



Finance and Capital Committee

Action Item III-A

July 13, 2023

Second Lien Dedicated Revenue Bonds Series 2023A

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	Document Number: 205522	Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No
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Presentation Name:

Second Lien Dedicated Revenue Bonds, Series 2023A

Project Manager:

Stacey Graham

Project Department:

TRES

Purpose/Key Highlights:

The issuance of Second Lien Dedicated Revenue Bonds advances Metro's Strategic Transformation Plan goals of **service excellence** and **sustainability**.

In this presentation, staff will review security of debt and financing and marketing strategies to support on-going capital investment projects and request approval of terms and authorization to issue Second Lien Dedicated Revenue Bonds, Series 2023A.

Interested Parties:

PFM Financial Advisors & Consultants
Frasca & Associates LLC
Hogan Lovells
BLX Group
Wells Fargo Securities
Jefferies
Siebert Williams Shank & Co., LLC
Academy Securities
Loop Capital Markets
Stern Brothers
Truist Securities

Background:

Debt issuance for capital projects is provided for under the WMATA Compact. Pursuant to Section 4(b)(2) of the Capital Funding Agreement (CFA), all or any portion of the

Capital Improvement Plan (CIP) may be funded through short-term or long-term debt financing.

On April 23, 2020 the Board adopted the Dedicated Capital Funding Bond Resolution (Resolution 2020-12), establishing a credit pledging WMATA Dedicated Capital Funds as collateral for senior and subordinate bond issuances. The Board then approved the sale of Series 2020A, 2021A and 2023A bonds which exhausted the senior lien additional bonds test (ABT) covenant of four-times coverage.

On April 14, 2023, the Board adopted the FY2024 Budget which included debt to fund a portion of the Capital Budget and authorized staff to issue Dedicated Capital Funding Bonds through a negotiated sale method in an amount up to \$797.8 million.

Discussion:

Resolution 2020-12 established a bond indenture which leveraged \$500 million of annual Dedicated Capital Revenues as security for bonds with a four-times ABT for senior lien concomitant with capacity for subordinate liens with a lower ABT to maximize the aggregate value of Dedicated Revenues. Metro exhausted capacity under the senior lien through the issuance of Dedicated Revenue Bonds Series 2020A, 2021A and 2023A.

Metro's FY2024 capital plan authorizes up to \$797.8 million in debt to fund capital improvements which requires the issuance of subordinated debt. The proposed resolution for the Second Lien Bond Indenture includes the following provisions:

- Dedicated revenue receipts are deposited in WMATA Trust accounts at a financial institution
- Receipts are first applied to debt service payments on Dedicated Revenue Bonds, Series 2020A, 2021A and 2023A
- Receipts are next applied to debt service for the Second Lien Dedicated Revenue Bonds, Series 2023A
- Remaining funds are transferred to WMATA for pay-go on capital projects
- Maximum debt capacity under the second lien is capped 1.5 times ABT all bonds (annual revenue divided by the sum of first and second lien debt service)

The proposed Supplemental Resolution authorizes the issuance of the first series of Second Lien Dedicated Capital Revenues Bonds, Series 2023A under the following parameters:

- Subordinate to 2020A, 2021A and 2023A bonds
- 30-year maximum maturity
- Par Issuance \$797.8 million
- Average interest not to exceed 7.0 percent
- No capitalized debt service requirements
- Rated by at least two credit rating agencies

- Designated as Sustainability-Climate Transition Bonds with an Independent Verifier
- Negotiated Sales Method
- 30 percent disadvantaged business enterprise (DBE) participation

Funding Impact:

Resolution 2023-09 authorized debt issuance through a negotiated sale method to fund a portion of the FY2024 Capital Budget. The cost of issuance will be paid from debt proceeds; therefore, there is no funding impact.

Previous Actions:

On April 23, 2020, the Board adopted the Dedicated Capital Funding Bond Resolution (2020-12), establishing a credit pledging WMATA Dedicated Capital Funds as security for senior and subordinate bond issuances. The Board then approved the sale of Series 2020A, 2021A and 2023A bonds which exhausted the senior lien ABT covenant of four-times coverage.

On April 14, 2023, the Board adopted the FY2024 Budget which included debt to fund a portion of the Capital Budget and authorized staff to issue Dedicated Capital Funding Bonds through a negotiated sale method in an amount up to \$797.8 million.

On May 17-18, 2023, Board members met with bond rating agencies in New York to provide an update on the state of Metro and the security for the subordinate lien of Dedicated Capital Revenues.

On May 22, 2023, a request for proposal (RFP) for bond underwriters on the Second Lien Dedicated Capital Revenues, Series 2023A was published.

Next Steps:

July 31 - Marketing to Investors

August 7 - Bond Pricing

August 15 - Bond Closing

Recommendation:

Approval to: Issue Second Lien Dedicated Revenues Bond, Series 2023A

Second Lien Dedicated Revenue Bonds Series 2023A

Finance and Capital Committee
July 13, 2023



Purpose

- Approval of Second Lien Dedicated Capital Funding Bond Resolution
- Review security of debt and financing and marketing strategies to support on-going capital investment projects
- Authorize issuance and terms for Second Lien Dedicated Revenue Bonds, Series 2023A with approval of the 2023A Supplemental Second Lien Bond Resolution

1. Second Lien Dedicated Revenue Bonds advance Metro's STP goal of service excellence by funding a portion of the FY2024 Capital Budget

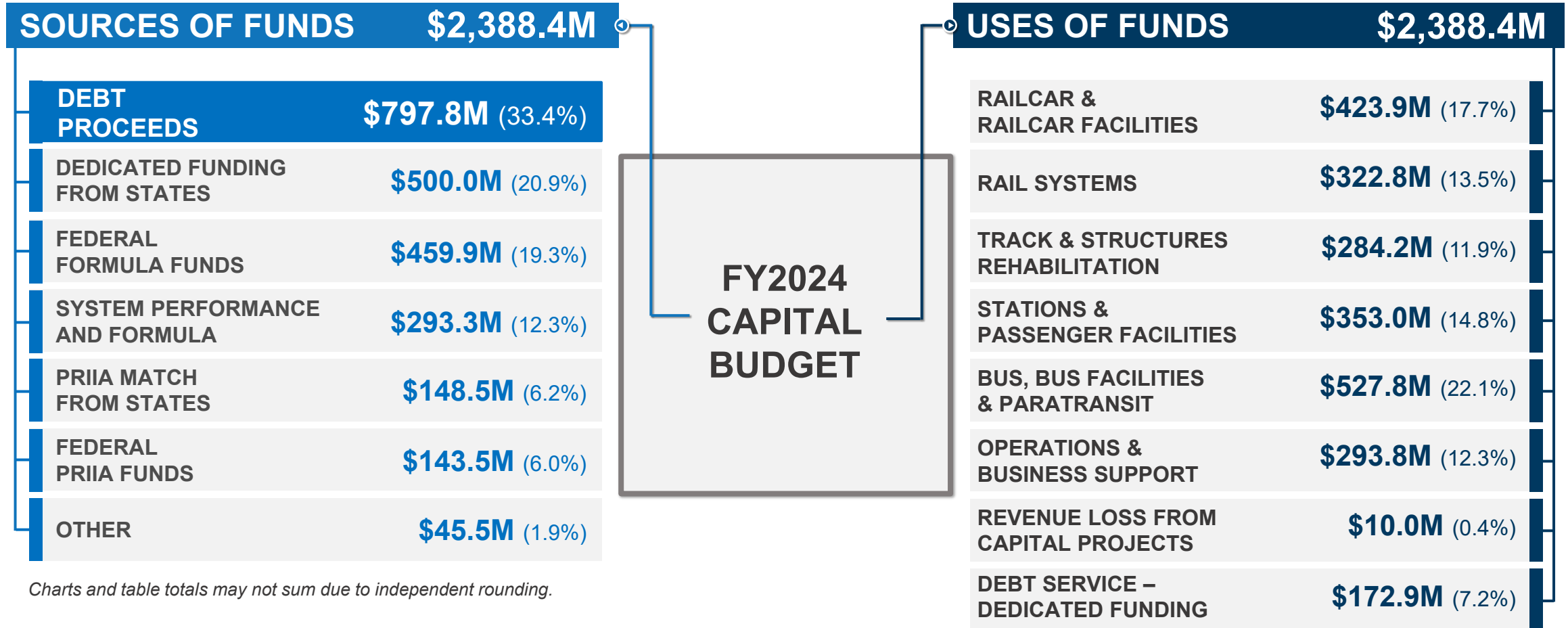


2. Advance Metro's sustainability goals with designation of Second Lien Dedicated Revenue Bonds, Series 2023A as Sustainability Bonds-Climate Bond Certified

Dedicated Revenues Security

- \$470 million each year excluding approximately \$30 million of non-bondable funding through historic statutes enacted in 2018 by Virginia, Maryland and District of Columbia
- Dedicated revenue receipts deposited in Trust accounts
- Receipts first applied to debt service payments on Dedicated Revenue Bonds, Senior Lien Series 2020A, 2021A and 2023A
- Next applied to debt service for the Second Lien Dedicated Revenue Bonds, Series 2023A
- Remaining funds transferred to Metro for pay-go on capital projects

Bond Issuance Provides \$797.8M to Fund Capital



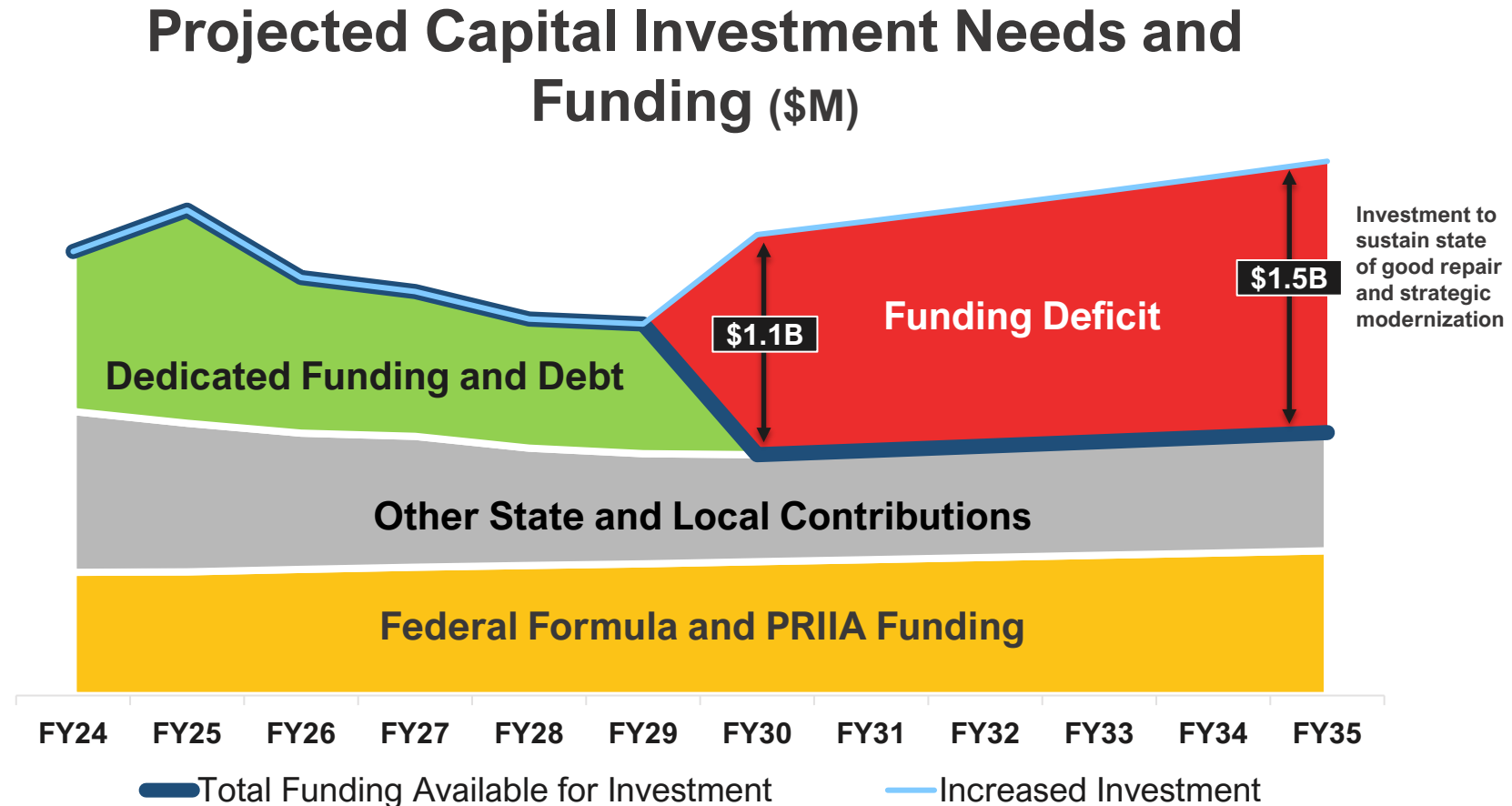
Proposed Second Lien Bond Issuance Size and Terms

Description	Terms
Bond Maturity (Not to Exceed)	30 Years
Par Issuance Size (Not to Exceed)	\$797.8 M
Average Coupon (Not to Exceed)	7.0%



Capital Funding Deficit Approaching

Dedicated capital funding borrowing capacity projected to be exhausted in FY2029 and new capital funding will be needed to address ongoing system safety, renewal and modernization needs

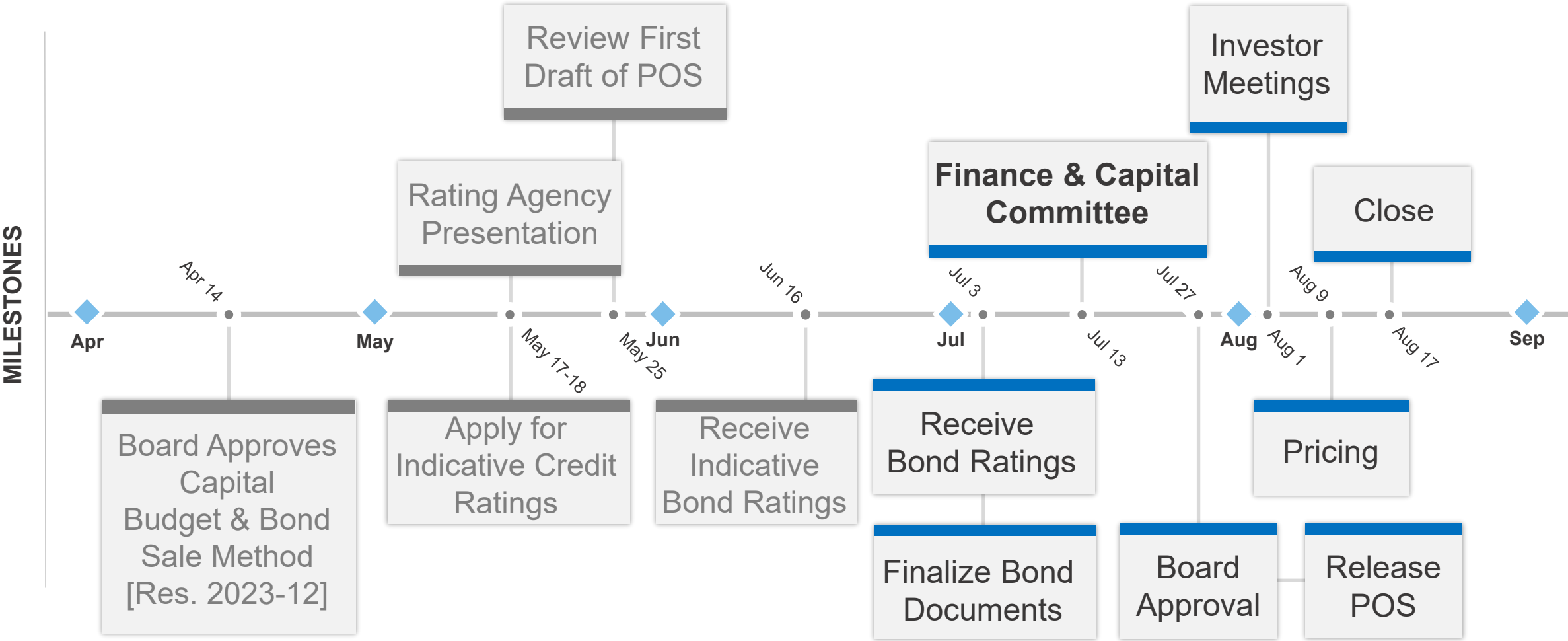


Negotiated Bond Sale

Resolution 2023-12 approved sale method based upon the following:

