates, affidavits and other documents including [i] any escrow agreements or agreements relating to arbitrage and arbitrage rebate deemed necessary by bond counsel, [ii] the 2010A Notes (provided such 2010A Notes are substantially in the form approved pursuant to this Resolution), and to do and cause to be done any and all acts and things necessary or proper for entering into and effecting this Resolution and the 2010A Notes.

Section 2.3. Execution, Authentication and Delivery. Each Note shall be executed on behalf of the District by the manual or facsimile signature of the Chairperson or Vice Chairperson and attested by the manual or facsimile signature of the Executive Director, Secretary, Director of Finance or other Authorized District Representative. In case any officer whose signature or a facsimile of whose signature shall appear on any Note shall cease to be such officer before delivery of the Notes, such signature or such facsimile shall nevertheless be valid or sufficient for all purposes the same as if he had remained in office until such delivery.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officials of the District shall bind the District, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

At any time and from time to time after the execution and delivery of this Resolution, the District may deliver Notes executed by the proper officials of the District to the Paying Agent for authentication; and the Paying Agent shall authenticate and deliver such Notes

as in this Resolution provided and not otherwise. No Note shall be secured by, or entitled to any lien, right or benefit under this Resolution or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by a Responsible Officer of the Paying Agent by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.4. Delivery of the Notes. In connection with the delivery by the Paying Agent of a series of the Notes including the 2010A Notes, there shall be filed or deposited with the Paying Agent prior to such delivery:

(a) a certificate of an Authorized District Representative [i] authorizing the issuance of the Notes, [ii] designating terms thereof which are required or permitted pursuant to Sections 2.2 or 3.03, including a request and authorization to the Paying Agent on behalf of the District to authenticate and deliver the Notes in such specified denominations as permitted herein upon payment to the Paying Agent, but for the account of the District, of a specified sum of money, [iii] stating that the District has complied with all agreements and satisfied all conditions on its part to be observed or satisfied under this Resolution at or prior to the Closing Date, and [iv] that he or she has no knowledge or reason to believe that the Official Statement as of the Closing Date contains any untrue statement of a material fact concerning the District or omits to state a material fact concerning the District that is necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, taking into account the purposes for which the Official Statement is used;

(b) the Opinion of Bond Counsel with respect to the validity of the Notes and the income tax status of interest on the Notes;

(c) a copy of IRS Form 8038-G pursuant to Section 149(e) of the Code and a Non-Arbitrage Certificate of the District in form and substance satisfactory to Bond Counsel;

(d) five copies of any Official Statement or amendment to an existing Official Statement which is being prepared in connection with the issuance of the Notes, as executed by an Authorized District Representative; and

(e) opinion(s) of Counsel to the District, dated the Closing Date, in form and substance satisfactory to Bond Counsel.

Section 2.5. Registration and Transfer of Notes.

(a) The District shall cause books for the registration of the Notes and for the registration of transfer of the Notes as provided herein (the "Note Register") to be kept by the Paying Agent, which is hereby constituted and appointed the Note Registrar for the Notes. The Paying Agent hereby agrees to keep such books for registration of the Notes and for registration or transfer of the Notes.

(b) Subject to the express limitations contained in this Section, any Holder of a Note, in Person or by his duly authorized attorney, may register the transfer of his Note on the Note Register, upon surrender thereof at the principal corporate trust office of the Paying Agent,

together with a written instrument of transfer (in such form as shall be reasonably satisfactory to the Paying Agent) executed by the Holder or his duly authorized attorney; and upon surrender for registration of transfer of any Note, the District shall execute and the Paying Agent shall authenticate and deliver in the name of the designated transferee or transferees a new Note or Notes of the same series, Stated Maturity, aggregate principal amount and tenor as the Note surrendered and of any Authorized Denomination. Upon any such transfer, the Paying Agent will deliver to the transferee any notice given pursuant to Section 3.2 with respect to the Notes transferred.

(c) Notes may be exchanged at the principal corporate trust office of the Paying Agent for an equal aggregate principal amount of Notes of the same series, Stated Maturity, interest rate, aggregate principal amount and tenor as the Notes being exchanged and of any Authorized Denomination. The District shall execute and the Paying Agent shall authenticate and deliver Notes which the Noteholder making the exchange is entitled to receive, bearing numbers not contemporaneously then Outstanding.

(d) Such registrations of transfers or exchanges of Notes shall be without charge to the Holders of such Notes, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Note requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. The Paying Agent shall not be required (1) to transfer or exchange any Note during the period from a Record Date to an Interest Payment Date or from the Business Day prior to a Special Record Date to the date for payment of Defaulted Interest, or (2) to make any exchange or registration of transfer of any Notes called for redemption in whole or in part.

(e) The Person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of, or on account of, principal, premium, if any, or interest shall be made only to or upon the order of such Person or his duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

(f) All Notes issued upon any transfer or exchange of Notes shall be the valid and binding limited obligations of the District, evidencing the same debt, and entitled to the same security and benefits under this Resolution, as the Notes surrendered upon such transfer or exchange.

(g) In executing any Note upon any exchange or transfer provided for in this Section, the District may rely conclusively on a representation of the Paying Agent that such execution is required.

Section 2.6. Mutilated; Lost or Destroyed Notes. If any Note is mutilated, lost or destroyed, the District may execute and the Paying Agent (upon the receipt of a written authorization from the District) shall authenticate and deliver, a new Note of the same maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Note mutilated, lost or destroyed; provided that, in the case of any mutilated Note, such mutilated Note shall first be surrendered to the Paying Agent, and in the case of any lost or destroyed Note, there shall be first

furnished to the Paying Agent and the District evidence satisfactory to them of the ownership of such Note and of such loss or destruction, together with indemnity satisfactory of it. If any such Note shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Note, the District may pay the same without surrender thereof. The District and the Paying Agent may charge the Holder of such Note with their reasonable fees and expenses in this connection. In executing a new Note and in furnishing the Paying Agent with the written authorization to authenticate and deliver a new Note as provided for in this Section, the District may rely conclusively on a representation of the Paying Agent that the Paying Agent is satisfied with the adequacy of the evidence presented concerning the mutilation, loss or destruction of any Note.

Section 2.7. Temporary Notes. Pending the preparation of definitive Notes (in the event certificated Notes are used), the District may execute and the Paying Agent shall authenticate and deliver temporary Notes. Temporary Notes shall be issuable as fully registered notes without coupons, of any Authorized Denomination, and substantially in the form of the definitive Notes but printed, typewritten, or otherwise produced with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the District, as conclusively evidenced by the signatures thereon of District officials. Temporary Notes may contain such reference to any provisions of this Resolution as may be appropriate. Every temporary Note shall be executed by the District and be authenticated by the Paying Agent upon the same conditions and in substantially the same manner, and with like effect, as the definitive Notes. As promptly as practicable, the District shall execute and shall furnish definitive fully registered Notes without coupons and thereupon temporary Notes shall be surrendered in exchange therefor, without charge, at the principal corporate trust office of the Paying Agent, and the Paying Agent shall authenticate and deliver in exchange for such temporary Notes, a like aggregated principal amount of definitive Notes of Authorized Denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Resolution as definitive Notes.