- Co-Financial Advisors, Frasca Associates and PFM, recommended a negotiated sales strategy to facilitate optimum structuring, marketing and cost
- Second Lien Dedicated Capital Revenues is a new credit the market has not seen
- Greater agility to respond to market volatility and flexibility to optimize the day/week to price bonds
- Optimize structure to maximize investor interest (Coupons, Call Features)
- Multiple revenue streams with a complex, multi-jurisdictional agreements, contributions and requirements

Bond Timeline



Recommendation

- Board approval of the WMATA Second Lien Dedicated Capital Funding Bond Resolution
- Authorize the issuance of the Second Lien 2023A Series bonds through Negotiated Sale with the approval of the 2023A Supplemental Second Lien Bond Resolution

Next Steps

- Investor Meetings (early August)
- Bond Sale (mid August)

Appendix



Debt Profile

Forecast Debt Outstanding 6/30/2023 & 6/30/2024 (Millions)

Bond Series	Issued	Original Par	Outstanding 6/30/2023	Outstanding 6/30/2024*
Series 2017A	6/9/2017	\$197.4	\$168.5	\$157.9
Series 2017B	8/2/2017	\$496.5	\$449.1	\$435.7
Series 2018	11/28/2018	\$239.9	\$223.2	\$217.0
Gross Revenue Debt			\$840.8	\$810.7
Series 2020A	6/3/2020	\$545.0	\$545.0	\$532.0
Series 2021A	5/25/2021	\$784.4	\$784.4	\$766.2
Series 2023A	3/2/2023	\$392.0	\$392.0	\$392.0
Dedicated Revenue Debt Outstanding			\$1,721.4	\$1,690.2
Series 2023* (<i>Proposed 2nd Lien New Money</i>)				\$798.0
Dedicated Revenue Debt*			\$1,721.4	\$2,488.2
Total Debt Outstanding (& Forecast)			\$2,562.2	\$3,298.8

*Forecast

Market Variability Determines the Amount of Debt Capacity, Such Risks Include:

\$4.6 Billion FY2024 – FY2029 CIP

- CIP Constant with FY2024 Budget
- Interest Rates as of May 2023
- Borrow up to a maximum leverage ratio of 1.2X
- Scenario: Interest Rates Rise 100 bps (1.0%) capacity may reduce to \$4.3 billion

Additional Risk Factors

- Variability in Virginia non-restricted dedicated revenue receipts

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

2023-____
SECOND LIEN DEDICATED CAPITAL FUNDING BOND RESOLUTION

ADOPTED _____, 2023

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SECOND LIEN DEDICATED CAPITAL FUNDING BOND RESOLUTION

BE IT RESOLVED by the Board of Directors of the Washington Metropolitan Area Transit Authority as follows:

ARTICLE I DEFINITIONS AND STATUTORY AUTHORITY

Section 101. Definitions. The following terms shall, for all purposes herein, have the following meanings:

2003 Bond Resolution shall mean the Gross Revenue Bond Resolution 2003-53, adopted by the Authority on September 23, 2003, as the same from time to time may be amended or supplemented in accordance with its terms, including without limitation as amended by Resolution 2018-47 (the 2018 Supplemental Bond Resolution Supplementing and Amending Gross Revenue Bond Resolution 2003-53), adopted by the Authority on November 15, 2018.

2003 Dedicated Revenues Account shall mean the Future Dedicated Revenues Account established in Section 504 of the 2003 Bond Resolution.

2003 Trustee shall mean the trustee for the Pre-2018 Obligations appointed pursuant to the terms of the 2003 Bond Resolution.

Account or **Accounts** shall mean each account or all of the accounts established in Article V of the Second Lien Resolution.

Accreted Value shall mean with respect to any Capital Appreciation Second Lien Obligations (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Second Lien Resolution authorizing such Capital Appreciation Second Lien Obligations and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated based on a 360-day year of twelve (12) 30-day months, unless otherwise provided pursuant to a Supplemental Second Lien Resolution.

Accrued Debt Service shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued and unpaid Debt Service with respect to all Second Lien Obligations and Second Lien Parity Debt, calculating the accrued Debt Service with respect to each Second Lien Obligation at an amount equal to the sum of (i) as estimated by an Authorized Officer, interest on the Second Lien Obligations and interest components of Second Lien Parity Debt accrued and unpaid and to accrue to the next Debt Service Payment Date, and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Second Lien Obligations and Second Lien Parity Debt next due which would have accrued (if deemed to accrue in the manner set forth in the definition of “Second Lien Debt Service”) to the next Debt Service Payment Date.

For purposes of calculating Second Lien Debt Service Fund deposits, Principal Installments shall not include amounts that an Authorized Officer has notified the Second Lien Trustee are to be paid from sources other than Dedicated Capital Funding Revenues, nor shall Accrued Debt Service include any amounts that, as certified by an Authorized Officer, have been set aside hereunder or otherwise in trust for the payment thereof.

Air Rights shall mean that space which (i) extends upward from the real property which constitutes all or any part of the Transit System, and (ii) is not used, or reasonably anticipated to be used, in connection with the operation of the Transit System.

Amortized Value, when used with respect to Authorized Investments purchased at a premium above or a discount below par, shall mean the value of such Authorized Investments computed by using an industry standard constant yield method selected by an Authorized Officer of the Authority.

Appreciated Value shall mean with respect to any Deferred Income Second Lien Obligations (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Second Lien Resolution authorizing such Deferred Income Second Lien Obligations, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of twelve (12) 30-day months, unless otherwise provided pursuant to a Supplemental Second Lien Resolution.

Authority shall mean the Washington Metropolitan Area Transit Authority, a body corporate and politic created and existing under and by virtue of the Compact, or, if said Washington Metropolitan Area Transit Authority shall be abolished, the officer, board, commission, authority, agency or instrumentality succeeding to the functions thereof or to whom the powers given by the Compact to the Authority shall be given by law.

Authorized Investments shall mean and include any of the following, to the extent, at the time of the acquisition thereof, the same are legal for investment of the Authority's funds under the Compact:

- (a) U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the United States Government;
- (b) debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, or government-sponsored enterprise (GSE), which include but are not limited to Fannie Mae, Freddie Mac, the Federal Farm Credit System, and the Federal Home Loan Bank;

- (c) U.S. dollar denominated debt obligations of a multilateral organization of governments;
- (d) U.S. dollar denominated corporate notes, bonds, or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity;
- (e) obligations issued or guaranteed by any state, territory, or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality, or other unit of local government of any U.S. state or territory rated in any of the top three Rating Categories;
- (f) mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise (GSE), including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and REMICs;
- (g) asset-backed securities (ABS) whose underlying collateral consists of loans, leases, or receivables, including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases, or home-equity loans;
- (h) negotiable bank certificates of deposit, deposit notes, or other deposit obligations issued by a nationally or state-chartered bank, credit union, or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution;
- (i) non-negotiable interest-bearing time certificates of deposit, savings accounts, or deposit accounts in banks organized under the laws of this state or in national banks organized under the laws of the United States and doing business in this state, provided that any such deposits are secured or collateralized, if required by state or Federal law;
- (j) interest bearing time certificates of deposit, savings accounts, or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA);
- (k) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Second Lien Trustee and the Authority, or bankers' acceptances of depository institutions, including the Second Lien Trustee or any of its affiliates;
- (l) U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust, or other entity, including both unsecured debt and asset-backed programs rated in the top short-term Rating Category by at least one Rating Agency;

- (m) banker's acceptances issued, drawn on, or guaranteed by a U.S. bank or branch of a foreign bank;
- (n) shares in open-end and no-load money market;
- (o) mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7;
- (p) repurchase agreements with any provider, which agreement is secured by any one or more of the securities described in clauses (a), (b) or (e) above, which securities shall (A) at all times have a market value of not less than the full amount held or invested pursuant to the agreement and (B) be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian, that is independent from the provider with whom the repurchase agreement is executed;
- (q) forward delivery agreements ("FDAs") with any provider who has a rating (at the time the FDA is entered into) of at least A3 by Moody's or at least A- by S&P or Fitch, or a similar rating by another equivalent national ratings agency; provided, however, that, if any such provider is subsequently downgraded below Baa3 by Moody's or below BBB- by S&P or Fitch, or a similar rating by another equivalent national ratings agency, such FDA shall no longer qualify as an Authorized Investment;
- (r) guaranteed investment contracts or other structured investments ("GICs") with any provider who has a rating (at the time the GIC is entered into) of at least A3 by Moody's or at least A- by S&P or Fitch, or a similar rating by another equivalent national ratings agency; provided, however, that any such GIC shall require that if the provider is subsequently downgraded below A3 by Moody's or below A- by S&P or Fitch, or a similar rating by another equivalent national ratings agency, the provider shall secure its obligations by posting collateral or converting the GIC into a repurchase agreement; and
- (s) any other investment in which the Authority is authorized from time to time to invest under applicable law with respect to which an Authorized Officer has, on or before the date thereof, delivered to the Second Lien Trustee a certificate to the Second Lien Trustee designating the additional investment as an Authorized Investment.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the Authority of the particular obligations or of a recognized securities depository.

Authorized Officer shall mean (i) the Chairman and the Vice Chairman, (ii) the General Manager and Chief Executive Officer, the Executive Vice President & Chief Financial Officer, the Vice President & Comptroller, the Vice President & Treasurer, the Board Corporate Secretary and any Assistant Board Corporate Secretary of the Authority, or successor positions regardless of title performing the same or similar functions and (iii) any other Person authorized by the Authority

pursuant to a duly adopted resolution of the Authority to perform the act or sign the document in question.

Balloon Second Lien Obligations shall mean Second Lien Obligations designated as Balloon Second Lien Obligations in a Supplemental Second Lien Resolution and where 25% or more of the principal amount of such Second Lien Obligations matures on the same date and such portion of the principal amount of such Second Lien Obligations is not required to be amortized by payment or redemption prior to such date. If any Series of Second Lien Obligations or any Second Lien Parity Debt consists partially of Variable Interest Rate Second Lien Obligations and partially of Second Lien Obligations bearing interest at a fixed rate, the portion constituting Variable Interest Rate Second Lien Obligations and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such Series of Second Lien Obligations or Second Lien Parity Debt constitutes Balloon Second Lien Obligations.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Business Day shall mean any day of the year other than (i) a Saturday or a Sunday, (ii) any day on which Banks located in the City of New York, New York or the city in which the Principal Office of the Second Lien Trustee is located or the District of Columbia are required or authorized by law or executive order to remain closed, or (iii) any day on which the New York Stock Exchange is closed.

Capital Appreciation Second Lien Obligations shall mean any Second Lien Obligations denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Second Lien Obligations. Except as otherwise provided by Supplemental Second Lien Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Second Lien Obligation is redeemed prior to maturity, (ii) computing the principal amount of Second Lien Obligations held by the registered owner of a Capital Appreciation Second Lien Obligation in giving to the Authority or the Second Lien Trustee any notice, consent, request, or demand pursuant to the Second Lien Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Second Lien Obligation shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Capital Budget shall mean the Authority's capital budget, as amended or supplemented from time to time, adopted or in effect for a particular Fiscal Year, as provided in Section 23 of the Compact.

Capital Costs shall mean the costs of the Authority related to the implementation of the Capital Budget.

Certificate of Determination shall mean a certificate of an Authorized Officer, fixing the terms, conditions and other details of Second Lien Obligations, Second Lien Parity Debt, Second Lien Credit Facilities, Junior Indebtedness or Junior Contract Obligations in accordance with the delegation of power to do so under a Supplemental Second Lien Resolution.

Clearing Account shall mean the Account by that name established in Section 502 of the Senior Lien Resolution.

Clearing Account Agent shall mean the Bank selected by the Authority pursuant to Section 502 of the Senior Lien Resolution.

Compact shall mean the Washington Metropolitan Area Transit Authority Compact entered into as an amendment of the Washington Metropolitan Area Transit Regulation Compact between the State of Maryland, the Commonwealth of Virginia and the District of Columbia and constituting Title III of said Washington Metropolitan Area Transit Regulation Compact, together with all amendments and supplements to said Title III heretofore entered into or which may be entered into in accordance with law.

Costs of Issuance shall mean the costs of the authorization, sale and issuance of a Series of Second Lien Obligations, Second Lien Obligation Anticipation Notes, Junior Indebtedness, Second Lien Parity Debt, Junior Contract Obligations or other obligations authorized under the Second Lien Resolution, including with respect to any party to a transaction, charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, fees and charges of the Second Lien Trustee and other Fiduciaries and agents, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution of documents, investor relations website fees, transportation and safekeeping of Second Lien Obligations, premiums, fees and charges in order to obtain, renew, extend or terminate Second Lien Credit Facilities and Second Lien Qualified Swaps and other financial arrangements, costs and expenses of refunding such Second Lien Obligations, Second Lien Obligation Anticipation Notes, Junior Indebtedness, Second Lien Parity Debt, Junior Contract Obligations or other obligations authorized under the Second Lien Resolution, and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Counsel's Opinion or **Opinion of Counsel** or **Opinion** shall mean an opinion signed by an attorney or firm of attorneys of recognized standing (who may be outside counsel to the Authority) selected by the Authority.

Debt Service shall mean collectively Second Lien Debt Service and Senior Lien Debt Service.

Debt Service Payment Date shall mean, with respect to any portion of Second Lien Debt Service, the date on which the Second Lien Debt Service shall be payable.

Dedicated Capital Funding Acts shall mean the following legislative enactments: D.C. Code § 1-325.401; Va. Code § 33.2-3401; and Md. Transit Code Ann. § 10-205(g).

Dedicated Capital Funding Revenues shall mean only those funds received by the Authority from the Signatories pursuant to the Dedicated Capital Funding Acts as the same exist

on [INSERT DATE OF ADOPTION OF RESOLUTION], 2023. Dedicated Capital Funding Revenues do not include (a) those funds under Va. Code § 33.2-3401.B.1, which are ineligible for use as security for debt, (b) any funds in excess of the respective amounts set forth in the Dedicated Capital Funding Acts as of [INSERT DATE OF ADOPTION OF RESOLUTION], 2023, as a result of any amendment to any of the Dedicated Capital Funding Acts unless the Authority amends the Second Lien Resolution in accordance with its terms to pledge such increased funds as part of the Second Lien Trust Estate under the Second Lien Resolution or (c) any other revenues, taxes, charges, assessments or other moneys paid to the Authority.

Defeasance Security shall mean

(a) an Authorized Investment as specified in clause (a), (b), or (c) of the definition thereof, which is non-callable and non-prepayable; or

(b) any other Authorized Investment designated in a Supplemental Second Lien Resolution as a Defeasance Security for purposes of defeasing the Series of Second Lien Obligations authorized by such Supplemental Second Lien Resolution, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by at least one Rating Agency.

Deferred Income Second Lien Obligation shall mean any Second Lien Obligation (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Second Lien Obligation is (i) compounded on each Valuation Date for such Deferred Income Second Lien Obligation and (ii) payable only at the maturity or prior redemption of such Second Lien Obligations and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Second Lien Resolution. Except as otherwise provided by Supplemental Second Lien Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Second Lien Obligation is redeemed prior to maturity, (ii) computing the principal amount of Second Lien Obligations held by the registered owner of a Deferred Income Second Lien Obligation in giving to the Authority or the Second Lien Trustee any notice, consent, request, or demand pursuant to the Second Lien Resolution for any purpose whatsoever or (iii) computing Second Lien Debt Service, the principal amount of a Deferred Income Second Lien Obligation shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Second Lien Obligations or Second Lien Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Second Lien Obligations or Second Lien Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer.

Events of Default shall mean the events defined as such in Section 701.

Fiduciary or Fiduciaries shall mean the Second Lien Trustee, any Second Lien Registrar, any Paying Agent, any tender agent or any or all of them, as may be appropriate, or any Person appointed to act as a Fiduciary as provided in the Second Lien Resolution.

Final Judgment shall mean any judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted.

Fiscal Year shall mean the then current annual accounting period of the Authority for its general accounting purposes, which period, as of [INSERT DATE OF ADOPTION OF RESOLUTION], 2023, is the twelve-month period commencing on July 1 of each calendar year and ending on June 30 of the next calendar year.

Fund or Funds shall mean each fund or all of the funds established in or pursuant to Article V of the Second Lien Resolution.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Second Lien Obligation, the date determined by Supplemental Second Lien Resolution after which interest accruing on such Second Lien Obligation shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Second Lien Resolution.

Joint Development Project shall mean property interests owned and/or controlled by the Authority (including property interests constituting a part of the Transit System) which the Authority markets to one or more office, retail/commercial, recreational/entertainment or residential developers with the objective of developing one or more transit-oriented development projects.

Junior Contract Obligation shall mean any payment obligation (other than a payment obligation constituting Second Lien Parity Debt or Junior Indebtedness) arising under (a) any Second Lien Credit Facility which has been designated as constituting a “Junior Contract Obligation” in a certificate of an Authorized Officer delivered to the Second Lien Trustee, (b) any Second Lien Qualified Swap or portion thereof which has been designated as constituting a “Junior Contract Obligation” in a certificate of an Authorized Officer delivered to the Second Lien Trustee; and (c) any other contract, agreement or other obligation of the Authority designated as constituting a “Junior Contract Obligation” in a certificate of an Authorized Officer delivered to the Second Lien Trustee. Each Junior Contract Obligation shall be payable and secured in a manner permitted by Article V, and any lien on and pledge of any portion of the Second Lien Trust Estate securing Junior Contract Obligations shall be junior and inferior to the lien on and pledge of the Second Lien Trust Estate herein created for the payment of the Second Lien Obligations and Second Lien Parity Debt.

Junior Indebtedness shall mean any bond, note or other indebtedness for capital projects to be funded by Dedicated Capital Funding Revenues authorized by Supplemental Second Lien Resolution or other resolution of the Authority and designated as constituting “Junior Indebtedness” in a certificate of an Authorized Officer delivered to the Second Lien Trustee, which shall be payable and secured in a manner permitted by Article V of the Second Lien Resolution, and any lien on and pledge of any portion of the Second Lien Trust Estate securing Junior

Indebtedness shall be junior and inferior to the lien on and pledge of the Second Lien Trust Estate herein created for the payment of the Second Lien Obligations and Second Lien Parity Debt.

Maximum Annual Debt Service shall mean, as of any date of calculation, the amount of Debt Service for the current or any future Fiscal Year in which the greatest amount of Debt Service is required.

Obligations shall mean collectively Senior Lien Obligations and Second Lien Obligations. The term “Obligations” does not include Junior Indebtedness or Junior Contract Obligations.

Opinion of Bond Counsel shall mean an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of law relating to the issuance of obligations by state and municipal entities, selected by the Authority.

Outstanding, when used with reference to Second Lien Obligations or Second Lien Obligations of a Series, shall mean, as of any date, Second Lien Obligations or Second Lien Obligations of such Series theretofore or thereupon to be delivered under the Second Lien Resolution except:

- (a) Any Second Lien Obligations canceled at or prior to such date;
- (b) Second Lien Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof;
- (c) Second Lien Obligations in lieu of or in substitution for which other Second Lien Obligations shall have been delivered pursuant to Article III or Section 406 or Section 1005;
- (d) Second Lien Obligations deemed to have been paid as provided in subsection 2 of Section 1102;
- (e) Put Second Lien Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Second Lien Resolution authorizing such Second Lien Obligations on the applicable tender date, if the Purchase Price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Second Lien Resolution, except to the extent such tendered Put Second Lien Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Second Lien Resolution; and
- (f) For the purpose of any consent to be given or other action to be taken by or upon the direction of Owners of a specified portion of Second Lien Obligations Outstanding, Second Lien Obligations excluded pursuant to Section 1112.

The principal component of any Second Lien Parity Debt shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Authority thereunder in lieu of the related Second Lien Obligation, regardless of the authorized amount of the principal component of such Second Lien Parity Debt or the related Second Lien Obligation and provided that, unless otherwise required pursuant to the related Supplemental Second Lien

Resolution, the principal component of such Second Lien Parity Debt shall not by itself increase the Outstanding principal amount of Second Lien Obligations.

Owner, or any similar terms, shall mean, as applicable, (a) the registered owner of any Second Lien Obligation as shown on the books for the registration and transfer of Second Lien Obligations maintained in accordance with Section 305 or the registered owner of any Senior Lien Obligation as shown on the books for the registration and transfer of Senior Lien Obligations maintained in accordance with Section 305 of the Senior Lien Resolution.

Parity Reimbursement Second Lien Obligation has the meaning provided in subsection 4 of Section 206.

Parity Swap Second Lien Obligation has the meaning provided in subsection 6 of Section 206.

Parking Facilities shall mean parking facilities owned or operated by the Authority.

Participating Jurisdiction(s) shall mean and include the District of Columbia, the cities of Alexandria, Falls Church and Fairfax, Virginia, and the counties of Arlington, Fairfax and Loudoun, Virginia, and political subdivisions of the Commonwealth of Virginia located within those counties, the counties of Montgomery, and Prince George's, Maryland, and political subdivisions of the State of Maryland located within those counties, and any other government or governmental unit embraced by the Washington Metropolitan Area Transit Zone, as defined in Section 3 of the Compact or added pursuant to another provision of the Compact, (a) in which the Authority operates the Transit System, and (b) which contributes funds to support the Authority.

Paying Agent shall mean any paying agent for the Second Lien Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Second Lien Resolution.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pre-2018 Bonds shall mean the \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A, of the Authority at any time outstanding under the 2003 Bond Resolution, and the \$496,500,000 Gross Revenue Transit Bonds, Series 2017B, of the Authority at any time outstanding under the 2003 Bond Resolution.

Pre-2018 Jurisdictional Funding Sources shall mean the following legislative enactments: D.C. Code §§ 1-2451 *et seq.*; Va. Code §§ 15.1-37.3:5, 58.1-638 and 58.1-1720; Arlington County Code § 27-15; Fairfax County Code §§ 4-5-4; Md. Transit Cod Ann. § 10-205(e); Montgomery County Code § 52-13; Code of Prince George's County § 10-255; Alexandria City Ordinance No. 2707, dated June 22, 1982; Fairfax City Ordinance No. 1982-23, dated June 29, 1982; and City of Falls Church Ordinance No. 1010, dated May 24, 1982; and shall include the funds paid by any Participating Jurisdiction for such purposes in-lieu-of such amounts.

Pre-2018 Jurisdictional Funding Revenues shall mean funds paid by the Participating Jurisdictions from the Pre-2018 Jurisdictional Funding Sources.

Principal Installments shall mean, as of any date of calculation and with respect to any Series of Second Lien Obligations or any Second Lien Parity Debt, as applicable, (a) the principal amount of Outstanding Second Lien Obligations of such Series, due on the dates and in the amounts specified by a related Supplemental Second Lien Resolution, reduced by the principal amount of such Second Lien Obligations which would be retired by reason of the payment when due and application in accordance with the Second Lien Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance (determined as provided in Section 508) of any Sinking Fund Installments due on any certain future date for Second Lien Obligations of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Second Lien Parity Debt, the amount due thereunder on the dates and in the amounts established in accordance with Section 202 as a principal component of such Second Lien Parity Debt payable on a parity with the Second Lien Obligations.

Principal Office of the Second Lien Trustee shall mean the designated corporate trust office of the Second Lien Trustee.

Purchase Price shall mean, with respect to any Second Lien Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of a Second Lien Obligation subject to mandatory tender for purchase on a date when such Second Lien Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Second Lien Obligation if redeemed on such date.

Put Second Lien Obligations shall mean Second Lien Obligations which by their terms may be tendered at the option of the Owner thereof or are subject to a mandatory tender other than at the election of the Authority, for payment or purchase prior to the stated maturity or redemption date thereof.

Rating Agency shall mean a nationally recognized statistical rating organization.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken hereunder; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Second Lien Obligations.

Record Date, except as otherwise provided by Supplemental Second Lien Resolution or a certificate of an Authorized Officer, shall mean the last Business Day preceding a payment date or other date on which an action is to be taken.

Redemption Price shall mean, with respect to any Second Lien Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Second Lien Resolution.

Refunding Second Lien Obligations shall mean all Second Lien Obligations authenticated and delivered on original issuance pursuant to Section 204.

Reimbursement Second Lien Obligation has the meaning provided in subsection 4 of Section 206.

Responsible Officer shall mean any officer assigned to the corporate trust office of the Second Lien Trustee, or any other officer of the Second Lien Trustee customarily performing functions similar to those performed by any of such officers and who has direct responsibility for the administration of the Second Lien Resolution, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

Second Lien Cost of Issuance Account shall mean the applicable Account by that name established in the Second Lien Proceeds Fund for a Series of Second Lien Obligations pursuant to Section 503.

Second Lien Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Authority and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Second Lien Obligations, Second Lien Parity Debt or Second Lien Obligation Anticipation Notes.

Second Lien Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Second Lien Obligations or any Second Lien Parity Debt outstanding, the sum of: (i) interest on the Second Lien Obligations of such Series and the interest components of Second Lien Parity Debt accruing during such period and (ii) that portion of each Principal Installment for such Second Lien Obligations and Second Lien Parity Debt that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Second Lien Obligations and Second Lien Parity Debt; *provided, however, that*, unless otherwise set forth in a Supplemental Second Lien Resolution, no Principal Installment shall be deemed to begin accruing until *the later of* one year prior to such Principal Installment's due date or the date of issuance or incurrence of the related Second Lien Obligation or Second Lien Parity Debt; *provided further*, for purposes of calculating Second Lien Debt Service Fund deposits and Maximum Annual Debt Service, and with respect to any Series of Second Lien Obligations or any Second Lien Parity Debt, the Authority may compute such sum based on the following adjustments:

(1) Interest on Variable Interest Rate Second Lien Obligations may be based on the Estimated Average Interest Rate applicable thereto.

(2) Interest on any Second Lien Obligation or Second Lien Parity Debt in respect of which the Authority has entered into a Second Lien Qualified Swap may be based on:

(a) the fixed rate or rates of the Second Lien Qualified Swap if the Authority has entered into what is generally referred to as a “floating-to-fixed” Second Lien Qualified Swap (where the Authority pays a fixed rate and receives a floating rate); or

(b) the lower of (i) the Estimated Average Interest Rate and (ii) the effective capped rate of any Second Lien Obligation or Second Lien Parity Debt if the Authority has entered into a Second Lien Qualified Swap that is generally referred to as an “interest rate cap” (where the Authority receives a payment if a variable rate exceeds a certain amount); or

(c) the Estimated Average Interest Rate of the Second Lien Qualified Swap if the Authority has entered into either what is generally referred to as a “fixed-to-floating” Second Lien Qualified Swap (where the Authority pays a variable rate and receives a fixed rate) or a “floating-to-floating” Second Lien Qualified Swap (where the Authority pays a variable rate and receives a different variable rate).

(3) If any Series of Second Lien Obligations or any Second Lien Parity Debt constitutes Balloon Second Lien Obligations, then, for purposes of determining the annual amount payable on account of principal of and interest on such Series of Second Lien Obligations or Second Lien Parity Debt, such Series of Second Lien Obligations or Second Lien Parity Debt that are or would be Balloon Second Lien Obligations shall be treated as if the principal amount of such Series of Second Lien Obligations or Second Lien Parity Debt were to be amortized in substantially equal annual installments of principal and interest over the lesser of a term of 30 years or the actual term of such Series of Second Lien Obligations or Second Lien Parity Debt; and the interest rate used for such computation shall be the rate quoted in the 30-year revenue bond index, or revenue bond index related to the actual term of such Series of Second Lien Obligations or Second Lien Parity Debt, as applicable, published by The Bond Buyer no more than two weeks prior to the date of calculation, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as such Series of Second Lien Obligations or Second Lien Parity Debt on the date of issuance, or if there are no such Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States of America ranked by assets.

(4) If the Authority has irrevocably deposited Authorized Investments or money with the Second Lien Trustee (or otherwise in trust) for the payment of any portion of Second Lien Debt Service, the expected future cash flow from such Authorized Investments and money may be deducted from Second Lien Debt Service.

(5) If the Authority has, at any time, irrevocably called for redemption one or more Series of Second Lien Obligations, including pursuant to a covenant to apply any portion of the Second Lien Trust Estate to redeem Second Lien Obligations or Second Lien Parity Debt (which particular Second Lien Obligations or Second Lien Parity Debt need not be specifically identified in advance, except as to interest rate and maturity), the Authority may take into account such redemption.

With respect to Parity Reimbursement Second Lien Obligations, accelerated payments of principal shall only be taken into account if, at the time of calculation, such amounts are payable due to a draw under a credit or liquidity facility.

Second Lien Debt Service Fund shall mean the Fund by that name established in Section 502.

Second Lien Obligation Anticipation Notes shall mean any such notes issued and delivered pursuant to Section 207, except to the extent (but only to the extent) that all or any portion of such notes either are not payable, or are anticipated by the Authority not to be paid, from the proceeds of the Second Lien Obligations in anticipation of which such notes are being issued.

Second Lien Obligations shall mean any bonds, notes, commercial paper or other form of indebtedness of the Authority payable from the Second Lien Debt Service Fund, authorized by Section 201 and delivered pursuant to Section 202, or authorized pursuant to Section 207, but excluding Second Lien Obligation Anticipation Notes to the extent payable from, and expected by an Authorized Officer to be paid from, the proceeds of Second Lien Obligations or other Second Lien Obligation Anticipation Notes.

Second Lien Parity Debt shall mean any Parity Reimbursement Second Lien Obligation, any Parity Swap Second Lien Obligation or any other contract, agreement or other obligation of the Authority designated as constituting “Second Lien Parity Debt” in a certificate of an Authorized Officer delivered to the Second Lien Trustee; provided, however, that any such Parity Reimbursement Second Lien Obligation, Parity Swap Second Lien Obligation, or other contract, agreement or other obligation shall not constitute Second Lien Parity Debt solely to the extent of any obligations to pay termination or other fees, expenses, indemnification or other similar payments to the counterparty to such arrangement; provided further that Parity Reimbursement Second Lien Obligations may include accelerated principal amortization provisions to the extent permitted by subsection 4 of Section 206.

Second Lien Proceeds Account shall mean the applicable Account by that name established in the Second Lien Proceeds Fund for a Series of Second Lien Obligations pursuant to Section 503.

Second Lien Proceeds Fund shall mean the Fund by that name established in Section 502.

Second Lien Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Second Lien Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Second Lien Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Second Lien Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal, amount of such Second Lien Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Authority for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Second Lien

Obligations or Variable Interest Rate Second Lien Obligations on a synthetic basis or otherwise, and (iii) which has been designated in writing to the Second Lien Trustee by an Authorized Officer as a Second Lien Qualified Swap with respect to such Second Lien Obligations.

Second Lien Qualified Swap Provider shall mean, subject to any applicable restrictions contained in the Compact, an entity whose senior long-term obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under a Second Lien Qualified Swap are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability, are rated not lower than the third highest Rating Category of each Rating Agency then maintaining a rating for the Second Lien Qualified Swap Provider.

Second Lien Registrar shall mean any registrar for the Second Lien Obligations of any Series and its successor or successors and any Other Person which may at any time be substituted in its place pursuant to the Second Lien Resolution.

Second Lien Resolution shall mean this Second Lien Dedicated Capital Funding Bond Resolution, as from time to time hereafter amended or supplemented by Supplemental Second Lien Resolutions in accordance with the terms hereof.

Second Lien Revenue Anticipation Notes shall mean any note or notes the proceeds of which are used for capital costs of the Transit System and issued by the Authority (i) having a final maturity date of not more than two years from the date of issuance, (ii) authorized by the Authority only in anticipation of the receipt of reimbursements relating to capital costs of the Transit System which are anticipated to be sufficient to pay in full the principal of and any net interest, on such Second Lien Revenue Anticipation Notes, (iii) secured in whole or in part by a lien prior to the lien and pledge of the Second Lien Resolution on such reimbursements and (iv) meeting the requirements of subsection 3 of Section 205.