Section 2.8. Cancellation. All Notes that have been paid, shall be canceled by the Paying Agent and shall not be reissued and a certificate evidencing such cancellation and destruction shall be furnished by the Paying Agent to the District. Upon the Maturity or prepayment of any District Note, and upon the occurrence of an Event of Default described in clause (d) of Section 8.1 (whether or not an acceleration shall have occurred), the Paying Agent shall cancel such District Note and not make any payments with respect thereto from the Note Account for any principal, premium, if any, or interest then due thereon. Upon any such cancellation such District Note shall be deemed fully paid under this Resolution and shall no longer be Outstanding and shall not be reissued and a certificate evidencing such cancellation and destruction shall be furnished by the Paying Agent to the District.

Section 2.9. Form of Notes. The Notes shall be in substantially the form attached hereto as Exhibit A, with such variations as may be necessary and appropriate for numbers, dates and other matters and to accurately describe and implement the terms and provisions hereof; and the execution thereof on behalf of the District by the manual or facsimile signature of the Chairperson or Vice Chairperson as hereinabove provided, and the participation of Authorized District Representatives in the issuance or delivery of such Notes shall be conclusive evidence of the approval by the District of such variations.

**ARTICLE III
REDEMPTION OF NOTES**

Section 3.1. Redemption. The Notes of each series shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Article III and the Notes.

Section 3.2. Optional Redemption. The Notes of a series may be subject to redemption prior to maturity at the option of the District as therein provided.

(b) The District shall give the Paying Agent at least 30 days' notice of any redemption pursuant to this Section.

Section 3.3. Mandatory Sinking Fund Redemption. The Notes of a series may be subject to mandatory redemption prior to maturity as provided therein. In the case of any optional or extraordinary redemption of Notes in part, the District shall receive credit against its required sinking fund installments, if any, in the amount of such redemption with such credit being applied in chronological order.

Section 3.4. Extraordinary Optional Redemption. The Notes of a series may be subject to redemption by the District as provided therein, at any time in whole on any date selected by the District at the principal amount thereof plus accrued interest to the redemption date, without premium, upon receipt by the Paying Agent of a District Certificate certifying that within the preceding 180 days all or substantially all of the Project financed by such Notes has been damaged or destroyed or there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain or failure of title of all or substantially all of the Project as in each case renders the Project unsatisfactory for its intended use and that the District therefore intends to exercise its option to effect the redemption of such Notes in whole. The District Certificate shall state the date of redemption, which shall be no less than 40 days nor more than 60 days from the date of such District Certificate.

Section 3.5. Notice of Redemption.

(a) The Paying Agent shall cause notice of the call for any redemption of Notes pursuant to this Article, identifying the Notes to be redeemed to be sent not less than 30 days prior to the Redemption Date (1) by first-class mail postage prepaid, to the Owner of each such Note to be redeemed at his address as it appears on the registration books of the Paying Agent, (2) by first-class mail, to at least two organizations registered with the Securities and Exchange Commission as securities depositories, and (3) to at least one information service of national recognition which disseminates redemption information with respect to municipal securities. The notice of redemption may be in the form prepared by Bond Counsel or Counsel to the Paying Agent and may be conditioned upon the receipt of funds sufficient to pay the principal of, and premium, if any, and interest on the Notes on the Redemption Date or other matters. Failure to give any notice specified in (1) or any defect therein, shall not affect the validity of any proceedings for the redemption of any Notes with respect to which no such failure has occurred and failure to give any notice specified in (2) or (3), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Notes with respect to which the

notice specified in (l) is correctly given. Any notice mailed as provided herein shall conclusively be presumed to have been given whether or not actually received by any Holder. All Notes called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment on the date fixed for redemption.

(b) Any notice of the call for redemption of the Notes shall state the following: (1) the name, including series designation, of the Notes, (2) the CUSIP number, if any, and bond certificate number of the Notes to be redeemed, (3) the original dated date of the Notes, (4) the interest rate and Stated Maturity of the Notes to be redeemed, (5) the date of the redemption notice, (6) the Redemption Date, (7) the Redemption Price, (8) if less than all of a Note is to be redeemed, and (9) the address and telephone number of the principal offices of the Paying Agent, together with the name of a contact Person at the Paying Agent. In addition, in preparing such notice, the Paying Agent shall take into account, to the extent applicable, the prevailing municipal securities industry standards and any regulatory statement of any federal industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the District, or the municipal securities industry, including without limitation Release No. 34-23856 of the Securities and Exchange Commission, or any subsequent amending or superseding release.

Section 3.6. Deposit of Funds for Redemption or Purchase. For the redemption of any of the Notes pursuant to this Article, the District shall cause to be deposited with the Paying Agent funds sufficient to pay the principal of, and premium, if any, and interest on the Notes on the Redemption Date; provided the funds must be deposited with or delivered to the Paying Agent prior to the Paying Agent's giving Notice by Mail pursuant to Section 3.5.

Section 3.7. Partial Redemption of Notes.

(a) If less than all the Notes of a series are to be redeemed, the particular Notes or portions thereof to be redeemed shall be selected by the Paying Agent by lot or in such other manner as the Paying Agent shall deem fair, which shall be deemed to include pro rata redemption of Notes, and which may provide for the selection for redemption of portions (equal to Authorized Denominations) of the principal of Notes.

(b) Any Note which is to be redeemed only in part shall be surrendered to the Paying Agent (1) for payment of the Redemption Price (including accrued interest thereon to the Redemption Date) of the portion thereof called for redemption and (2) for exchange for Notes in any Authorized Denomination or denominations in aggregate principal amount equal to the unredeemed portion of such Note, without charge therefor. For all purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal of such Note which has been or is to be redeemed.

Section 3.8. No Partial Redemption After Default. Anything in this Resolution to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default there shall be no redemption of less than all of the Notes at the time Outstanding except pursuant to Section 3.3.

Section 3.9. Payment of Notes Upon Redemption. Upon redemption of all or any portion of any Note, payment of the applicable Redemption Price shall be made only upon surrender of such Note. If, on the Redemption Date, sufficient moneys shall have been deposited with the Paying Agent to effect such redemption in accordance with this Resolution, then interest shall cease to accrue on all Notes or portions thereof so called for redemption.

ARTICLE IV COVENANTS

Section 4.1. Payment of Notes. The District shall promptly pay when due the principal or purchase price of (whether at maturity, upon acceleration, call for redemption or purchase or otherwise) and premium, if any, and interest on each series of Notes at the places, on the dates and in the manner provided herein and in such Notes according to the true intent and meaning thereof; provided, however, that such obligations are not general obligations of the District but are limited obligations payable solely from the revenues and receipts described in the Granting Clauses hereto and the other Pledged Property, all of which are hereby specifically pledged to such purposes in the manner and to the extent provided herein. The Notes and interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the State or any political subdivision thereof, including the District. Neither the State nor any political subdivision thereof, including the District shall be obligated to pay the principal of or interest on the Notes or other costs incident thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof, including the District is pledged to the payment of the principal of or interest on the Notes or other costs incident thereto.

Section 4.2. Covenants and Representations of District. The District shall observe and perform all covenants, conditions and agreements on its part contained in this Resolution, in every Note executed, authenticated and delivered hereunder and in all of its proceedings pertaining thereto. The District represents (a) that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Notes authorized hereby and to execute this Resolution; and to pledge the revenues, receipts and funds in the manner and to the extent herein set forth; (b) that all action on its part for the issuance of the Notes and the execution and delivery of this Resolution has been duly and effectively taken; and (c) that the Notes in the hands of the Holders thereof are and will be valid and enforceable obligations of the District according to the terms thereof except as limited by bankruptcy laws and usual equity principles.