Second Lien Trust Estate shall mean, collectively, but subject to the terms and provisions of Section 501 and subordinate to the obligations of the Authority in respect of Senior Lien Obligations as provided by the Senior Lien Resolution, all right, title and interest of the Authority in:

- (a) all Dedicated Capital Funding Revenues;
- (b) the proceeds of the sale of the Second Lien Obligations;
- (c) all Funds, Accounts and Subaccounts established by the Second Lien Resolution (other than any rebate fund established pursuant to a tax certificate or agreement executed by the Authority in connection with a Series of Second Lien Obligations and any funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Second Lien Resolution in connection with Variable Interest Rate Second Lien Obligations, Put Second Lien Obligations, Second Lien Parity Debt, Junior Indebtedness or Junior Contract Obligations; *provided however*, that such funds, accounts and subaccounts are specifically excepted from the Second Lien Trust Estate by the Supplemental Second Lien Resolution authorizing such

Variable Interest Rate Second Lien Obligations, Put Second Lien Obligations, Second Lien Parity Debt, Junior Indebtedness or Junior Contract Obligations), including the investments, if any, thereof;

- (d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Second Lien Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Second Lien Trustee, which is hereby authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms hereof.

Second Lien Trustee shall mean the trustee appointed by the Authority pursuant to Section 801, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Second Lien Resolution.

Senior Lien Debt Service shall mean “Debt Service” as that term is defined in Section 101 of the Senior Lien Resolution.

Senior Lien Obligations shall mean “Obligations” as that term is defined in Section 101 of the Senior Lien Resolution.

Senior Lien Resolution shall mean the Dedicated Capital Funding Bond Resolution adopted by the Authority’s Board of Directors on April 23, 2020, as amended and supplemented.

Senior Lien Trustee shall mean the trustee appointed by the Authority pursuant to Section 801 of the Senior Lien Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Senior Lien Resolution.

Securities Depository shall mean a recognized securities depository selected by the Authority to maintain a book-entry system in respect to all or any portion of a Series of Second Lien Obligations (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Separately Financed Project shall mean any project described in Section 205.

Series shall mean all of the Second Lien Obligations delivered on original issuance pursuant to a single Supplemental Second Lien Resolution and denominated therein a single series, and any Second Lien Obligations thereafter delivered in lieu of or in substitution therefor pursuant to Article III or Section 406 or Section 1005, regardless of variations in maturity, interest rate, or other provisions.

Signatory(ies) shall mean and include the District of Columbia, the State of Maryland and the Commonwealth of Virginia.

Sinking Fund Installment shall mean, as of a particular date, any Sinking Fund Installment established pursuant to paragraph (m) of subsection 1 of Section 202.

Subaccount or **Subaccounts** shall mean each subaccount or all of the subaccounts established in or pursuant to Article V, as the case may be.

Supplemental Second Lien Resolution shall mean any resolution supplemental to or amendatory of the Second Lien Resolution adopted by the Authority in accordance with the Second Lien Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Taxable Second Lien Obligations shall mean any Second Lien Obligations which are not Tax-Exempt Second Lien Obligations.

Tax-Exempt Second Lien Obligations shall mean any Second Lien Obligations the interest on which is intended by the Authority to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Second Lien Obligations in the Supplemental Second Lien Resolution authorizing such Second Lien Obligations.

Transit System shall mean the facilities, including all real and personal property and all rights, interests, property and appurtenances incidental thereto or used or useful in connection therewith, constructed or acquired by the Authority as part of its regional rail and bus transit system, but excluding Air Rights, Parking Facilities and Joint Development Projects.

Valuation Date shall mean (i) with respect to any Capital Appreciation Second Lien Obligations, the date or dates set forth in the Supplemental Second Lien Resolution authorizing such Second Lien Obligations on which specific Accreted Values are assigned to the Capital Appreciation Second Lien Obligations and (ii) with respect to any Deferred Income Second Lien Obligations, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Second Lien Resolution authorizing such Second Lien Obligations on which specific Appreciated Values are assigned to the Deferred Income Second Lien Obligations.

Variable Interest Rate shall mean a variable interest rate to be borne by any Second Lien Obligation. The method of computing such variable interest rate shall be specified in the Supplemental Second Lien Resolution authorizing such Series of Second Lien Obligations.

Variable Interest Rate Second Lien Obligations shall mean Second Lien Obligations which bear a Variable Interest Rate.

Section 102. Rules of Construction.

1. Words of one gender shall be deemed and construed to include correlative words of any other gender. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations.

2. Except as otherwise specified herein, all references in the Second Lien Resolution to Articles, Sections, and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Second Lien Resolution, and the words herein, hereof, hereunder and other words of similar import refer to the Second Lien Resolution as a whole and not to any particular Article, Section or subdivision of the Second Lien Resolution.

3. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof (including any table of contents in the Second Lien Resolution), shall be solely for convenience of reference and shall not limit or otherwise affect the meaning, construction or effect of the Second Lien Resolution or describe the scope or intent of any provisions hereof.

4. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

5. Except as otherwise specified herein, all references to resolutions, contracts or other agreements shall be deemed to include any amendments to such documents that are approved in accordance with the terms thereof and hereof.

6. Every “request,” “order,” “demand,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent,” or similar action hereunder by any party shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature, which may be delivered and “signed” pursuant to facsimile or other electronic-mail transmission in accordance with applicable law and practice.

7. The word “or” is not exclusive.

8. The word “including” means including without limitation.

9. Any reference herein to articles, sections, subsections, paragraphs, subparagraphs, and definitions in the Senior Lien Resolution, in the event the same are hereafter modified, shall be construed to refer to the corresponding articles, sections, subsections, paragraphs, subparagraphs, and definitions as modified except as such construction shall materially and prejudicially affect the rights of the owners of any Second Lien Obligations, in which event such reference shall be construed to be to the corresponding article, section, subsection, paragraph, subparagraph, or definition as the same appears in the Senior Lien Resolution on the effective date hereof. In the event any such articles, sections, subsections, paragraphs, subparagraphs, or definitions are hereafter repealed or otherwise cease, terminate or lapse, such references herein shall be construed to refer to such articles, sections, subsections, paragraphs, subparagraphs, or definitions as they last appeared in the Senior Lien Resolution.

Section 103. Authority for the Second Lien Resolution. The Second Lien Resolution is adopted pursuant to the provisions of the Compact.

Section 104. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Second Lien Obligations and Second Lien Parity Debt authorized to be issued hereunder by those who are Owners of the Second Lien Obligations and Second Lien Parity Debt from time to time, the Second Lien Resolution shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Second Lien Obligations and Second Lien Parity Debt; and the pledge made in the Second Lien Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the Second Lien Obligations and Second Lien Parity Debt, all of which, regardless of the time or times of their

authentication, issuance and delivery, or maturity, shall be of equal rank without preference, priority or distinction of any of the Second Lien Obligations or Second Lien Parity Debt over any other Second Lien Obligations or Second Lien Parity Debt, except as expressly provided in or permitted by the Second Lien Resolution; provided, however, that the Second Lien Resolution may be modified, amended or supplemented in accordance with its terms.

ARTICLE II
GENERAL PROVISIONS FOR ISSUANCE OR INCURRENCE OF
SECOND LIEN OBLIGATIONS, SECOND LIEN PARITY DEBT AND SECOND LIEN
OBLIGATION ANTICIPATION NOTES

Section 201. Authorization of the Second Lien Obligations.

1. The Second Lien Resolution hereby authorizes Second Lien Obligations of the Authority designated as “Dedicated Revenue Second Lien Obligations,” which Second Lien Obligations, if and when authorized by the Authority pursuant to one or more Supplemental Second Lien Resolutions, may be issued in one or more Series or subseries. Second Lien Obligations may be issued as Tax-Exempt Second Lien Obligations, as Taxable Second Lien Obligations, as obligations which convert on a particular date or dates from Taxable Second Lien Obligations to Tax-Exempt Second Lien Obligations, or as Taxable Second Lien Obligations which are mandatorily exchangeable on a particular date or dates for Tax-Exempt Second Lien Obligations, or otherwise as determined by Supplemental Second Lien Resolution and not contrary to the Second Lien Resolution as then in effect. The Second Lien Obligations shall be special obligations of the Authority payable solely from the Second Lien Trust Estate pledged to the payment thereof pursuant to subsection 1 of Section 501. The aggregate principal amount of the Second Lien Obligations which may be executed, authenticated and delivered under the Second Lien Resolution is not limited except as provided in the Second Lien Resolution or as may from time to time be limited by law.

2. The Second Lien Obligations may, if and when authorized by the Authority pursuant to one or more Supplemental Second Lien Resolutions, be issued in one or more Series or subseries, and the designations thereof, in addition to the name “Dedicated Revenue Second Lien Obligations,” shall include such further or different designations in such title for the Second Lien Obligations of any particular Series or subseries as the Authority may determine. Each Second Lien Obligation shall bear upon its face the designation so determined for the Series or subseries to which it belongs.

3. Nothing in the Second Lien Resolution shall be deemed to prevent the consolidation into a single Series or subseries for purposes of issuance and sale of Second Lien Obligations otherwise permitted by the Second Lien Resolution to be issued at the same time in two or more separate Series or subseries. In the event that separate Series or subseries are combined for purposes of issuance and sale, they may be issued under a single Supplemental Second Lien Resolution notwithstanding any other provision of the Second Lien Resolution. Nor shall anything in the Second Lien Resolution (except to the extent required by Supplemental Second Lien Resolution) be deemed to prevent the separation into separate Series or subseries for purposes of issuance and sale Second Lien Obligations otherwise permitted by the Second Lien Resolution to be issued in one Series or subseries.

4. Second Lien Obligations may be issued for any lawful purpose of the Authority.

Section 202. General Provisions for Issuance of Second Lien Obligations.

1. Second Lien Obligations may be issued pursuant to a Supplemental Second Lien Resolution in such principal amount or amounts for each Series or subseries as may be specified in such Supplemental Second Lien Resolution. Second Lien Obligations of any Series or subseries shall be authorized by a Supplemental Second Lien Resolution which shall specify, among other things, the following matters (or the manner of determining such matters):

(a) The authorized principal amount, designation and Series of such Second Lien Obligations;

(b) The purpose or purposes for which such Second Lien Obligations are being issued;

(c) The dates and the maturity dates of the Second Lien Obligations of such Series;

(d) If the Second Lien Obligations of such Series are interest bearing Second Lien Obligations, the interest rates of the Second Lien Obligations of such Series and the interest payment dates therefor;

(e) If the Second Lien Obligations of such Series are Capital Appreciation Second Lien Obligations, the Valuation Dates for such Second Lien Obligations and the Accreted Value on each such Valuation Date;

(f) If the Second Lien Obligations of such Series are Deferred Income Second Lien Obligations, the Interest Commencement Date for such Second Lien Obligations, the Valuation Dates prior to the Interest Commencement Date for such Second Lien Obligations and the Appreciated Value on each such Valuation Date;

(g) If the Second Lien Obligations of such Series are Capital Appreciation Second Lien Obligations or Deferred Income Second Lien Obligations, the manner in which and the period during which principal and interest shall be deemed to accrue on such Second Lien Obligations;

(h) If the Second Lien Obligations of such Series are Variable Interest Rate Second Lien Obligations, the maximum interest rate, if any, or the method of calculating such maximum rate for such Second Lien Obligations, and the provisions, if any, as to the calculation or change of Variable Interest Rates;

(i) If the Second Lien Obligations of such Series are Put Second Lien Obligations, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

(j) If the Second Lien Obligations of such Series are Balloon Second Lien Obligations, a provision designating such Second Lien Obligations as Balloon Second Lien Obligations;

(k) The denominations of, and the manner of dating, numbering and lettering, the Second Lien Obligations of such Series;

(l) The Paying Agents, if any, and the places of payment of the principal and Redemption Price, if any, of, and interest on, the Second Lien Obligations of such Series;

(m) The Redemption Prices, if any, and the redemption terms, if any, for the Second Lien Obligations of such Series, provided that Second Lien Obligations of any maturity for which Sinking Fund Installments shall be established pursuant to paragraph (m) of this subsection 1 shall in any event be redeemable, or payable at maturity, by application of the Sinking Fund Installments for such Second Lien Obligations on the due dates of such Sinking Fund Installments;

(n) The amount and due date of each Sinking Fund Installment, if any, for Second Lien Obligations of like maturity of such Series;

(o) Provisions necessary to authorize, in compliance with all applicable law, Second Lien Obligations of such Series to be issued in the form of Second Lien Obligations issued and held in book-entry form on the books of the Authority or any Fiduciary appointed for that purpose by the Authority and, in connection therewith, make such additional changes in the Second Lien Resolution, not adverse to the rights of the Owners of the Second Lien Obligations, as are necessary or appropriate to accomplish or recognize such book-entry form Second Lien Obligations and specify and determine the matters and things relative to the issuance of such book-entry form Second Lien Obligations as are appropriate or necessary;

(p) To the extent applicable, the provisions relating to (i) any Second Lien Credit Facility, Second Lien Qualified Swap or other financial arrangement entered into in connection with the issuance of the Second Lien Obligations of such Series and (ii) the obligations payable thereunder;

(q) The amount, if any, to be deposited in the Second Lien Proceeds Fund or any Account therein;

(r) If so determined by the Authority, provisions for the application of any money available therefor to the purchase, exchange or redemption of Second Lien Obligations of such Series and for the order of purchase, exchange or redemption of such Second Lien Obligations;

(s) If so determined by the Authority, provisions for the sale of the Second Lien Obligations of such Series;

(t) The forms of the Second Lien Obligations of such Series and of the Second Lien Trustee's certificate of authentication if other than as provided in Section 310; and

(u) Such other matters, not contrary to or inconsistent with the Second Lien Resolution, as the Authority may deem advisable or necessary in connection with the authorization, issuance, sale, or delivery of such Series of Second Lien Obligations.

An Authorized Officer to whom a Supplemental Second Lien Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing

such determinations or other actions taken pursuant to the delegation under such Supplemental Second Lien Resolution, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Second Lien Resolution.

2. The Second Lien Obligations may be sold in one or more Series or subseries (each of which shall contain a designation distinguishing it from other Series or subseries) and shall be delivered by the Authority under the Second Lien Resolution but only upon receipt by the Second Lien Trustee, of:

(a) An Opinion of Bond Counsel in customary form to the effect that (i) the Authority has the right and power under the Compact to adopt the Second Lien Resolution, and the Second Lien Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, and is valid and binding upon the Authority, and enforceable in accordance with its terms, and no other authorization for the Second Lien Resolution is required as of the date thereof; (ii) the Second Lien Resolution creates the valid pledge which it purports to create of the Second Lien Trust Estate in the manner and to the extent provided in Section 501; (iii) the Second Lien Obligations are valid, binding and special and limited obligations of the Authority as provided in the Second Lien Resolution, enforceable in accordance with their terms and the terms of the Second Lien Resolution and entitled to the benefits of the Second Lien Resolution and of the Compact, and such Second Lien Obligations have been duly and validly authorized and issued in accordance with law, including the Compact as amended to the date of such Opinion, and in accordance with the Second Lien Resolution; and (iv) if the Second Lien Obligations are to be designated and issued as Tax-Exempt Second Lien Obligations, that interest on such Second Lien Obligations is excludable from gross income under federal income tax laws; provided, that such Counsel's Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to the enforcement of creditors' rights generally or contractual obligations, and judicial discretion and the valid exercise of the sovereign police powers of the State of Maryland, the Commonwealth of Virginia or the District of Columbia and of the constitutional power of the United States of America;

(b) A copy of the Supplemental Second Lien Resolution authorizing such Second Lien Obligations, certified by an Authorized Officer;

(c) A written order of the Authority as to the delivery of the Second Lien Obligations, signed by an Authorized Officer;

(d) If any Second Lien Obligations are Variable Interest Rate Second Lien Obligations or a Second Lien Qualified Swap is being entered into that will result in a variable interest rate obligation of the Authority, a determination by an Authorized Officer of the Estimated Average Interest Rate;

(e) If any Second Lien Obligations of such Series are Put Second Lien Obligations, a determination by an Authorized Officer of the method or methods to be employed to provide for the purchase or redemption of all Put Second Lien Obligations of such Series if the Owners thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Put Second Lien Obligations of such Series; and

(f) Such further documents and money as are required by the provisions of this Article II or Article VIII.

3. Second Lien Obligations may be issued (a) to refund Outstanding Second Lien Obligations or Second Lien Parity Debt only if the issuance thereof complies with the provisions of subsection 2 of Section 203 or with the provisions of subsection 2 of Section 204, or (b) for any other purpose so long as the issuance thereof complies with the provisions of subsection 2 of Section 203.

4. If Second Lien Obligations are to be listed on a domestic or foreign stock exchange, the Authorized Officers are hereby authorized to take all such actions as they deem necessary or appropriate to comply with the listing requirements of such exchange, including, without limitation, the appointment of a member of such exchange as listing agent, the publication where required by such exchange of all redemption notices, the appointment of a special clearing agent and paying agent, and the execution of an undertaking letter with such exchange.

Section 203. Special Provisions for Capital Cost Second Lien Obligations.

1. The Second Lien Obligations of one of more Series may at any time, or from time to time, be authenticated and delivered upon original issuance pursuant to this Section 203 to pay, or to provide for the payment of, all or part of the Capital Costs.

2. The Second Lien Obligations of each such Series shall be authenticated and delivered by the Second Lien Trustee upon receipt by the Second Lien Trustee of a certificate of an Authorized Officer certifying, based on the Authority's records, that Dedicated Capital Funding Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Second Lien Obligations shall at least equal 150% of the sum of (a) Maximum Annual Debt Service (with respect to all Senior Lien Obligations, Senior Lien Parity Debt, Second Lien Obligations and Second Lien Parity Debt, including the Second Lien Obligations being incurred or issued) for the period commencing with the Fiscal Year next following the incurrence or issuance of such Second Lien Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of any Outstanding Second Lien Obligations, plus (b) maximum annual aggregate debt service on any outstanding Pre-2018 Bonds issued under the 2003 Bond Resolution for the period commencing with the Fiscal Year next following the incurrence or issuance of such Second Lien Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of any outstanding Pre-2018 Bonds; provided, however, that for the purpose of the foregoing clause (b), there shall be excluded from the calculation any debt service on the Pre-2018 Bonds to the extent that Gross Revenues as defined and described in the 2003 Bond Resolution were sufficient to pay debt service on Pre-2018 Bonds during such 12-month period.

Section 204. Special Provisions for Refunding Second Lien Obligations.

1. In addition to refinancings permitted under subsection 3 of Section 202, one or more Series of Refunding Second Lien Obligations (in an aggregate principal amount which will provide funds, together with other money available therefor, to accomplish such refunding) may be authenticated and delivered upon original issuance to refund (including by redemption, payment at maturity or in connection with exchanges or tenders) all or any portion of any Outstanding Second Lien Obligations or Second Lien Parity Debt.

2. The Second Lien Obligations of each such Series shall be authenticated and delivered by the Second Lien Trustee only upon receipt by the Second Lien Trustee (in addition to the documents required by Section 202 or this Section 204) of a certificate of an Authorized Officer stating either (a) after giving effect thereto and to the application of the proceeds thereof, the Debt Service with respect to such Second Lien Obligations is less in each Fiscal Year than the Debt Service with respect to the Second Lien Obligations or Second Lien Parity Debt being refunded for the period commencing with the Fiscal Year next following the incurrence or issuance of such Second Lien Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of such Second Lien Obligations, or (b) the conditions of subsection 2 of Section 203 are satisfied.

Section 205. Separately Financed Projects; Second Lien Revenue Anticipation Notes.

1. Nothing in the Second Lien Resolution shall prevent the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Second Lien Obligations, for any project authorized by the Compact or by other then-applicable law, or from financing any such project from other available funds (any such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes or other obligations or evidences of indebtedness, if any, and the Authority's share of any operating expenses related to such Separately Financed Project are payable solely from funds not pledged to the payment of Second Lien Obligations, including amounts released from the lien of the Second Lien Resolution.

2. If expressly authorized by the Board of Directors of the Authority, one or more series of Second Lien Obligations may be issued using both the security afforded under the Second Lien Resolution and the security provided under the 2003 Bond Resolution provided that such series of Second Lien Obligations meets the issuance requirements of both the Second Lien Resolution and the 2003 Bond Resolution. Such Second Lien Obligations may be issued on a parity basis, a subordinate basis, or a split basis with the Second Lien Obligations on parity with Second Lien Obligations issued under one resolution and on a subordinate basis for Second Lien Obligations issued under the other resolution.

3. Nothing in the Second Lien Resolution shall prevent the Authority from authorizing or issuing Second Lien Revenue Anticipation Notes. Prior to the issuance of Second Lien Revenue Anticipation Notes, an Authorized Officer shall deliver a certificate to the Second Lien Trustee certifying as to the reimbursements in anticipation of which such Second Lien Revenue Anticipation Notes are being issued. Such note or notes shall contain or have endorsed thereon a designation by the Authority that such note or notes constitute Second Lien Revenue Anticipation

Notes under the Second Lien Resolution or words of similar import, as may be determined by an Authorized Officer prior to the authentication thereof.

Section 206. Second Lien Credit Facilities; Second Lien Qualified Swaps and Other Similar Arrangements; Second Lien Parity Debt.

1. The Authority may include such provisions in a Supplemental Second Lien Resolution authorizing the issuance of a Series of Second Lien Obligations secured by a Second Lien Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the Second Lien Resolution requiring action under Article IX or Article X, including:

(a) So long as the Second Lien Credit Facility is in full force and effect and payment on the Second Lien Credit Facility is not in default, then (i) the issuer of the Second Lien Credit Facility shall be deemed to be the sole Owner of the Outstanding Second Lien Obligations the payment of which such Second Lien Credit Facility secures or (ii) in the alternative or with respect to particular matters, the approval, consent or action of the issuer of the Second Lien Credit Facility shall be required in addition to the approval, consent or action of the applicable percentage of the Owners of the Outstanding Second Lien Obligations, in either case when the approval, consent or action of the Owners for such Second Lien Obligations is required or may be exercised under the Second Lien Resolution including Section 802 and following an Event of Default hereunder; provided, however, that no issuer of a Second Lien Credit Facility shall be deemed to be the sole Owner of Outstanding Second Lien Obligations pursuant to this provision in the event that the Second Lien Credit Facility or Second Lien Credit Facilities securing such Second Lien Obligations provide only liquidity support.

(b) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Outstanding Second Lien Obligations (or Purchase Price of any Outstanding Second Lien Obligations to the extent the issuer of the Second Lien Credit Facility has not been reimbursed) shall be paid under the provisions of the Second Lien Credit Facility, all covenants, agreements and other obligations of the Authority to the Owners of such Second Lien Obligations shall continue to exist and such issuer of the Second Lien Credit Facility shall be subrogated to the rights of such Owners in accordance with the terms of such Second Lien Credit Facility.

2. In addition, such Supplemental Second Lien Resolution may establish such provisions as are necessary (i) to comply with the provisions of each such Second Lien Credit Facility, (ii) to provide relevant information to the issuer of the Second Lien Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on Second Lien Obligations secured by the Second Lien Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Second Lien Credit Facility.

3. The Authority may enter into such agreements with the issuer of such Second Lien Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Second Lien Credit Facility, (ii) the terms and conditions of such Second Lien

Credit Facility and the Second Lien Obligations affected thereby, and (iii) the security, if any, to be provided for the issuance of such Second Lien Credit Facility.

4. The Authority may secure such Second Lien Credit Facility by an agreement providing for the purchase of the Second Lien Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority, in the applicable Supplemental Second Lien Resolution. The Authority may also, in an agreement with the issuer of such Second Lien Credit Facility, agree to directly reimburse such issuer for amounts paid under the terms of such Second Lien Credit Facility (together with interest thereon, the “**Reimbursement Second Lien Obligation**”); provided, however, that no amounts shall be payable by the Authority under a Reimbursement Second Lien Obligation for purposes of the Second Lien Resolution, until amounts are paid under such Second Lien Credit Facility by the issuer thereof. As determined by Supplemental Second Lien Resolution, any such Reimbursement Second Lien Obligation, which may include interest calculated at a rate higher than the interest rate on the related Second Lien Obligation and accelerated principal amortization, (i) may be secured by a pledge of, and a lien on, the Second Lien Trust Estate on a parity with the lien created by Section 501 to secure the Second Lien Obligations (a “**Parity Reimbursement Second Lien Obligation**”), but only to the extent that (prior to any acceleration of all Second Lien Obligations, if permitted) any principal amortization requirements are either (A) commensurate with the amortization requirements for such related Second Lien Obligations, without acceleration or (B) accelerated to no greater extent than to require repayment in equal principal installments over 5 or more years, or (ii) may constitute a Second Lien Contract Obligation, as determined by the Authority. Parity Reimbursement Second Lien Obligations shall not include any payments (other than interest calculated at a higher rate pursuant to a Second Lien Credit Facility) (i) of any fees or expenses, (ii) pursuant to any indemnification provisions or (iii) pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than permitted by clauses (A) and (B) of the preceding sentence, and any such payments of the items specified in clauses (i), (ii) or (iii) of this sentence shall constitute Junior Contract Obligations.

5. Any such Second Lien Credit Facility shall be for the benefit of and secure such Second Lien Obligations or portion thereof as specified in any applicable Supplemental Second Lien Resolution.

6. In connection with the issuance of any Second Lien Obligations or at any time thereafter so long as Second Lien Obligations remain Outstanding, the Authority may, to the extent permitted pursuant by law, from time to time enter into Second Lien Qualified Swaps. The Authority’s obligation to pay any amount under any Second Lien Qualified Swap may be secured by a pledge of, and a lien on, the Second Lien Trust Estate on a parity with the lien created by Section 501 to secure the Second Lien Obligations (a “**Parity Swap Second Lien Obligation**”), or may constitute a Second Lien Contract Obligation, as determined by the Authority. Parity Swap Second Lien Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Second Lien Qualified Swap, which payments shall be Junior Contract Obligations.

7. Except to the extent that an Authorized Officer directs that such amounts be deposited in any other Fund or Account pledged to the payment of Second Lien Obligations, any

amounts paid to the Authority under a Second Lien Qualified Swap shall be deposited in the Second Lien Debt Service Fund.

8. To the extent applicable and not readily apparent with respect any Second Lien Parity Debt, either the terms of such Second Lien Parity Debt shall specify (or an Authorized Officer shall specify in writing) the interest and principal components of, or the scheduled payments corresponding to principal and interest under, such Second Lien Parity Debt or the manner of determining the foregoing.

Section 207. Second Lien Obligation Anticipation Notes. Whenever the Authority shall have, by Supplemental Second Lien Resolution, authorized the issuance of a Series of Second Lien Obligations, the Authority may by resolution authorize the issuance of Second Lien Obligation Anticipation Notes in anticipation of the issuance of such authorized Series of Second Lien Obligations, in a principal amount not exceeding the principal amount of the Second Lien Obligations of such Series so authorized. The principal of and premium, if any, and interest on such Second Lien Obligation Anticipation Notes and any renewals of such Second Lien Obligation Anticipation Notes shall be payable only from any or all of the following items designated by the Authority at or prior to issuance of any such series of Second Lien Obligation Anticipation Notes: (i) the proceeds of any renewals of such Second Lien Obligation Anticipation Notes issued to repay such Second Lien Obligation Anticipation Notes, (ii) the proceeds of the sale of the Series of Second Lien Obligations in anticipation of which such Second Lien Obligation Anticipation Notes are issued, (iii) amounts available to pay Junior Indebtedness, or (iv) any other money available therefor and not pledged under the Senior Lien Resolution or the Second Lien Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Second Lien Obligation Anticipation Notes, and any such pledge of the items set forth in clauses (i) and (ii) shall have priority over any other pledge created by the Second Lien Resolution, including Section 501. In any case, such Second Lien Obligation Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Second Lien Obligations in anticipation of which they are issued. The proceeds of the sale of Second Lien Obligation Anticipation Notes other than renewals thereof shall be applied to the purposes for which the Second Lien Obligations in anticipation of which such Second Lien Obligation Anticipation Notes are authorized and shall be deposited in the appropriate Fund or Account established by the Second Lien Resolution for such purposes or, if so provided in the resolution authorizing renewals of Second Lien Obligation Anticipation Notes issued to pay outstanding Second Lien Obligation Anticipation Notes, applied directly to such payment. Investment earnings from any amounts on deposit in any Fund or Account under the Second Lien Resolution representing the proceeds of any Second Lien Obligation Anticipation Notes shall be applied in the manner set forth in the resolution authorizing such Second Lien Obligation Anticipation Notes.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF SECOND LIEN OBLIGATIONS

Except as otherwise provided by Supplemental Second Lien Resolution, the Second Lien Obligations shall be subject to the terms and provisions of this Article III.

Section 301. Medium of Payment; Form and Date.

1. The Second Lien Obligations and Second Lien Parity Debt shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts (or to the extent permitted by law, in any other coin or currency authorized pursuant to a Supplemental Second Lien Resolution for related Second Lien Obligations and Second Lien Parity Debt).

2. Second Lien Obligations shall be issued in the form of fully registered securities without coupons. Second Lien Obligations, the certificate of authentication, if any, and the form of assignment shall be in substantially the form provided for in the Supplemental Second Lien Resolutions pursuant to which such Second Lien Obligations are issued with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby or thereby or are required by law, and may have such letters, numbers or other marks of identification and such legends and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may, consistent herewith, be determined by the officers executing such Second Lien Obligations, as evidenced by their execution of the Second Lien Obligations. Any portion of the text of any Second Lien Obligation may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Second Lien Obligation, or as multiple pages (with or without such a reference). Second Lien Obligations may be typewritten, printed, engraved, lithographed or otherwise produced.

3. Second Lien Obligations shall be dated, and shall bear or not bear interest, as provided in the Supplemental Second Lien Resolution authorizing such Second Lien Obligations.

Section 302. Legends. Second Lien Obligations may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Second Lien Resolution as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority.

Section 303. Execution and Authentication.

1. The Second Lien Obligations shall be executed in the name of the Authority by the manual or facsimile signature of an Authorized Officer or in such other manner as may be authorized by law or specified in a Supplemental Second Lien Resolution. In case any of the Authorized Officers who shall have signed any of the Second Lien Obligations shall cease to be such officer before the Second Lien Obligations so signed shall have been actually delivered, such Second Lien Obligations may, nevertheless, be delivered as herein provided, and may be issued as if the Authorized Officers who signed such Second Lien Obligations had not ceased to hold such offices. Any Second Lien Obligation may be signed on behalf of the Authority by such Authorized

Officers as at the actual time of the execution of such Second Lien Obligation shall be duly authorized or hold the proper office in the Authority, although at the date of the Second Lien Obligations such Authorized Officers may not have been so authorized or have held such office.

2. Second Lien Obligations of each Series shall bear thereon a certificate of authentication, executed manually by the Second Lien Trustee. Only such Second Lien Obligations as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Second Lien Resolution and no Second Lien Obligation shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Second Lien Trustee. Such certificate of the Second Lien Trustee upon any Second Lien Obligation executed on behalf of the Authority shall be conclusive evidence that the Second Lien Obligation so authenticated has been duly authenticated and delivered under the Second Lien Resolution and that the Owner thereof is entitled to the benefits of the Second Lien Resolution.

Section 304. Interchangeability of Second Lien Obligations. Second Lien Obligations, upon surrender thereof at the office of the Second Lien Registrar with a written instrument of transfer satisfactory to the Second Lien Registrar, duly executed by the Owner or its duly authorized attorney, may, at the option of such Owner, be exchanged for an equal aggregate principal amount of Second Lien Obligations of the same Series, maturity and interest rate of any other authorized denomination.

Section 305. Negotiability, Transfer and Registry. All the Second Lien Obligations issued under the Second Lien Resolution shall be negotiable, subject to the provisions for registration and registration of transfer contained in the Second Lien Resolution and in the Second Lien Obligations. So long as any of the Second Lien Obligations shall remain Outstanding, the Authority shall maintain and keep, at the office of the Second Lien Registrar, books for the registration and registration of transfer of Second Lien Obligations; and, upon presentation thereof for such purpose at said office and under such reasonable regulations as it or the Second Lien Registrar may prescribe, the Authority shall register or cause to be registered therein, and permit to be transferred thereon, the registration of any Second Lien Obligation entitled to registration or registration of transfer. So long as any of the Second Lien Obligations remain Outstanding, the Authority shall make all necessary provision to permit the exchange of Second Lien Obligations at the office of the Second Lien Registrar.

Section 306. Transfer of Second Lien Obligations.

1. The transfer of each Second Lien Obligation shall be registerable only upon the books of the Authority, which shall be kept by the Second Lien Registrar, by the Owner thereof in person or by its attorney authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Second Lien Registrar executed by the Owner or its authorized attorney. Upon the registration of transfer of any such Second Lien Obligation, the Authority shall issue in the name of the transferee a new Second Lien Obligation of the same aggregate principal amount, Series, maturity and interest rate as the surrendered Second Lien Obligation.