Section 4.3. Further Assurances. The District shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such resolutions supplemental hereto and such further acts, instruments and transfers as the Paying Agent may reasonably require for the better assuring, transferring, conveying, pledging and assigning to the Paying Agent of all the rights assigned hereby and the revenues and receipts pledged hereby to the payment of the principal of, premium, if any, and interest on the Notes. The District shall cooperate with the Paying Agent and the Noteholders in protecting the rights and security of the Noteholders.

Section 4.4. Inspection of Books and Project. All books and documents in the District's possession relating to each Project and the revenues derived therefrom shall at all times be open to inspection by such agents as the Paying Agent or the Holders of 25% in aggregate principal amount of Notes then Outstanding may from time to time designate.

Section 4.5. Priority of Notes. The District warrants and covenants that the lien created hereunder with respect to any series of Notes shall be superior in priority to all revenue debt of the District heretofore or hereafter issued, except for the Senior Debt.

Section 4.6. Prohibited Activities. The District shall not knowingly engage in any activities or take any action that might result in (a) the income of the District derived from each Project becoming taxable to it, (b) any Note becoming an "arbitrage bond" within the meaning of Section 148 of the Code and the regulations and rulings thereunder, or (c) any interest on the Notes otherwise becoming includable in the gross income of the recipients thereof under the federal income tax laws or becoming taxable under the laws of the State.

Section 4.7. Anticipation of Issuance of Bonds. The District covenants that the 2010A Notes and each series of renewal Notes issued under this Resolution is issued in anticipation of the issuance by the District, prior to the maturity of such Notes whether by acceleration, redemption, or otherwise, of Additional Bonds (within the meaning of the Bond Resolution) on a parity with the Senior Debt under the Bond Resolution and pursuant to the Act. The District further covenants to, in a timely fashion, do any and all things necessary for the issuance of such Additional Bonds on a parity with the Senior Debt, to the extent necessary to pay such Notes and to the extent permitted by law. To the extent that any Notes of a particular series issued hereunder are not paid from the Revenues of the District as described herein, including the proceeds of the Project for which such Notes were issued, such Notes shall be paid from the proceeds of such Senior Debt.

Section 4.8. Tax Covenants. The District covenants that within the meaning of Section 141 of the Code, [i] less than 10% of the proceeds of the Notes of any series, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the Notes of any series, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; [ii] at least 90% of the proceeds of the Notes of any series will be applied for a governmental use of the District; [iii] any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and [iv] none of the proceeds of the Notes of any series will be used, directly or indirectly, to make or finance loans to private Persons; and the District covenants further that the Notes of any series will not be federally guaranteed within the meaning of Section 149(b) of the Code.

ARTICLE V APPLICATION OF TRUST MONEYS, NOTE ACCOUNT, CONSTRUCTION AND ACQUISITION FUND

Section 5.1. "Trust Moneys" Defined. All moneys received by the Paying Agent as elsewhere herein provided to be held and applied hereunder, or required to be paid to

the Paying Agent and whose disposition is not elsewhere herein otherwise specifically provided for, including but not limited to the investment income of all Trust Funds held by the Paying Agent under this Resolution (all such moneys pending the expenditure thereof, including but not limited to the proceeds of Notes deposited in the Subordinated Debt Subaccounts of the Construction and Acquisition Fund and investment income thereon pending the expenditures thereof, and all proceeds of any such moneys pending the expenditure of such proceeds, being herein defined as the "Trust Moneys") shall be held by the Paying Agent as a part of the Pledged Property, and, upon the exercise by the Paying Agent of any remedy specified in Article VIII hereof, such Trust Moneys shall be applied in accordance with Section 8.6 hereof, except to the extent that the Paying Agent is holding in trust moneys and/or Government Obligations for the payment of any specified Notes which are no longer deemed to be Outstanding under the provisions of Article VII hereof, which moneys and/or Government Obligations shall be applied only as provided in said Article VII. Prior to the exercise of any such remedy, all or any part of the Trust Moneys shall be held, invested, withdrawn, paid or applied by the Paying Agent, from time to time, as provided in this Article V and in Article VI hereof.

Section 5.2. Note Account.

(a) A special trust fund is hereby established with the Paying Agent and designated as the "Note Account." The Note Account shall constitute a part of the Senior Subordinated Debt Fund of the District pursuant to the Bond Resolution, but shall be maintained as a separate special trust fund for the purposes described herein. There shall be established within the Note Account, a General Subaccount.

There shall be credited to the General Subaccount in the Note Account, as and when received,

(i) each payment received by the Paying Agent under and pursuant to any of the provisions of this Resolution which is required, or which is accompanied by directions that such payment is, to be credited to the Note Account; and

(ii) all income derived from the investment of amounts described in clause (i) as realized.

(b) The Paying Agent shall disburse, from time to time, sufficient moneys from the Note Account as specified below to pay the principal of, premium if any, and the interest on, the Notes as the same become due and payable.

(c) Funds for the payment of the principal of, premium, if any, and interest on the Notes shall be derived from the following sources:

(1) Funds for the payment of the principal of and premium, if any, on the Notes, at Maturity, shall be disbursed by the Paying Agent from the Note Account in the order of priority indicated below:

(i) Eligible Moneys in the General Subaccount in the Note Account; and

(ii) all other amounts in the General Subaccount in the Note Account which were received by the Paying Agent under and pursuant to this Resolution from the District or from any other Person or Fund, and amounts derived from the investment of such amounts.

(2) Funds for the payment of interest on the Notes shall be derived from the following sources in the order of priority indicated below and in each case applied to interest on Notes:

(i) Eligible Moneys in the General Subaccount in the Note Account; and

(ii) all other amounts in the General Subaccount in the Note Account which were received by the Paying Agent under and pursuant to this Resolution from the District or from any other Person or Fund, and amounts derived from the investment of such amounts.

(d) Upon the occurrence of an Event of Default described in clauses (d) of Section 8.1, the Paying Agent shall pay, to the extent moneys are available, to the Noteholders, in accordance with the provisions of Section 2.2, in payment of the principal of and interest on the Notes, an amount equal to the principal of and interest on the Notes due upon the date of acceleration of the Notes as provided in Section 8.2 and to the extent of such payment, the obligations of the District under this Resolution and the Notes shall be deemed to have been satisfied.

(e) If any Note shall not be presented for payment at Maturity, provided moneys sufficient to pay such Note shall have been made available to the Paying Agent and are held in the Note Account for the benefit of the Holder thereof, all liability of the District to the Holder thereof for the payment of such Note shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such moneys, subject to the provisions of Sections 5.2(g) and 5.7, in the Note Account, without liability to the Holder for interest thereon, for the benefit of the Holder of such Note, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on the part of such Holder hereunder or on, or with respect to, such Note.

(f) All moneys paid over to the Paying Agent for the account of the Note Account under any provision hereof, shall be held (subject to the provisions of Sections 5.2(g) and 5.7) in trust by the Paying Agent for the benefit of the Holders of the Notes as each is entitled to be paid therefrom.

(g) Any moneys remaining in the Note Account after any Interest Payment Date and after Payment of the Notes, and payment of the fees, charges and expenses of the Paying Agent which have accrued and which will accrue and all other items required to be paid hereunder, shall be paid to the District.

Section 5.3. Fee Payments. Subject to Section 9.2, the District hereby covenants to pay directly to the Paying Agent when due Fee Payments in an amount sufficient to pay the fees, costs and expenses of the Paying Agent, including, without limitation, costs for

Ordinary Services and Ordinary Expenses, Extraordinary Services and Extraordinary Expenses and fees and expenses of the Paying Agent's counsel. Such Fee Payments shall not be treated or considered as Trust Moneys for any purpose of this Resolution, and the Paying Agent may on its own behalf enforce such covenant against the District.