2. The Authority and each Fiduciary may deem and treat the Person in whose name any Outstanding Second Lien Obligation shall be registered upon the books of the Authority as

the absolute owner of such Second Lien Obligation, whether such Second Lien Obligation shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Second Lien Obligation and for all other purposes, and all such payments so made to any such registered owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Second Lien Obligation to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, unless acting in bad faith or with negligence under the Second Lien Resolution, in so treating such registered owner.

3. Prior to any transfer of a Second Lien Obligation for which there is no depository providing a book-entry only system (including, but not limited to, the initial transfer outside such book-entry only system), the transferor shall provide or cause to be provided to the Second Lien Trustee all information necessary to allow the Second Lien Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Second Lien Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 307. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Second Lien Obligations or registering the transfer of Second Lien Obligations is exercised, the Authority shall execute and the Second Lien Registrar shall deliver Second Lien Obligations in accordance with the provisions of the Second Lien Resolution. All Second Lien Obligations surrendered in any such exchanges or registrations of transfer shall forthwith be canceled by the Second Lien Registrar. For every such exchange or registration of transfer of Second Lien Obligations, whether temporary or definitive, the Authority or the Second Lien Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

Section 308. Second Lien Obligations Mutilated, Destroyed, Stolen or Lost. In case any Second Lien Obligation shall become mutilated or be destroyed, stolen or lost, the Authority shall execute, and thereupon the Second Lien Trustee shall authenticate and the Second Lien Registrar shall deliver, a new Second Lien Obligation of like tenor, Series, maturity, interest rate and principal amount as the Second Lien Obligation so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Second Lien Obligation, upon surrender and cancellation of such mutilated Second Lien Obligation, or in lieu of and substitution for the Second Lien Obligation destroyed, stolen or lost, upon filing with the Second Lien Trustee and Second Lien Registrar evidence satisfactory to the Authority and the Second Lien Trustee and Second Lien Registrar that such Second Lien Obligation has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Second Lien Trustee and Second Lien Registrar with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Second Lien Trustee and Second Lien Registrar may prescribe and paying such expenses as the Authority and Second Lien Trustee and Second Lien Registrar may incur. All Second Lien Obligations so surrendered to the Second Lien Registrar shall be canceled by it. If any such Second Lien Obligation shall have matured, or if such Second Lien Obligation shall have been called for redemption or a redemption date pertaining thereto shall have

passed, instead of issuing a new Second Lien Obligation the Authority may cause the same to be paid without surrender thereof upon indemnity satisfactory to the Authority and the Second Lien Trustee. Any such new Second Lien Obligations issued pursuant to this Section in substitution for Second Lien Obligations alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Second Lien Obligations so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Second Lien Obligations issued under the Second Lien Resolution, in any money or securities held by the Authority or the Fiduciary for the benefit of the Owners of Second Lien Obligations.

Section 309. Book-Entry-Only System. The Authority may employ a book-entry-only system of registration with respect to any Second Lien Obligations and may utilize the procedures regarding such registration set forth in this Section 309, as such procedures may be modified or superseded pursuant to the Supplemental Second Lien Resolution authorizing such Second Lien Obligations. Any provisions of the Second Lien Resolution inconsistent with book-entry-only Second Lien Obligations shall not be applicable to such book-entry-only Second Lien Obligations.

Any Authorized Officer is hereby authorized to take all actions required for each Series of Second Lien Obligations to be eligible under the rules and regulations of The Depository Trust Company (“DTC”), 55 Water Street, New York, New York, for investment and trading as uncertificated securities. DTC is hereby appointed as the initial Securities Depository for the Second Lien Obligations, with Cede & Co., a nominee thereof, being the initial registered owner of the Second Lien Obligations. In the event that any Securities Depository resigns or is removed, any Authorized Officer may select a substitute Securities Depository. The Authority and any Fiduciary, and any agent of the Authority or any Fiduciary, may treat any Securities Depository in whose name any Second Lien Obligations is registered as the owner of such Second Lien Obligation for all purposes under the Second Lien Resolution. For so long as the Securities Depository is, the registered owner of the Second Lien Obligations, procedures with respect to the transmission of notices and the, transfer of ownership of, redemption of and payment of principal or Redemption Price, if any, of and interest on such Second Lien Obligations so held shall be in accordance with arrangements among the Second Lien Trustee, the Authority and the Securities Depository.

So long as the Second Lien Obligations are registered in the name of the Securities Depository, the Authority and the Second Lien Trustee shall have no responsibility or obligation to any Securities Depository participant, indirect participant or beneficial owner of the Second Lien Obligations. Without limiting the immediately preceding sentence, the Authority and the Second Lien Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of any Securities Depository or any Securities Depository participant or indirect participant with respect to any beneficial ownership interest in the Second Lien Obligations, (ii) the delivery to any Securities Depository participant, indirect participant, beneficial owner or any other person, other than the Securities Depository, of any notice with respect to the Second Lien Obligations, including any notice of redemption or tender, or (iii) the payment to any Securities Depository participant, indirect participant, beneficial owner or any other person, other than the Securities Depository, of any amount with respect to the principal of or Redemption Price or interest on the Second Lien Obligations.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of any Securities Depository with respect to any Series of Second Lien Obligations. Notice of such termination shall be given by the Authority to the Second Lien Trustee prior to or simultaneously with such termination. In the event the book-entry-only system is discontinued with respect to the Second Lien Obligations, principal and Redemption Price of and interest on the Second Lien Obligations shall be paid as provided in the Second Lien Resolution.

Consistent with DTC book-entry provisions, one or more typewritten certificates shall be prepared for each maturity of the Second Lien Obligations of a Series and registered in the name of the Securities Depository. There shall be no physical distribution of bond or other certificates to beneficial owners of such Second Lien Obligations. In the event that the Second Lien Obligations do not qualify to be held by the Securities Depository or that either the Authority determines to discontinue the book-entry-only system or DTC determines to discontinue providing its service with respect to the Second Lien Obligations and there is no successor Securities Depository, the bond or other certificates shall be delivered in the form required by the Second Lien Resolution.

Unless otherwise directed by an Authorized Officer, “CUSIP” identification numbers will be imprinted on the Second Lien Obligations, but such numbers shall not constitute a part of the contract evidenced by the Second Lien Obligations and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Second Lien Obligations. As a convenience to the Owners of the Second Lien Obligations, the Authority and the Second Lien Trustee may use such CUSIP numbers in any notices to the Owners of the Second Lien Obligations including any notices of redemption of the Second Lien Obligations. Failure on the part of the Authority or the Second Lien Trustee to use such CUSIP numbers in any notice to Owners of the Second Lien Obligations shall not constitute an Event of Default or any similar violation of the Authority’s contract with such Owners. The Authority will promptly notify the Second Lien Trustee of any change in the CUSIP numbers.

Section 310. Form of Second Lien Obligations. Subject to the provisions of the Second Lien Resolution and except as otherwise provided pursuant to a Supplemental Second Lien Resolution, each Series of Second Lien Obligations shall be issued as fully registered securities. Any Authorized Officer executing and delivering any such Second Lien Obligations may make such changes in the form thereof as deemed necessary or convenient by such Authorized Officer, including changes to conform with (i) the terms of sale, (ii) the provisions of the related Supplemental Second Lien Resolution, (iii) the requirements of the related Securities Depository, provider of a Second Lien Credit Facility or Rating Agency, (iv) industry practice or (v) federal or state regulatory requirements, and the execution (whether manual or by facsimile) and delivery of any such obligations shall be conclusive evidence of the approval of all terms thereof by such Authorized Officer.

ARTICLE IV

REDEMPTION AND TENDER OF SECOND LIEN OBLIGATIONS

Section 401. Privilege of Redemption and Redemption Price. Except as otherwise provided in the Second Lien Resolution or a Supplemental Second Lien Resolution, Second Lien Obligations subject to redemption pursuant to a Supplemental Second Lien Resolution shall be subject to redemption only in accordance with this Article IV.

Second Lien Obligations subject to redemption prior to maturity pursuant to a Supplemental Second Lien Resolution shall be redeemable, upon written notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Second Lien Resolution authorizing such Second Lien Obligations.

Section 402. Redemption at the Election of the Authority; Tender to Related Entities. In the case of any redemption of Second Lien Obligations at the election of the Authority, the Authority shall give written notice to the Second Lien Trustee of its election so to redeem, of the redemption date, of the Series, of the principal amounts of the Second Lien Obligations of each maturity and interest rate of such Series to be redeemed (which Series, maturities, interest rates and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Second Lien Resolution). Such notice shall be given at least 30 days prior to the redemption date or such shorter or longer period as may be provided in the Supplemental Second Lien Resolution, provided any shorter notice is acceptable to the Second Lien Trustee. In the event notice of redemption shall have been given as provided in Section 405 but subject to the second paragraph of Section 405, the Authority shall on or prior to the redemption date cause to be paid out to the appropriate Paying Agent or Paying Agents out of money available therefor an amount in cash which, in addition to other money, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Second Lien Obligations to be redeemed.

To the extent provided by Supplemental Second Lien Resolution the Authority may, in its sole discretion, purchase, at any time and from time to time, any Second Lien Obligations which are redeemable at the election of the Authority at a purchase price equal to the redemption price therefor. To exercise any such option, the Authority shall give the Second Lien Trustee a written request exercising such option within the time periods specified in the related Supplemental Second Lien Resolution as though such written request were a written request of the Authority for redemption, and the Second Lien Trustee shall thereupon give the Owners of the Second Lien Obligations to be purchased notice of such purchase in the manner specified in the related Supplemental Second Lien Resolution as though such purchase were a redemption. On the date fixed for purchase pursuant to any exercise of such an option, the Authority shall pay the purchase price of the Second Lien Obligations then being purchased to the Second Lien Trustee in immediately available funds, and the Second Lien Trustee shall pay the same to the sellers of such Second Lien Obligations against delivery thereof. Following such purchase, the Second Lien Trustee shall cause such Second Lien Obligations to be registered in the name of the Authority or its nominee and shall deliver them to the Authority, or its nominee. Except to the extent otherwise directed by an Authorized Officer, no purchase of Second Lien Obligations pursuant to such an option shall operate to extinguish the indebtedness of the Authority evidenced thereby.

Section 403. Redemption Otherwise Than at the Authority's Election. Whenever by the terms of the Second Lien Resolution, Second Lien Obligations are required to be redeemed otherwise than at the election of the Authority, the Second Lien Trustee shall select the Second Lien Obligations to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of this Article IV. The Second Lien Trustee shall have no liability in making such selection.

Section 404. Selection of Second Lien Obligations to Be Redeemed. In the event of redemption of less than all the Outstanding Second Lien Obligations of like tenor, Series, maturity and interest rate, the Second Lien Trustee shall select, as directed by the Authority (as to the timing of such selection, manner of such selection or otherwise) or otherwise in such manner as the Second Lien Trustee in its discretion shall deem appropriate and fair, the numbers of the Second Lien Obligations to be redeemed and portions of any thereof to be redeemed in part. Second Lien Obligations of denominations equal or less than the minimum authorized denomination thereof may be redeemed only as a whole. Second Lien Obligations of denominations of more than the minimum authorized denomination thereof may be redeemed either as a whole or in part (which, if redeemed in part, must assure that the portion of the Second Lien Obligation which is not redeemed is an authorized denomination). For the purposes of this Section 404, Second Lien Obligations, or portions thereof, which have theretofore been selected for redemption shall not be deemed Outstanding.

Section 405. Notice of Redemption. When the Second Lien Trustee shall receive notice from the Authority of its election to redeem Second Lien Obligations pursuant to Section 402, and when redemption of Second Lien Obligations is required by the Second Lien Resolution pursuant to Section 403, the Second Lien Trustee shall give notice, in the name of the Authority, of the redemption of such Second Lien Obligations, which notice shall specify the Series (including CUSIP numbers), maturities and, if any maturity shall include Second Lien Obligations bearing different interest rates and all Second Lien Obligations of such maturity are not being redeemed, interest rate of the Second Lien Obligations to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Second Lien Obligations of any like tenor, Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Second Lien Obligations so to be redeemed, and, in the case of Second Lien Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Second Lien Obligation to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Second Lien Obligations to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given not less than 30 days nor more than 45 days, or for such other period as may be specified in a Supplemental Second Lien Resolution authorizing a particular Series, before the redemption date, to the Owners of any Second Lien Obligations or portions of Second Lien Obligations which are to be redeemed. Failure so to give any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Second Lien Obligations not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Second Lien

Obligations. The Authority may provide notices of redemption at such additional times as it may determine necessary or appropriate.

Any notice of optional redemption given pursuant to this Section may state that it is conditional upon receipt by the Second Lien Trustee of money sufficient to pay the Redemption Price of such Second Lien Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Second Lien Trustee to affected Owners of Second Lien Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Unless otherwise provided by Supplemental Second Lien Resolution, notices of redemption shall be sent by first class mail, postage prepaid.

Notice of redemption of any Series of Second Lien Obligations shall also be sent by the Second Lien Trustee to such additional Persons as may be specified in the Supplemental Second Lien Resolution authorizing such Series.

Section 406. Payment of Redeemed Second Lien Obligations. Notice having been given in the manner provided in Section 405, the Second Lien Obligations or portions thereof so called for redemption shall, subject to the second paragraph of Section 405, become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Second Lien Obligations, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Second Lien Obligation, the Authority shall execute and cause to be delivered, upon the surrender of such Second Lien Obligation, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Second Lien Obligation so surrendered, at the option of the owner thereof, Second Lien Obligations of like tenor, Series, maturity and interest rate in any of the authorized denominations. If, on the redemption date, money for the redemption of all the Second Lien Obligations or portions thereof of any like tenor, Series, maturity and interest rate to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Second Lien Obligations or portions thereof of such Series, maturity and interest rate so called for redemption shall cease to accrue. If said money shall not be so available on the redemption date, such Second Lien Obligations or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V
MAINTENANCE AND ESTABLISHMENT OF FUNDS AND
ACCOUNTS AND APPLICATION THEREOF

Section 501. The Pledge Effected by the Second Lien Resolution.

1. There are hereby pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, the Second Lien Obligations and, on a parity basis, Second Lien Parity Debt, in accordance with their terms and the provisions of the Second Lien Resolution, all right, title and interest of the Authority in and to the Second Lien Trust Estate, subject only to (i) the prior pledge for the payment of Senior Lien Obligations pursuant to the Senior Lien Resolution, (ii) the provisions of the Second Lien Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Second Lien Resolution and (iii) the provisions of subsection 4 of Section 506. The pledge created by the Second Lien Resolution, insofar as it relates to any portion of the Second Lien Trust Estate pledged to the payment of the Pre-2018 Bonds, is, and is hereby expressly declared to be, (a) subordinate in all respects to the pledge thereof created by the 2003 Bond Resolution to secure the Pre-2018 Bonds, and (b) subject to the covenants and agreements made with the owners of the Pre-2018 Bonds, and, so long as any Pre-2018 Bonds remain outstanding and unpaid, no payment shall be made therefrom whether for interest, principal or premium on any of the Second Lien Obligations except as and to the extent permitted by the 2003 Bond Resolution. So long as any Pre-2018 Bonds are outstanding, no Second Lien Obligations issued hereunder nor the Second Lien Trustee shall have any right to any payment from Dedicated Capital Funding Revenues unless and until the Dedicated Capital Funding Revenues shall (A) first be deposited as provided in Section 504 of the 2003 Bond Resolution, and (B) applied as provided in said Section 504 thereof.

2. The pledge created by subsection 1 of this Section 501 shall in all respects secure on a *pari passu* basis all of the Second Lien Obligations and Second Lien Parity Debt and, except as expressly so provided, nothing contained in the Second Lien Resolution shall be deemed to confer on the Owners of any Second Lien Obligations or Second Lien Parity Debt any rights in the Second Lien Trust Estate superior or inferior to the Owners of any other Second Lien Obligations or Second Lien Parity Debt.

3. The pledge created by subsection 1 of Section 501 shall be valid and binding from and after the date of issuance and delivery of the first Second Lien Obligations and the Second Lien Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

4. Subject to the provisions of subsection 1 of this Section 501 and except as provided in subsection 5 of this Section 501, the Second Lien Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Second Lien Resolution, and all corporate action on the part of the Authority to that end has been duly and validly taken.