Section 5.4. Acknowledgement of Construction and Acquisition Fund. There is hereby acknowledged the existence of the Construction and Acquisition Fund established pursuant to the provisions of the Bond Resolution.

Section 5.5. Payment Into Construction and Acquisition Fund: Use of Proceeds. The proceeds of sale of each series of Notes shall be deposited in a separate subaccount in the Construction and Acquisition Fund (collectively, the "Subordinated Debt Subaccounts"), each of the Subordinated Debt Subaccounts to be designated in a manner which will distinguish it from all other subaccounts of the Construction and Acquisition Fund and to consist of Pledged Property on which the holders of such series of Notes shall have a first lien. The District shall use such proceeds of the Notes only to pay costs of a Project with respect to which at the time of use the District reasonably intends to issue Additional Bonds on a parity with the Prior Bonds to permanently finance the Project.

Section 5.6. Trust Moneys: Reports. All Trust Moneys shall be trust funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the District or the Paying Agent. Such Trust Moneys shall be held in trust and applied in accordance with the provisions of this Resolution. The Paying Agent shall furnish to the District on at least a semi-annual basis a statement of the moneys (including all investment activity) in each Trust Fund.

Section 5.7. Arbitrage. The District covenants and agrees that it will commit knowingly no act that would cause any Notes of any series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code (including the applicable regulations thereunder). The Paying Agent covenants that it will comply with any instructions of the District regarding investment or other use of proceeds of the Notes so as to prevent the Notes from becoming "arbitrage bonds" but shall otherwise have no other liability or obligations with respect to preventing the Notes from becoming "arbitrage bonds." The Paying Agent shall file a copy of any applicable Opinion of Bond Counsel received by it with the District.

Section 5.8. Rebate Requirements. The District covenants and agrees to comply with any requirements to rebate moneys to the United States of America as may be required by law. Moneys in any rebate fund established for this purpose, including investment earnings thereon, if any, shall not be subject to the pledge of this Resolution and shall not constitute part of any of the Funds and Accounts held under this Resolution for the benefit and security of the Noteholders.

ARTICLE VI INVESTMENTS

Section 6.1. Investments. Moneys held in any Accounts hereunder (other than Eligible Moneys) shall be invested and reinvested in Authorized Investments maturing or subject

to redemption at the option of the Holder as needed as directed by the District in writing, or if orally, promptly confirmed in writing, or in such other manner as is acceptable to the Paying Agent. Eligible Moneys held in any Accounts hereunder shall be invested in Government Obligations maturing as needed as directed by the District in writing, or if orally, promptly confirmed in writing, or in such other manner as is acceptable to the Paying Agent. All such investments shall be held by or under the control of the Paying Agent except as may be otherwise permitted or authorized herein, and shall be deemed at all times a part of the fund or account in which the moneys so invested were originally held and the interest accruing thereon and any profit realized therefrom shall be credited to and held in such fund or account and any loss resulting therefrom shall be charged to such fund or account. The Paying Agent is directed to sell and convert to cash a sufficient amount of such investments in any fund whenever the cash held in such fund is insufficient for the purposes thereof. Moneys held in the Subordinated Debt Subaccounts shall not be invested except as otherwise permitted in this Resolution or in the Bond Resolution for amounts on deposit in the Construction and Acquisition Fund referred to in Section 5.5 hereof.

Section 6.2. Use of Paying Agent's Departments. The Paying Agent may make the investments referred to in Sections 6.1 through any division or department of the Paying Agent or any of its Affiliates.

Section 6.3. Limitation of Liability.

(a) The Paying Agent shall not be responsible for any losses on investments or from the redemption, sale or maturity of any such investments made in accordance with this Article VI, and the District specifically holds the Paying Agent harmless and agrees to indemnify the Paying Agent for any claim resulting from any losses on investments made in accordance with the District's instructions.

(b) Notwithstanding any provision of this Resolution to the contrary, unless otherwise specifically agreed in a separate written agreement, the Paying Agent shall not be liable or responsible for any calculation or determination which may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in nonpurpose obligations having a yield higher than the yield on the Notes, or the determination as to whether any investments are permissible under Section 148 of the Code, and the Paying Agent shall not be liable or responsible for monitoring the compliance by the District with any of the requirements of Section 148 of the Code or any judicial or administrative interpretation thereof; it being acknowledged and agreed that the sole obligation of the Paying Agent in this regard shall be to hold and invest monies received by it pursuant to the terms hereof in accordance with this Article VI in each case pursuant to the instructions of the District.

ARTICLE VII DISCHARGE OF LIEN

Section 7.1. Discharge of Lien and Security Interests. If the District shall pay or cause to be paid in full the principal of and the interest on any series of Notes or if the District has deposited or caused to be deposited with the Paying Agent in trust cash and/or Government Obligations (but excluding investments in money market or other funds for all purposes of this Article VII), which do not permit the redemption thereof at the option of the issuer thereof, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the Holder), will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay and discharge the entire indebtedness on such series of Notes as the same become due not theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation, for principal and interest (and premium, if any) which have become due and payable, or to the Maturity thereof or earlier Redemption Date and (a) has paid or made arrangements satisfactory with the Paying Agent to pay, all fees and expenses (including, without limitation, counsel's fees and expenses) of the Paying Agent respecting such series of Notes which have accrued or which the Paying Agent estimates will accrue prior to the final payment of such series of Notes in full, (b) has furnished to the Paying Agent an Opinion of Bond Counsel to the effect that the deposit of such cash and Government Obligations is in compliance with the provisions hereof, will not adversely affect the exclusion of interest on such Notes from gross income for purposes of Federal income taxation and that payments to the owners of such Notes will not constitute a voidable transfer or preference under and pursuant to the Federal Bankruptcy Code as then in effect in the event of a bankruptcy proceeding thereunder by or against the District, and (c) has made arrangements satisfactory to the Paying Agent for the giving of notice of redemption, if any, then the lien hereof, these presents and the security interests herein with respect to such series of Notes shall cease, determine and be void. Upon the discharge of the lien hereof with respect to the applicable series of Notes, these presents and the security interests herein ceasing, determining and being void as provided in the preceding sentence, the Paying Agent shall, upon receipt of evidence satisfactory to it that all conditions precedent to the satisfaction and discharge of this Resolution with respect to such Notes have been complied with, cancel and discharge this Resolution with respect to such Notes and the security interests herein, execute and deliver to the District such instruments in writing as shall be required to cancel and discharge this Resolution with respect to such Notes and the security interests herein and apply any moneys and investments held in the Note Account with respect to such Notes in accordance with Sections 5.2, provided that all moneys then held in the Note Account for the purpose of paying such Notes of the applicable series which have not yet been presented for payment shall be held thereafter in trust solely for the Holders of such Notes pending the payment thereof to such Holders. If such Notes will not be redeemed in whole within 60 days of such discharge, the Paying Agent shall promptly give notice of such discharge, to all Noteholders of such Notes in the manner described in Section 3.6(a) for the giving of notices of redemption. If the lien and security interests hereof with respect to all series of Notes are discharged, this Resolution, at the request of the District, shall be discharged and canceled.

Section 7.2. Discharge of this Resolution. Notwithstanding the fact that the lien of this Resolution upon the Pledged Property may have been discharged and canceled with respect to a series of Notes in accordance with Section 7.1, this Resolution and the rights granted

and duties imposed hereby, to the extent not inconsistent with the fact that the lien upon the Pledged Property may have been discharged and canceled with respect to one or more series of Notes, shall nevertheless continue and subsist until the principal of, premium, if any, and the interest on, all of the Notes shall have actually been paid in full, all amounts owed by the District to the Paying Agent shall have been paid in full, and the Paying Agent shall have applied amounts in the Note Account in accordance with Sections 5.2, and all funds theretofore held by the Paying Agent for payment of any Notes not theretofore presented for payment or purchase, as the case may be, which funds shall be held in trust solely for the Holders of such Notes pending their application in accordance herewith, until such funds have been applied in accordance herewith.

ARTICLE VIII DEFAULT PROVISIONS AND REMEDIES OF PAYING AGENT AND NOTEHOLDERS

Section 8.1. Events of Default. Each of the following events is hereby defined as and declared to be and to constitute an "Event of Default" hereunder with respect to the Notes of a particular series:

- (a) default in the due and punctual payment of any interest on any Note when the same shall become due and payable; or
- (b) default in the due and punctual payment of the principal of or premium on any Note at its maturity or upon mandatory redemption; or
- (c) the declaration of an Event of Default hereunder with regard to the Notes of any series; or
- (d) the failure of the District to observe and perform any of the covenants, conditions, agreements, or provisions contained herein, or in the Notes, on the part of the District to be observed or performed (except obligations referred to in subsections (a), (b) and (c) of this Section), and the continuation thereof for thirty days after written notice, specifying such default and requiring the same to be remedied, is given to the District by the Paying Agent.

Section 8.2. Acceleration. Upon the occurrence of any Event of Default described in subsection (a), (b) or (c) of Section 8.1, the Paying Agent may or the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Notes of the particular series shall, and, upon the occurrence and continuance of an Event of Default described in subsection (d) of Section 8.1, the Paying Agent shall by notice in writing delivered to the District declare the principal of all the Notes immediately due and payable as of the fifth Business Day following such date, whereupon the same shall become immediately due and payable, anything herein or in the Notes to the contrary notwithstanding. Upon any such acceleration, the Notes and the interest thereon shall forthwith be paid in accordance with this Resolution. Upon any declaration of acceleration hereunder, the Paying Agent shall immediately declare the payments required to be made by the District hereunder to be immediately due and payable in accordance with this Section.

Section 8.3. Other Remedies. Upon the occurrence of an Event of Default, the Paying Agent shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due hereunder and under the Notes or the performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Paying Agent shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law. The rights herein specified are to be cumulative to all other available rights, remedies or powers.

No delay or omission to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right and remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Paying Agent or by the Noteholders, shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

Section 8.4. Rights of Noteholders. Upon the occurrence of an Event of Default and if requested so to do by the Holders of more than fifty percent (50%) in aggregate principal amount of the Notes then Outstanding and if indemnified as provided in Section 9.1(h), the Paying Agent, subject to the provisions of Section 8.5 shall be obligated to exercise such one or more of the rights and remedies conferred by this Article as the Paying Agent, being advised by Counsel, shall deem most expedient in the interests of the Noteholders.

Section 8.5. Right of Noteholders to Direct Proceedings. Except in the case of an Event of Default under Section 8.1(d), anything herein to the contrary notwithstanding, the Holders of more than fifty percent (50%) in aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Paying Agent, to direct (as between such Noteholders and the Paying Agent) the time, method and place of conducting all proceedings otherwise permitted to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder, provided the Paying Agent is indemnified as provided in Section 9.1(h).

Section 8.6. Application of Moneys. All moneys received by the Paying Agent pursuant to any right given or remedy or action taken under the provisions of this Article shall, after payment of all fees and expenses of the Paying Agent, including, without limitation, the costs and expenses of the proceedings resulting in the collection of such other moneys and of the related expenses, liabilities and advances incurred or made by the Paying Agent, be deposited in the General Subaccount in the Note Account. All such other moneys shall be applied by the Paying Agent in accordance with Section 5.2 and this Section 8.6 as follows:

(a) Unless the principal of all the Notes shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the Persons entitled thereto of all installments of interest then due on the Outstanding Notes (other than District Notes), in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the Persons entitled thereto of the unpaid principal of any of the Outstanding Notes which shall have become due (other than District Notes), in the order of their due dates, with interest on such Notes at the rate last borne by the Notes from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the principal which became due on such Notes on any particular date, together with such interest, then to the payment thereof ratably, according to the amount of principal due on such date, to the Persons entitled thereto, without any discrimination or privilege;

THIRD - to the payment of the principal of and interest on the District Notes in the same order of priority as specified in the first and second clauses.

(b) If the principal of all the Notes shall have become due or shall have been declared due and payable, all such moneys shall be applied FIRST, to the payment of the principal and the interest then due and unpaid on the Outstanding Notes (other than District Notes), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Note over any other such Note, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, and SECOND to the payment of the principal of and interest on the District Notes in the same manner as specified in this first clause.

(c) If the principal of all such Notes shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Resolution, in the event that the principal of all the Notes shall later become due or be declared due and payable, the moneys to be applied under this Section shall be applied in accordance with the provisions of paragraph (b) of this Section.

Subject to Section 8.2, whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Paying Agent shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Paying Agent shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable or unless the principal of all of the Notes has been declared immediately due and payable, in which case application shall be made immediately) upon which such application is to be made and upon such date interest on the amount of principal to be paid on such dates shall cease to accrue provided that such amount of principal is in fact paid on such date. The Paying Agent shall give such notice to the Holders of the Notes as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment from such moneys to the Holder of any Notes until such Note shall be presented to the Paying Agent.

Whenever all Notes and the interest thereon have been paid in full under the provisions of this Section and all expenses and charges of the Paying Agent have been paid, any balance remaining in the Note Account shall be disposed of in the manner provided in Section 5.2(g).

Section 8.7. Rights and Remedies Vested in Paying Agent. All rights of action and remedies (including the right to file proofs of claim) hereunder or under any of the Notes may be enforced by the Paying Agent without the possession of any of the Notes or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Paying Agent shall be brought in its name as Paying Agent without the necessity of joining as plaintiffs or defendants any Holders of the Notes, and any recovery of judgment shall, subject to the terms hereof, be for the equal benefit of the Holders of the Notes.

Section 8.8. Rights and Remedies of Noteholders. No Holder of any Note shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof, for the execution of any trust hereof or for the appointment of a receiver or to enforce any other right or remedy hereunder unless (a) a Default has occurred of which the Paying Agent has been notified as provided in subsection (e) of Section 9.1, or of which by said subsection it is deemed to have notice, (b) such Default shall have become an Event of Default and the Holders of more than fifty percent (50%) in aggregate principal amount of Notes then Outstanding shall have made written request to the Paying Agent and shall have offered reasonable opportunity to the Paying Agent either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (c) such Noteholders have offered to the Paying Agent indemnity as provided in Section 9.1(h) and the Paying Agent shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Paying Agent to be conditions precedent to the execution of the powers and trusts hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other right or remedy hereunder; it being understood and intended that no one or more Holders of the Notes shall have any right in any manner whatsoever to affect, disturb or prejudice the lien hereof by its, his or their action or to enforce any right or remedy hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit, first, of the Holders of all Notes other than District Notes and, second, of the Holders of District Notes. Nothing herein contained shall, however, affect or impair the right of any Noteholder to enforce the payment of the principal and redemption or purchase price of, and interest on, any Note at and after the date such payment is due, or the obligation of the District or the Paying Agent to pay the principal and redemption or purchase price of, and interest on, each of the Notes issued hereunder to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Notes.