5. Notwithstanding any other provision of the Second Lien Resolution, the pledge of the Second Lien Trust Estate, insofar as such Second Lien Trust Estate includes reimbursements in anticipation of which Second Lien Revenue Anticipation Notes shall at any time be issued, shall be subordinate to the pledge of any such reimbursements securing such Second Lien Revenue Anticipation Notes.

6. Nothing contained in this Section 501 shall be construed as limiting any authority granted to the Authority elsewhere in the Second Lien Resolution to issue or incur Second Lien Obligation Anticipation Notes, Second Lien Revenue Anticipation Notes, Junior Indebtedness or Junior Contract Obligations or shall be deemed a limitation upon the authority of the Authority to issue any other bonds, notes or other obligations under the Compact secured by any other amount or funds other than the Second Lien Trust Estate.

7. The Authority represents and warrants to the Second Lien Trustee and the Owners of Second Lien Obligations as follows:

(a) the Compact was enacted by the Commonwealth of Virginia, the District of Columbia and the State of Maryland, and was consented to by the Congress of the United States of America;

(b) the pledge created by subsection 1 of Section 501 is authorized by Section 43 of the Compact and, is made in full compliance with the provisions of the Compact and the Second Lien Resolution constitutes an “indenture” within the meaning of Section 43 of the Compact;

(c) pursuant to Section 43 of the Compact, such pledge shall take effect as provided in subsection 3 of Section 501 and irrespective of the date of receipt of Dedicated Capital Funding Revenues by the Authority or the Second Lien Trustee;

(d) pursuant to Section 43 of the Compact, such pledge shall be effective against all third parties as provided in the Second Lien Resolution without physical delivery of the Dedicated Capital Funding Revenues to the Authority or the Second Lien Trustee;

(e) pursuant to Section 43 of the Compact, the Second Lien Resolution need not be recorded in any public office, other than the office of the Board of Directors of the Authority; and

(f) the Authority will, on the date of adoption of the Second Lien Resolution, record the Second Lien Resolution in the office of the Board of Directors of the Authority.

8. Should a series of Second Lien Obligations be issued which, as permitted by Section 205.2, incorporates the security provided in Section 501 and the security provided in the 2003 Bond Resolution, then the definition of the applicable terms contained in the 2003 Bond Resolution shall be used to determine the security provided by the 2003 Bond Resolution but not for the security provided in Section 501.

Section 502. Establishment of Funds, Accounts and Subaccounts.

1. The Clearing Account was established pursuant to the Senior Lien Resolution in the name of the Authority to be held and administered by the Clearing Account Agent selected by the Authority pursuant to the Senior Lien Resolution. The Clearing Account was established for the convenience of the Authority and for the information of the Second Lien Trustee as to the amounts of Dedicated Capital Funding Revenues being paid by the Signatories to the Authority. Except to the extent provided in Section 504, the Clearing Account is not part of the Second Lien Trust Estate established by the Second Lien Resolution. So long as any Pre-2018 Bonds are outstanding, no Second Lien Obligations issued hereunder nor the Second Lien Trustee shall have any right to any payment from Dedicated Capital Funding Revenues unless and until the Dedicated Capital Funding Revenues shall (a) first be deposited as provided in Section 504 of the 2003 Bond Resolution, and (b) applied as provided in said Section 504 thereof.

2. The Second Lien Debt Service Fund, which shall be held and administered by the Second Lien Trustee, is hereby established

3. The Second Lien Proceeds Fund is hereby established. Such Fund shall be held and administered by the Authority unless the Authority, by Supplemental Second Lien Resolution or a Certificate of Determination, elects for the Second Lien Trustee to hold either the entire Second Lien Proceeds Fund or specified Accounts or Subaccounts therein.

4. Each such Fund shall initially consist of the Account and Subaccounts, if any, established or permitted by this Article V. Additional Funds, Accounts and Subaccounts may be established by the Authority in its discretion in addition to the Funds and Accounts established pursuant to this Article V; and the establishment of such Funds, Accounts or Subaccounts shall be evidenced by the delivery by Authority to the Second Lien Trustee of a certificate of an Authorized Officer, which may be included in a Certificate of Determination.

5. Amounts held at any time by the Clearing Account Agent, the Authority or the Second Lien Trustee in any of the Funds, Accounts, or Subaccounts initially established pursuant to this Article V or in any other Fund, Account or Subaccount established by the Authority pursuant to the provision of this Article V shall be held in trust separate and apart from all other funds.

Section 503. Second Lien Proceeds Fund and Application Thereof.

1. The Authority shall establish within the Second Lien Proceeds Fund a Second Lien Costs of Issuance Account, a Second Lien Proceeds Account and such other Accounts as the Authority deems necessary and desirable, and the Authority or any Authorized Officer of the Authority may establish within each such Account separate Subaccounts for each Series of Second Lien Obligations.

2. The Authority shall pay into the Second Lien Proceeds Fund and each Account and Subaccount, if any, therein, such amounts as shall be provided for in a Supplemental Second Lien Resolution or in the resolution authorizing Second Lien Obligation Anticipation Notes, or in a Certificate of Determination with respect to such resolution.

3. Amounts in each such Account and Subaccount, if any, shall, unless otherwise provided for in a Supplemental Second Lien Resolution or in the resolution authorizing Second Lien Obligation Anticipation Notes, be applied solely to the payment of the purposes of the Second Lien Obligations, including such Second Lien Obligations in anticipation of which such Second Lien Obligation Anticipation Notes are issued, in the manner and upon such conditions, if any, as the Authority may provide in such Supplemental Second Lien Resolution or in the resolution authorizing Second Lien Obligation Anticipation Notes; provided, however, that, subject to the provisions of the resolution authorizing Second Lien Obligation Anticipation Notes relating to the application of the proceeds thereof, if on any interest payment date or Principal Installment due date, the amounts in the Second Lien Debt Service Fund shall be less than Second Lien Debt Service payable on such date, the Authority shall apply amounts from the Second Lien Proceeds Fund to the extent necessary to make up the deficiency.

Section 504. Dedicated Capital Funding Revenues. So long as any Second Lien Obligations remain Outstanding or Second Lien Obligations remain unpaid, Dedicated Capital Funding Revenues shall continue to be administered as provided in the Senior Lien Resolution, and Dedicated Capital Funding Revenues shall be transferred by the Senior Lien Trustee to the Second Lien Trustee for deposit to the Second Lien Debt Service Fund pursuant to subsection (b) of Section 5.04 of the Senior Lien Resolution in the amount, if any, required so that the balance in the Second Lien Debt Service Fund shall equal the Accrued Debt Service; provided that, for purposes of computing the amount to be deposited in the Second Lien Debt Service Fund, there shall be excluded the amount, if any, set aside in any account within the Second Lien Debt Service Fund or the Second Lien Proceeds Fund from the proceeds of Second Lien Obligations or Second Lien Parity Debt for the payment of interest on Second Lien Obligations or Second Lien Parity Debt on the next Debt Service Payment Date.

Amounts paid out from any Fund or Account for an authorized purpose (excluding transfers to any other pledged Fund or Account) shall be free and clear of the lien and pledge created by the Second Lien Resolution.

Section 505. Second Lien Debt Service Fund.

1. The Second Lien Trustee shall pay out of the Second Lien Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Second Lien Obligations and any related Second Lien Parity Debt, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment (including the portion thereof payable in respect of a Parity Reimbursement Second Lien Obligation) payable on such due date; and (iii) on or before any redemption date for the Second Lien Obligations or Second Lien Parity Debt which occurs on any interest payment date, the amount required for the payment of interest on the Second Lien Obligations or Second Lien Parity Debt then to be redeemed. Such amounts shall be applied by the Paying Agents to such payments on and after the due dates thereof.

2. In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Second Lien Obligations, the Second Lien Trustee shall, upon the direction of the Authority, withdraw from the Second Lien Debt Service Fund all or any portion of the amounts accumulated therein with respect to the Debt Service on

the Second Lien Obligations being refunded and (a) deposit such amounts, free and clear of any lien, pledge or claim of the Second Lien Resolution with itself as Second Lien Trustee or an escrow agent to be held in trust solely for the purchase, exchange or payment of the principal or Redemption Price, if applicable, of and interest on the Second Lien Obligations being refunded, (b) apply such amounts to pay the Costs of Issuance of the Refunding Second Lien Obligations, or (c) deposit such amounts in any Fund, Account or Subaccount established under the Second Lien Resolution; provided that no such withdrawal or deposit shall be made unless (i) upon such refunding, the Second Lien Obligations being refunded shall be deemed to have been paid within the meaning and with the effect provided in Section 1102, and (ii) at the time of, and giving effect to, such withdrawal and refunding, there shall exist no deficiency in any Fund, Account or Subaccount established under the Second Lien Resolution.

3. If at any time the amount on deposit in the Second Lien Debt Service Fund exceeds the amount then required to be on deposit therein, the Second Lien Trustee shall, at the request of the Authority and subject to the provisions of the Supplemental Second Lien Resolution governing any Junior Indebtedness then Outstanding, transfer to the Authority the amount of such excess free and clear of the lien and pledge of the Second Lien Resolution.

Section 506. Junior Indebtedness; Junior Contract Obligations.

1. The Authority may, at any time, or from time to time, issue Junior Indebtedness or incur Junior Contract Obligations payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer pursuant to subsection (b) of Section 504 of the Senior Lien Resolution; provided, however, that, except as provided in subsection 4 of this Section 506, (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Second Lien Resolution as security for the Second Lien Obligations and Second Lien Parity Debt and (b) to the extent provided by Supplemental Second Lien Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Second Lien Resolution. The Authority may establish such priorities of payment and security among Junior Indebtedness and Junior Contract Obligations as it deems appropriate.

2. Junior Indebtedness shall be issued for one or more of the capital purposes for which Second Lien Obligations could be issued and the proceeds of such Junior Indebtedness shall be applied only for such purpose or purposes.

3. The Authority shall have the right to covenant with the Owners from time to time of Junior Indebtedness and with Persons to whom Junior Contract Obligations run to add to the conditions, limitations and restrictions under which any additional Second Lien Obligations may be issued or Second Lien Parity Debt may be incurred; provided, however, that the Supplemental Second Lien Resolution or indenture or other agreement providing for the issuance of such Junior Indebtedness or the incurrence of such Junior Contract Obligations shall not permit the owners of such obligations to declare the same nor to instruct such owners' trustee to declare the same to be immediately due and payable prior to the time that all Second Lien Obligations and Second Lien Parity Debt have become due and payable.

4. In connection with any Junior Indebtedness or Junior Contract Obligations representing amounts made available under any federal program or by any Signatory or

Participating Jurisdiction or guaranteed or otherwise supported or secured under any federal program or by any Signatory or Participating Jurisdiction, such Junior Indebtedness or Junior Contract Obligations, may, to the extent provided in the resolution or other agreement relating to such Junior Indebtedness or Junior Contract Obligation and upon the occurrence of certain bankruptcy related events as provided in such resolution or other agreement, be secured by a pledge of and security interest in the Second Lien Trust Estate on a parity with the Second Lien Obligations and Second Lien Parity Debt.

Section 507. Investment of Funds.

1. Subject to the provisions of Section 1105, amounts in the Funds and Accounts established by Section 502 may be invested only in Authorized Investments and only when and as specifically directed in writing by an Authorized Officer. In the absence of written investment instructions from the Authority, the Second Lien Trustee shall hold the moneys held by it hereunder uninvested, without liability for interest thereon.

2. The Second Lien Trustee or the Authority shall sell any Authorized Investments held in any Fund, Account or Subaccount to the extent required for payments from such Fund, Account or Subaccount. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund, Account or Subaccount to the extent required to meet the requirements of such Fund, Account or Subaccount. Except as provided by Supplemental Second Lien Resolution, in computing the amount of such Funds, Accounts and Subaccounts; investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Accrued interest received upon the sale of any Authorized Investment to the extent such amount exceeds any accrued interest paid on the purchase of such Authorized Investment shall be treated as interest earned on such Authorized Investment for purposes of this Section.

3. Nothing in the Second Lien Resolution shall prevent any Authorized Investments acquired as investments of or security for any Fund, Account or Subaccount held under the Second Lien Resolution from being held in book-entry form.

4. In making any investment in any Authorized Investments with money in any Fund or Account established under the Second Lien Resolution, the Second Lien Trustee or the Authority may combine such money with money in any other Fund or Account held by it, but solely for purposes of making such investment in such Authorized Investments.

5. Confirmations of investments made in accordance with the Second Lien Resolution are not required to be issued by the Second Lien Trustee for each month for which a monthly statement is issued.

Section 508. Satisfaction of Sinking Fund Installments.

1. Any amount accumulated in the Second Lien Debt Service Fund in respect of and up to the unsatisfied balance of each Sinking Fund Installment shall be applied by the Second Lien Trustee to either (a) or (b) below as directed by the Authority (together with amounts accumulated in the Second Lien Debt Service Fund with respect to interest on the Series of Second Lien Obligations for which such Sinking Fund Installment was established) if so directed by an

Authorized Officer prior to the 15th day preceding the due date of such Sinking Fund Installment as follows:

- (a) to the purchase of Second Lien Obligations for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Second Lien Obligations plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Authority shall direct; or
- (b) to the redemption of Second Lien Obligations for which such Sinking Fund Installment was established, if then redeemable by their terms at the prices referred to in clause (a) of this subsection 1 of this Section 508.

All Second Lien Obligations so purchased or redeemed shall be canceled by the Second Lien Trustee prior to the 15th day preceding the due date of such Sinking Fund Installment.

2. Upon the purchase or redemption of any Second Lien Obligation pursuant to subsection 1 of this Section 508, an amount equal to the principal amount of the Second Lien Obligations so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Second Lien Obligations of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Second Lien Trustee against future Sinking Fund Installments for such Series as specified by an Authorized Officer. Prior to the purchase or redemption of such Second Lien Obligations, the Authority shall deliver to the Paying Agent and to the Second Lien Trustee a certificate of an Authorized Officer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Second Lien Obligations so to be purchased or redeemed, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Second Lien Obligations are so to be purchased or redeemed, (iii) the aggregate principal amount of the Second Lien Obligations so to be purchased or redeemed, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Second Lien Obligations.

3. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Second Lien Trustee at least 15 days prior to the date of such Sinking Fund Installment, for cancellation, Second Lien Obligations acquired by purchase or redemption, except Second Lien Obligations acquired by purchase or redemption pursuant to the provisions of subsection 1 of this Section 508, of the maturity and interest rate entitled to such Sinking Fund Installment. All Second Lien Obligations so delivered to the Second Lien Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Second Lien Obligations. Concurrently with such delivery of such Second Lien Obligations, the Authority shall deliver to the Paying Agent and to the Second Lien Trustee a certificate of an Authorized Officer, specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Second Lien Obligations so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Second Lien Obligations are so delivered, (iii) the aggregate principal amount of the Second Lien Obligations so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Second Lien Obligations.

4. The Second Lien Trustee shall, upon receipt of the notice and in the manner required by the Second Lien Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Second Lien Obligations of the Series, interest rate and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Section 509. Cancellation and Disposition of Second Lien Obligations. All Second Lien Obligations that have been paid (whether at maturity or by acceleration, call for redemption, purchase by the Authority and presentation for cancellation, or otherwise) or delivered to the Second Lien Trustee for cancellation shall be canceled and not reissued, except as otherwise provided in a Supplemental Second Lien Resolution with respect to Put Second Lien Obligations. Unless otherwise directed by the Authority, the Second Lien Trustee shall treat canceled Second Lien Obligations in accordance with its document retention policies. Notwithstanding any other provision of the Second Lien Resolution, the Authority may, in its sole discretion, purchase any Second Lien Obligations of the Authority for investment purposes and any such Second Lien Obligations shall remain Outstanding unless and until presented for cancellation.

ARTICLE VI

PARTICULAR COVENANTS OF THE AUTHORITY

The Authority covenants and agrees with the Second Lien Trustee and the Owners of Second Lien Obligations as follows:

Section 601. Payment of Second Lien Obligations and Second Lien Parity Debt. The Authority shall duly and punctually pay or cause to be paid from the Second Lien Trust Estate as provided in the Second Lien Resolution the principal or Redemption Price, if any, of every Second Lien Obligation and the interest thereon and all Second Lien Parity Debt, at the dates and places, and in the manner provided in the Second Lien Obligations and Second Lien Parity Debt, according to the true intent and meaning thereof.