Section 8.9. Termination of Proceedings. If the Paying Agent shall have proceeded to enforce any right or remedy hereunder by any action at law or in equity, by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Paying Agent, then and in every such case the District, the Paying Agent and the Noteholders shall be restored to their former positions and rights hereunder, respectively, with respect to the Pledged Property,

and all rights, remedies and powers of the Paying Agent and the Noteholders, respectively, shall continue as if no such proceedings had been taken.

Section 8.10. Waivers of Events of Default.

(a) The Paying Agent shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of more than fifty percent (50%) in aggregate principal amount of all Notes then Outstanding, provided, however, that except as permitted in subsection (b) below (relating to the rescission and annulment of declarations of acceleration of the Notes), there shall not be waived:

(1) any Event of Default pertaining to the payment of the principal or redemption or purchase price of any Note at its Maturity or Redemption Date; or

(2) any Event of Default pertaining to the payment when due of the interest on any Note unless prior to such waiver, all arrears of interest and all principal or redemption or purchase price payments in respect of which such Event of Default shall have occurred, with interest thereon (to the extent permitted by law) for the period from the occurrence of such Event of Default until paid in full at a rate per annum equal to the interest rate payable on the Notes from time to time during such period in accordance with the terms of the Notes, and all expenses of the Paying Agent in connection with such Event of Default, shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Paying Agent on account of any such Event of Default shall have been discontinued or abandoned or for any reason, or shall have been determined adversely to the Paying Agent, then and in every such case the District, the Paying Agent and the Noteholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

The Paying Agent shall not have any discretion to waive any Event of Default hereunder and its consequences except in the manner and subject to the terms expressed above or in subsection (b) below.

(b) If a declaration of acceleration is made pursuant to Section 8.2, then and in every such case, the Paying Agent shall upon the written request of the Holders of more than fifty percent (50%) in principal amount of such Notes then Outstanding rescind and annul such declaration, and the consequences thereof, provided that at the time such declaration is rescinded and annulled:

(1) no judgment or decree has been entered for the payment of any moneys due pursuant to the Notes;

(2) all arrears of interest on all of the Notes and all other sums payable under the Notes (except as to principal of, and interest on, the Notes which have become due and payable by reason of such declaration) shall have been duly paid; and

(3) each and every Event of Default hereunder shall have been waived pursuant to the preceding paragraph or otherwise made good or cured;

and, provided further, that no such rescission and annulment shall extend to or affect any subsequent or other Event of Default or impair any rights or remedies consequent thereon. The Paying Agent shall not have any discretion to rescind and annul any declaration of acceleration made pursuant to Section 8.2 and its consequences except in the manner and subject to the terms expressed hereinabove.

ARTICLE IX THE PAYING AGENT

Section 9.1. Acceptance of the Trusts. With respect to each series of Notes issued hereunder, the Paying Agent by participating in the closing of the original issuance of the Notes of such series, shall be deemed to have accepted the trusts imposed upon it hereby, and to have agreed to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Paying Agent, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Resolution, and no implied agreements or obligations shall be read into this Resolution against the Paying Agent. In case an Event of Default has occurred and is continuing, the Paying Agent shall exercise such of the rights and powers vested in it by this Resolution and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) The Paying Agent may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified in subsection (a) above, and shall be entitled to advice of Counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Paying Agent may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the District), approved by the Paying Agent in the exercise of reasonable care. The Paying Agent shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) Except as is specifically provided in Section 9.13 with respect to the filing of continuation statements, the Paying Agent shall not be responsible for any recital herein, or in the Notes (except with respect to the authentication certificate of the Paying Agent endorsed on the Notes), or for the recording or re-recording, filing or re-filing of this Resolution or any other document, or for the validity of the execution or approval hereof by the District or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Notes, or for the value of or title in and to the Pledged Property or any part of the Pledged Property or otherwise as to the maintenance of the security hereof, and the Paying Agent shall not be bound to ascertain or inquire as to the performance or observance of any agreements or conditions on the part of the District except as hereinafter set forth.

(d) Except to the extent herein specifically provided, the Paying Agent shall not be accountable for the use of the proceeds of any of the Notes. The Paying Agent, in its individual capacity, may in good faith buy, sell, own, hold or deal in any of the Notes issued hereunder, and may join in any action which any Noteholder may be entitled to take with like effect as if such Person did not act in any capacity hereunder. The Paying Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District, and may act as depository, trustee or agent for any committee or body of Noteholders in connection with any other resolution or similar agreement to which the District is a party and hold any bonds secured thereby or other obligations of the District as freely as if such Person did not act in any capacity hereunder.

(e) Except as is otherwise provided in subsection (a) above:

(1) The Paying Agent shall be protected in acting upon Opinions of Counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Paying Agent, pursuant hereto upon the request, authority or consent of the Note Registrar acting at the direction of any Person who at the time of making such request or giving such authority or consent is the Holder of any Note, shall be conclusive and binding upon all future Holders of the same Note and upon Notes issued in exchange therefor or in place thereof.

(2) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Paying Agent shall be entitled to rely upon a District Certificate as sufficient evidence of the facts therein contained and prior to the occurrence of a Default of which the Paying Agent has been notified as provided in subsection (e)(4) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Paying Agent may accept a District Certificate to the effect that a resolution in the form therein set forth has been adopted as conclusive evidence that such resolution has been adopted and is in full force and effect.

(3) The right of the Paying Agent to do things enumerated herein shall not be construed as a duty and the Paying Agent shall not be answerable for other than its gross negligence or willful misconduct. Further, the Paying Agent shall not have any liability with respect to, and the District hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by the District in connection with claims related to or arising under the Note Documents.

(4) Unless a Responsible Officer of the Paying Agent shall be specifically notified in writing of an Event of Default by the District or by the Holders of more than fifty percent (50%) in aggregate principal amount of Outstanding Notes, the Paying Agent shall not be required to take notice or be deemed to have notice of any Default hereunder except (i) failure to pay the principal or redemption or purchase price of or interest on the Notes when due and (ii) an Act of Bankruptcy pursuant to which the

Paying Agent has notice. All notices or other instruments required to be delivered to the Paying Agent must, in order to be effective, be delivered at the principal corporate trust office of the Paying Agent, and in the absence of such notice so delivered the Paying Agent may conclusively assume there is no Default except as aforesaid. In the event that any payment referred to above is not paid when due, the Paying Agent shall give Immediate Notice to the District that such payment has not been made and shall immediately confirm such notice by registered or certified mail to the District.

(f) The Paying Agent shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(g) Notwithstanding anything elsewhere herein contained, the Paying Agent shall have the right, but shall not be required, to demand, in respect of the authentication of any Notes, the taking of any action reasonably within the purview hereof, as a condition of such action by the Paying Agent.

(h) Before taking any action hereunder at the request or direction of any Noteholder, the Paying Agent may require that a satisfactory indemnity bond be furnished by the Holders of the Notes for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the gross negligence or willful misconduct of the Paying Agent, by reason of any action so taken.

(i) All moneys received by the Paying Agent or the Note Registrar shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required herein or by law.

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

(k) The Paying Agent shall not be required to deposit any moneys in the Eligible Moneys Subaccounts of the Note Account unless the Paying Agent receives a District Certificate establishing that moneys then held by the Paying Agent in the General Subaccount of the Note Account are Eligible Moneys and directing that such moneys be transferred to the appropriate Eligible Moneys subaccount.

Section 9.2. Fees, Charges and Expenses of Paying Agent. Pursuant to Section 5.3 hereof, the District shall pay and/or reimburse the Paying Agent on a flat fee basis which shall be deemed to be reasonable compensation for its Ordinary Services rendered hereunder, all as have been agreed to by the Paying Agent and the District prior to the adoption of this Resolution. If it should become necessary that the Paying Agent perform Extraordinary Services, it shall be entitled to reasonable extra compensation from the District therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by its

gross negligence or willful misconduct, it shall not be entitled to compensation or reimbursement therefor. The District hereby grants to the Paying Agent a lien on and security interest in the Pledged Property to secure the payment of its reasonable fees and expenses.

Section 9.3. Notice by Paying Agent.

(a) If a Default occurs of which the Paying Agent is by Section 9.1(e)(4) required to take notice or if notice of a Default be given as in Section 9.1(e)(4) provided, then the Paying Agent shall give written notice thereof by first-class mail, postage prepaid, to the District and the Holders of all Notes then Outstanding of the applicable series.

(b) At any time that any series of Notes are rated by a Rating Agency, the Paying Agent shall promptly give notice to such Rating Agency, at such address as the Rating Agency shall have furnished to the Paying Agent, of:

- (1) any change in the identity of the Paying Agent,
- (2) any amendments or supplements of this Resolution or the Notes;
- (3) any redemption of all the Notes or any mandatory purchase of all the Notes, and
- (4) any other information that the Rating Agency may reasonably request.

It is expressly understood and agreed that the Paying Agent shall have no liability for its failure to furnish any notice under this paragraph (b).

Section 9.4. Intervention by Paying Agent. In any judicial proceeding to which the District is a party which, in the opinion of the Paying Agent and its Counsel, has a substantial bearing on the interest of the Noteholders of a particular series, the Paying Agent may intervene on behalf of the Noteholders and shall do so if requested in writing by the the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Notes. The rights and obligations of the Paying Agent under this Section are subject to the approval of a court of competent jurisdiction if such approval is required by law as a condition to such intervention.

Section 9.5. Successor Paying Agent. Any corporation or association into which the Paying Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer to which it is a party, ipso facto, shall be and become successor Paying Agent hereunder and vested with all of the title to the Pledged Property and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any Person, anything herein to the contrary notwithstanding.

Section 9.6. Resignation by the Paying Agent. The Paying Agent and any successor Paying Agent may at any time resign from the trusts hereby created by giving written

notice by first-class mail, postage prepaid, to the District, but such resignation shall take effect only upon the appointment of a successor Paying Agent; provided, however, that if a successor Paying Agent shall not have been appointed within 30 days from the date of such notice of resignation, the resigning Paying Agent may petition any court of competent jurisdiction for the appointment of a successor Paying Agent.

Section 9.7. Removal of the Paying Agent. The Paying Agent may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Paying Agent and to the District, and signed by the District or the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Notes; provided, however, that such removal shall take effect only upon the appointment of a successor Paying Agent as provided in Section 9.8 and provided further if the removal is by the District, that there shall not then exist an Event of Default under this Resolution.

Section 9.8. Appointment of Successor Paying Agent; Temporary Paying Agent. If the Paying Agent shall resign, be removed, be dissolved, be in course of dissolution or liquidation, or shall otherwise become incapable of acting hereunder or in case it shall be taken under the control of any public officer, officers or a receiver appointed by a court, a successor may be appointed by the District or by the Holders of more than fifty percent (50%) of the principal amount of the Outstanding Notes, by an instrument or concurrent instruments in writing signed by such Holders, or by their attorneys-in-fact, duly authorized; provided, nevertheless, that in case of such event the District, by an instrument signed by its Chairperson or Vice Chairperson and attested by its Secretary, Executive Director or Finance Director shall appoint a temporary Paying Agent to serve until a successor Paying Agent shall be appointed by the Holders of the Notes in the manner above provided; and any such temporary Paying Agent shall immediately and without further act be superseded by the Paying Agent so appointed by such Noteholders. Every such Paying Agent appointed pursuant to the provisions of this Section 9.8 shall be, if there be such an institution willing, qualified and able to accept the trusts upon reasonable and customary terms in good standing, a bank or trust company having a combined capital surplus and undivided profits of not less than \$10,000,000.

Section 9.9. Concerning Any Successor Paying Agent. Every successor Paying Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the District and each Noteholder an instrument in writing accepting such appointment hereunder and specifying its principal corporate trust office for the purpose of this Resolution, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the District, or of its successor, execute and deliver an instrument transferring to such successor Paying Agent all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Paying Agent shall deliver all securities and moneys held by it as Paying Agent hereunder to its successor. Should any instrument in writing from the District be required by any successor Paying Agent in order to more fully and certainly vest in such successor the estates, properties, rights, powers and trusts hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District. The resignation of any Paying Agent and the instrument or instruments removing any Paying Agent and appointing a successor hereunder, together with all other instruments provided

for in this Article, shall be filed and/or recorded by the successor Paying Agent wherever required by applicable law or to continue the perfection of any lien or security interest created hereby.

Section 9.10. Right of Paying Agent to Pay Taxes and Other Charges. If any tax, assessment or governmental or other charge upon any part of the Pledged Property is not paid as required herein, the Paying Agent may pay (with prior notice to the District of such payment), such tax, assessment or charge, without prejudice, however, to any rights of the Paying Agent or the Noteholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon (to the extent permitted by law) from the date of such payment until paid to the Paying Agent in full at a rate per annum equal to, the Prime Rate shall become so much additional indebtedness secured hereby, and the same shall be given a preference in payment over the principal of, premium, if any, redemption or purchase price and the interest on, the Notes and shall be paid out of the revenues and receipts from the Pledged Property, if not otherwise caused to be paid. The Paying Agent shall not be under obligation to make any such payment unless it shall have been requested to do so by the Holders of more than fifty percent (50%) in aggregate principal amount of the Notes then Outstanding and shall have been provided with sufficient moneys for the purpose of making such payment. A copy of any request to the Paying Agent to make a payment hereunder shall also be sent to the District.

Section 9.11. Paying Agent Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for herein may be accepted by the Paying Agent as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Paying Agent for the release of property and the withdrawal of moneys hereunder.

Section 9.12. Successor Paying Agent as Custodian of Funds. Upon a change in the office of Paying Agent, the predecessor Paying Agent which has resigned or has been removed shall cease to be the holder of the Note Account and the Subordinated Debt Subaccounts and the successor Paying Agent shall become such holder.

Section 9.13. Filing of Certain Continuation Statements. From time to time, the Paying Agent shall file or cause to be filed continuation statements for the purpose of continuing without lapse the effectiveness of (a) any financing statements which have been or will be filed in connection with the security for the Notes pursuant to the authority of the Kentucky Uniform Commercial Code as from time to time in effect, and (b) any previously filed continuation statements which shall also have been filed as herein required. Whenever it is necessary to file any continuation statement as provided in the preceding sentence, the District shall give notice to the Paying Agent of such requirement and shall also obtain, sign, record and deliver such continuation statement to the Paying Agent. The District shall also sign, record and deliver to the Paying Agent or its designee such continuation statements as may be requested of the District from time to time by the Paying Agent.

Section 9.14. Other Provisions Affecting Paying Agent. The District does hereby appoint as its agent the Paying Agent as the paying agent for the Notes and, in addition, may designate separate and additional paying agents to undertake any portion of the duties and obligations of the Paying Agent hereunder, all subject to the conditions set forth in Section 9.15

hereof. If any Paying Agent other than the Paying Agent is designated hereunder, the Paying Agent will make payments to such Paying Agent, with the funds provided for in this Resolution, sufficient to make timely payments of principal, premium and interest on the Notes. Any such Paying Agent shall designate to the District the principal corporate trust office of the Paying Agent and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Paying Agent and the District under which such Paying Agent will agree, if applicable:

(a) to hold all sums held by it for the payment of the principal of, premium, if any, redemption or purchase price or interest on Notes in trust for the benefit of Owners until such sums shall be paid to such Owners or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the District, the Paying Agent at all reasonable times; and

(c) upon the request of the Paying Agent, to forthwith deliver to the Paying Agent all sums so held in trust by it.

The District shall cooperate with each Paying Agent to cause the necessary arrangements to be made and to be thereafter continued whereby funds derived from the sources specified herein will be made available to the Paying Agent for the payment when due of the principal of, premium, if any, and interest on the Notes, or for the payment of the redemption or purchase price of the Notes.

Section 9.15. Qualifications of Co-Paying Agent; Resignation; Removal. Any Co-Paying Agent shall be a commercial bank or trust company, a national banking association, or a corporation rated B3/P3 or better by S&P and authorized by law to perform all the duties imposed on it by this Resolution. Any Co-Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least 60-days notice to the District and the Co-Paying Agent. The Co-Paying Agent may be removed at any time at the direction of the District, by an instrument signed by the District and approved by the Co-Paying Agent in writing if the Co-Paying Agent is a different entity from the Paying Agent, and filed with the Paying Agent.

In the event of the resignation or removal of any Co-Paying Agent, said Co-Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor or, if there be no successor, to the Paying Agent. Successor Co-Paying Agents may be appointed by the District.

ARTICLE X SUPPLEMENTAL RESOLUTIONS

Section 10.1. Supplemental Resolutions Not Requiring Consent of Noteholders. Subject to Section 10.4, the District may adopt, effective upon filing of a copy thereof certified by the District with the Paying Agent and without the consent of, or notice to, any of the Noteholders, one or more resolutions supplemental hereto which shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes, provided that in

the opinion of the District the change effected thereby is not to the prejudice of the interests of the Paying Agent or the Noteholders:

(a) to cure any ambiguity or formal defect or omission herein or between the terms and provisions hereof and the terms and provisions of any other instrument or document executed in connection herewith or with the issuance of the Notes;

(b) to grant to or confer upon the Noteholders, the Paying Agent or for the benefit of the Noteholders or the Paying Agent any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Noteholders or the Paying Agent;

(c) to subject to the lien and pledge hereof additional payments, revenues, properties or collateral including a lien, mortgage or security interest in a Project;

(d) to modify, amend or supplement this Resolution or any resolution supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Notes for sale under the securities laws of any of the states of the United States of America or the Securities Act of 1933, and, if it so determines, to add hereto or to any resolution supplemental hereto such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar Federal statute;

(e) to evidence the appointment of a Co-Paying Agent or the succession of a new Paying Agent;

(f) to effect any other supplement to this Resolution which, in the judgment of the District, will not adversely affect the interests of the Noteholders; or

(g) to modify or supplement this Resolution in such manner as may be necessary, in the Opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service.

Section 10.2. Supplemental Resolutions Requiring Consent of Noteholders.

(a) Exclusive of supplemental resolutions covered by Section 10.1 and subject to the terms and provisions contained in this section and to Section 10.4, and not otherwise, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Notes Outstanding shall have the right, from time to time, to consent to and approve the adoption by the District of such other resolution or resolutions supplemental hereto as shall be deemed necessary and desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any supplemental resolution; provided, however, that nothing in this Section contained shall permit, or be construed as permitting, (1) an extension of the maturity date on which the principal of or the interest on any Note is, or is to become, due and payable, (2) a reduction in the principal amount of any Note, premium, if any, or interest rate on any of the Notes, (3) the creation of a lien ranking prior to or on a parity with the lien of this Resolution on the property conveyed

pursuant to this Resolution or the deprivation of such lien, (4) a privilege or priority of any Note or Notes over any other Note or Notes, (5) the elimination of any mandatory redemption or mandatory purchase of Notes, extension of the due date for the purchase of Notes or call for mandatory redemption or the reduction of the purchase price or Redemption Price for the Notes or (6) a reduction in the aggregate principal amount of the Notes required for consent to such supplemental resolution without the consent of all Noteholders.

(b) If the District shall notify in writing the Paying Agent of the desire of the District to adopt any such supplemental resolution for any of the purposes of this Section, the Paying Agent shall, upon being satisfactorily indemnified with respect to expenses, cause written notice of the proposed adoption of such supplemental resolution together with a copy of such proposed supplemental resolution to be given by first class mail, postage prepaid, to the Holders of the Notes at their addresses shown on the Paying Agent's books of registration. If, within 60 days following the mailing of such notice or such longer period as shall be prescribed by the District and specified in such notice, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Notes Outstanding shall have consented to and approved the adoption of such supplemental resolution as herein provided, no Holder of any Note shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the District from adopting the same or the District or the Paying Agent from taking any action pursuant to the provisions thereof. Upon the adoption of any such supplemental resolution as in this section permitted and provided, and effective upon filing of a copy thereof certified by the District with the Paying Agent, and subject to Section 10.4, this Resolution shall be modified and amended in accordance therewith.

(c) This Resolution may not be amended, changed or modified except by the execution and delivery of a supplemental resolution entered into in accordance with the provisions of this Article X.

Section 10.3. Paying Agent Authorized to Accept Supplements; Reliance on Counsel. The Paying Agent is authorized to accept any supplemental resolution permitted by this Article X and, in so doing, shall be fully protected by an Opinion of Counsel that such supplemental resolution is so permitted and has been duly authorized by the District and that all things necessary to make it a valid and binding supplemental resolution have been done. The Paying Agent shall not be required to accept any supplemental resolution permitted by this Article X if, in the sole judgment of the Paying Agent, such action might adversely affect its rights, remedies, privileges, protections or indemnities or might increase its liability in any respect.

Section 10.4. Approval of Paying Agent. Anything herein to the contrary notwithstanding, a supplemental resolution under this Article X which affects any right or obligations of the Paying Agent under this Resolution shall not become effective unless and until the Paying Agent shall have consented to the adoption of such supplemental resolution. In this regard, the District shall cause notice of the proposed adoption of any such supplemental resolution together with a copy of the proposed supplemental resolution to be mailed by certified or registered mail to the Paying Agent at least 30 days prior to the proposed date of adoption of any such supplemental resolution. The Paying Agent shall be deemed to have consented to the

adoption of any such supplemental resolution if the District does not receive a letter of protest or objection thereto signed by or on behalf of the Paying Agent on or before 4:00 p.m., Eastern Time, of the fifteenth day after the mailing of said notice and a copy of the proposed supplemental resolution.

THIS RESOLUTION WAS ADOPTED ON APRIL 26, 2010.


Chairperson or Vice Chairperson

Attest:



Authorized Officer

EXHIBIT A
FORM OF NOTE
SEE TAB #34

EXHIBIT B
FORM OF NOTICE OF SALE
SEE TAB #4

EXHIBIT C
FORM OF OFFICIAL BID FORM
SEE TAB #5

EXHIBIT D

FORM OF OFFICIAL TERMS AND CONDITIONS OF SALE

SEE TAB #1