Section 602. Power to Issue Second Lien Obligations and Effect Pledge. The Authority is duly authorized under all applicable laws to create and issue the Second Lien Obligations, adopt the Second Lien Resolution and pledge the Second Lien Trust Estate in the manner and to the extent provided in the Second Lien Resolution. Except as provided herein with respect to the Pre-2018 Bonds and Second Lien Revenue Anticipation Notes and subject to the provisions of subsection 4 of Section 506 and subordinated to the pledge created by the Senior Lien Resolution, the Second Lien Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Second Lien Resolution, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Second Lien Obligations and the provisions of the Second Lien Resolution are and will be the legally valid and binding special and limited obligations of the Authority as provided in the Second Lien Resolution, enforceable in accordance with their terms and the terms of the Second Lien Resolution and entitled to the benefits of the Second Lien Resolution and the Compact. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Second Lien Trust Estate and all the rights of the Owners of Second Lien Obligations under the Second Lien Resolution against all claims and demands of all persons whomsoever. The Authority shall not issue or incur any obligations or indebtedness secured by any portion of the Second Lien Trust Estate which is secured on a parity with the lien and pledge established by the 2003 Bond Resolution for the benefit of the Pre-2018 Bonds.

Section 603. Extension of Payment of Second Lien Obligations. The Authority shall not directly or indirectly extend or consent to the extension of the maturity of any of the Second Lien Obligations or the time of payments of any claims for interest by the purchase or funding of such Second Lien Obligations or claims for interest or by any other arrangement. In the event that the maturity of any of the Second Lien Obligations or the time for payment of such claims for interest shall be extended, such Second Lien Obligations or claims for interest shall not be entitled, in case of any Event of Default, to the benefit of the Second Lien Resolution or to any payment out of the Second Lien Trust Estate, except subject to the prior payment of the principal of all Second Lien Obligations Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Second Lien Obligations as shall not be represented by such

extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority (i) to issue refunding obligations as provided in the Second Lien Resolution and such issuance shall not be deemed to constitute an extension of maturity of the Second Lien Obligations, (ii) to issue Put Second Lien Obligations and neither such issuance nor the operation of the provisions of such Put Second Lien Obligations shall be deemed to constitute an extension of maturity of the Second Lien Obligations, (iii) to apply any amount in any Fund held under the Second Lien Resolution for such purpose to the purchase or redemption of Second Lien Obligations or (iv) to issue securities having a maturity date, including any extension of maturity contemplated at the time of issuance, of no more than 270 days from the issue date.

Section 604. Offices for Servicing Second Lien Obligations. Except as otherwise provided in the Second Lien Resolution, the Authority shall at all times maintain one or more offices or agencies where Second Lien Obligations may be presented for payment, registration, transfer or exchange, and where notices, demands and other documents may be served upon the Authority in respect of the Second Lien Obligations or of the Second Lien Resolution. The Authority may appoint the Second Lien Trustee or any other Fiduciary as its agent to maintain such office or agency for the payment, redemption, registration, transfer or exchange of Second Lien Obligations and for the service upon the Authority of such notices, demands and other documents.

Section 605. Further Assurance. To the extent permitted by law, the Authority from time to time shall make, do, execute, adopt, acknowledge and deliver, and take all and every such further acts, deeds, conveyances, assignments, resolutions, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and interests in the Second Lien Trust Estate or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Section 606. Accounts and Reports.

1. The Authority shall keep proper books of record and account of its operations. Such books of account are to be audited at least annually by independent certified public accountants experienced in governmental accounting selected by the Authority. A copy of each audit report, annual balance sheet and income and expense statement shall be uploaded, linked or posted on the Authority's website and sent to any Owner filing with the Authority a written request therefor. The Authority may charge for such reports and other documents a reasonable fee to cover reproduction, handling and postage.

2. The Authority shall annually, within 180 days after the close of each Fiscal Year or at such other time required under applicable law or a subsequent contract with all or certain Owners (or, if not available by such date, when and if available), upload, link or post on the Authority's website, and otherwise as provided by law, a copy of an annual report for such year, accompanied by the opinion of the accountants specified in subsection 1 of this Section 606.

3. The Authority shall file with the Second Lien Trustee and any provider of a Second Lien Credit Facility (a) forthwith upon becoming aware of any Event of Default or default in the performance by the Authority of any covenant, agreement or condition contained in the Second Lien Resolution, a certificate signed by an Authorized Officer of the Authority and specifying such

Event of Default or default and (b) within 180 days after the end of each Fiscal Year commencing with the Fiscal Year ending after the Fiscal Year in which the Second Lien Resolution is adopted, a certificate signed by an Authorized Officer of the Authority stating that, to the best knowledge and belief of such Authorized Officer, the Authority has kept, observed, performed and fulfilled each and every one of its covenants, agreements and obligations contained in the Second Lien Resolution and there does not exist at the date of such certificate any default by the Authority under the Second Lien Resolution or any Event of Default or other event which, with the giving of notice or the lapse of time or both as specified in the Second Lien Resolution, would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

Section 607. Payments by Signatories and Participating Jurisdictions; Compliance with Dedicated Capital Funding Acts.

1. The Authority shall use reasonable efforts to cause the Signatories and Participating Jurisdictions to make payments of their respective Dedicated Capital Funding Revenues and Pre-2018 Jurisdictional Funding Revenues, together with other funds if necessary, so as to provide the amounts required to make the deposits required under the Senior Lien Resolution, the Second Lien Resolution and the 2003 Bond Resolution; and to this end the Authority shall take all appropriate governmental action, including without limitation, action to obtain assistance and support for its efforts from any and all governmental entities with an interest therein.

2. The Authority shall use reasonable efforts to comply with the material requirements under the Dedicated Capital Funding Acts and any agreements between the Authority and the Signatories related to the Dedicated Capital Funding Acts.

Section 608. Segregation of Certain Funds. The Authority shall, at all times, comply with all terms and conditions of governmental financing programs mandating the segregation of federal or other governmental funds from other funds of the Authority and requiring the application of federal or other governmental funds for designated purposes.

Section 609. Indebtedness. Except as permitted by Section 206, the Authority shall not incur any indebtedness secured by a pledge of any of the Second Lien Trust Estate (prior to the release thereof) which is due on demand, or indebtedness which provides the owners thereof the right to declare due and payable any payments thereunder (whether at the maturity of principal or on the due date of interest or upon redemption or prepayment) not otherwise due and payable, except in the event all Second Lien Obligations and Second Lien Parity Debt are then due and payable.

Section 610. Operation and Maintenance. The Authority shall at all times use its best efforts to operate, or cause to be operated, the Transit System properly and in a sound and economical manner and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be maintained, preserved, reconstructed and kept in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted. Nothing herein contained shall be construed to prevent the Authority from ceasing to operate or maintain, or from leasing or disposing of, all or any portion

of the Transit System if, in the judgment of the Authority, it is advisable to lease, dispose of, or not to operate and maintain the same. The outsourcing of the operation or maintenance of any portion of the Transit System by lease, concession agreement or otherwise shall not be considered to be a cessation of operation or maintenance or a disposition or lease for purposes of this section if the Authority maintains ownership of the property. Further, the sale-leaseback or the lease-leaseback of any portion of the Transit System or other similar contractual arrangements, the effect of which is that the Authority, at the time of entering into such arrangements, reasonably expects to continue to have the ability to control such portion of the Transit System for use in its operations, shall not constitute a lease or disposition of such portion of the Transit System for purposes of this Section 610. The Authority shall file a notice of any disposition or lease not exempted by this section with the Second Lien Trustee accompanied by a certification of the General Manager and the Treasurer of the Authority that the operation thereof is not essential to the maintenance and continued operation of the rest of the Transit System.

Section 611. Direction to Signatories. The direction of the Authority set forth in Section 504 of the Senior Lien Resolution that each of the Signatories pay their respective Dedicated Capital Funding Revenues directly to the Clearing Account Agent for deposit into the Clearing Account shall not be changed or discontinued so long as there are any Second Lien Obligations Outstanding.

Section 612. Budgetary Provisions.

1. The Authority shall adopt and upload, link or post on the Authority's website when available for each Fiscal Year beginning after the adoption of the Second Lien Resolution an annual operating budget complying with the Compact and prepared in accordance with the provisions of the Second Lien Resolution. Each such budget for a Fiscal Year shall include the amount required to make the deposits for such Fiscal Year into the Second Lien Debt Service Fund as set forth in Section 504.

2. The Authority shall set forth in each of its annual operating and capital budgets, and in each amendment of such budgets, appropriate provisions which acknowledge that the Dedicated Capital Funding Revenues provided for in such budget or amendment are subject to the pledge and lien established by the Second Lien Resolution.

Section 613. General.

1. The Authority shall do and perform or cause to be done and performed all acts and duties required to be done or performed by or on behalf of the Authority under the provisions of the Second Lien Resolution and, to the extent material to the interests of Owners, the Compact.

2. Upon the date of authentication and delivery of any of the Second Lien Obligations, all conditions, acts and things required by law and the Second Lien Resolution to exist, to have happened and to have been performed precedent to and in connection with the issuance of such Second Lien Obligations (and any related Second Lien Parity Debt then being incurred) shall exist, shall have happened and shall have been performed, and the issuance of such Second Lien Obligations (and any related Second Lien Parity Debt then being incurred), together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by law.

Section 614. Insurance.

1. The Authority shall at all times maintain, to the extent reasonably obtainable, the following insurance, to such extent and in such amounts as is usually carried by those operating transit systems, with such variations as shall reasonably be required to conform to applicable standard or customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required:

(a) Multi-risk insurance on the Transit System covering direct physical loss or damage thereto;

(b) Public liability insurance covering injuries to persons and property; and

(c) Insurance during the construction or reconstruction of any portion of the Transit System, provided that the Authority shall not be required to maintain any such insurance to the extent that such insurance is carried for the benefit of the Authority by contractors.

The proceeds of any such insurance relating to property of the Authority shall be payable to the Authority and shall be applied to its necessary or reasonable costs involved in the repair, replacement or reconstruction of the damaged property, and, if and to the extent not so applied, shall be applied to the retirement of any Senior Lien Obligations, Senior Lien Parity Debt, Senior Lien Contract Obligations, Second Lien Obligations, Second Lien Parity Debt, Second Lien Contract Obligations or Junior Indebtedness, as determined by the Authority. Pending such application, such proceeds may be invested by the Authority in Authorized Investments which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such investments shall be applied to the purposes described in this Section 614.

2. In lieu of maintaining any or all of the insurance required by subsection 1 of this Section 614, the Authority may establish a self-insurance plan and in connection therewith establish one or more insurance funds and accumulate therein such amounts as the Authority deems reasonable for self-insurers operating transit systems. Amounts held in such insurance funds shall be applied by the Authority to the reasonable and necessary costs of repair or replacement of any damaged or destroyed property of the Transit System and to the payment of any liabilities covered by such self-insurance plan, to the extent that the proceeds of insurance reasonably expected to be available for such purpose, if any, and any other money available to the Authority therefor shall be insufficient therefor. Amounts in insurance funds shall also be applied to the payment, when due, of interest and principal on the Senior Lien Obligations, Senior Lien Parity Debt, Second Lien Obligations and Second Lien Parity Debt to the extent other moneys are not available therefor under the Senior Lien Resolution or the Second Lien Resolution or otherwise.

3. The Authority may maintain such other or additional insurance or self-insurance, as it shall deem to be in the interests of the Authority.

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

Section 701. Events of Default. Each of the following events is defined as and shall constitute a “default” under the Second Lien Resolution:

1. An “Event of Default” (as such term is defined in the Senior Lien Resolution) shall have occurred with respect to any Senior Lien Obligations.
2. There shall occur a default in the payment of principal, Sinking Fund Installment, interest or premium on any Second Lien Obligation after the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of 30 days;
3. There shall occur a failure to observe, or a refusal to comply with, the terms of the Second Lien Resolution or the Second Lien Obligations, other than a failure or refusal constituting an event specified in any other subsection of this Section 701, provided, however, that such failure or refusal shall have continued for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Authority by the Second Lien Trustee, unless the Second Lien Trustee shall agree in writing to an extension of such time prior to its expiration, provided further that the Second Lien Trustee may require, as a precondition to agreeing to extend the time to cure as described above, that it first obtain the agreement of the Owners of the applicable percentage of Second Lien Obligations then Outstanding to such extension, and provided further, that, notwithstanding the foregoing, if the failure stated in the notice cannot be remedied within the applicable period, it shall not be an Event of Default if corrective action has been instituted by the Authority within such period and is being diligently pursued;
4. The Authority shall commence a voluntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or shall authorize, apply for or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Authority and/or the rents, fees, charges or other revenues of the Transit System, or shall make any general assignment for the benefit of creditors, or shall make a written declaration or admission to the effect that it is unable to meet its debts as such debts mature, or shall authorize or take any action in furtherance of any of the foregoing;
5. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Authority in an involuntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Authority, and/or the rents, fares, charges or other revenues of the Transit System, or a decree or order for the dissolution, liquidation or winding up of the Authority and its affairs or a decree or order finding or determining that the Authority is unable to meet its debts as such debts mature, and any such decree or order shall remain unstayed and in effect for a period of 90 consecutive days;

6. The pledge created in Section 501 shall, at any time and for any reason, cease to be in full force and effect, or a Final Judgment shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the benefit of the Owners of the Second Lien Obligations and Second Lien Parity Debt, subject to the rights of no other parties (other than holders of Pre-2018 Bonds and Owners of Second Lien Obligation Anticipation Notes, Second Lien Revenue Anticipation Notes and, to the extent provided in Section 506, the Owners of Junior Indebtedness or Second Lien Contract Obligations); and

7. The principal of any Second Lien Parity Debt is declared due and payable immediately as the result of a default by the Authority in respect of such Second Lien Parity Debt;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Second Lien Obligations shall have already become due and payable, either the Second Lien Trustee (by notice in writing to the Authority), or the Owners of more than 50% in principal amount of the Second Lien Obligations Outstanding (by notice in writing to the Authority and the Second Lien Trustee), may declare the principal of all the Second Lien Obligations then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Second Lien Resolution or in any of the Second Lien Obligations contained to the contrary notwithstanding. The right of the Second Lien Trustee or of the Owners of more than 50% in principal amount of the Second Lien Obligations to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before a judgment or decree for payment of the money due has been obtained by the Second Lien Trustee, all overdue installments of interest upon the Second Lien Obligations, together with interest on such overdue installments of interest to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Second Lien Trustee, and all other sums then payable by the Authority under the Second Lien Resolution (except the principal of, and interest accrued since the next preceding interest payment date on, the Second Lien Obligations due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Second Lien Trustee shall be made for such payment, and all defaults under the Second Lien Obligations or under the Second Lien Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the Second Lien Trustee or provision deemed by the Second Lien Trustee to be adequate shall be made therefor, then and in every such case the Owners of more than 50% in principal amount of the Second Lien Obligations Outstanding, by written notice to the Authority and to the Second Lien Trustee, shall rescind such declaration and annul such default in its entirety, or, if the Second Lien Trustee shall have acted itself to declare the Second Lien Obligations due and payable, and if there shall not have been theretofore delivered to the Second Lien Trustee written direction to the contrary by the Owners of more than 50% in principal amount of the Second Lien Obligations Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default shall *ipso facto* be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent therein.

Section 702. Powers of Second Lien Trustee.

1. In the event that any Event of Default specified in Section 701 shall occur and be continuing, the Second Lien Trustee may, and, upon written request of the Owners of a majority in aggregate principal amount of the Second Lien Obligations then Outstanding, shall, in its name,

- (a) bring suit upon the Second Lien Obligations against the Authority;
- (b) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Second Lien Obligations; or
- (c) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Second Lien Obligations.

2. Subject to the provisions of Sections 701 and the foregoing provisions of this Section 702, the remedies conferred upon or reserved to the Second Lien Trustee in respect of any Event of Default are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Second Lien Resolution or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Second Lien Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice as may be expressly required herein.

3. The Second Lien Trustee shall, in addition to the foregoing powers, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incidental to the general representation of Owners of Second Lien Obligations in the enforcement and protection of their rights.

4. The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Authority and all other records relating to the Second Lien Trust Estate shall at all times be subject to the inspection and use of the Second Lien Trustee and of its agents and attorneys and, upon demand of the Second Lien Trustee, the Authority will account, as if it were the trustee of an express trust, for the Second Lien Trust Estate for such period as shall be stated in such demand.

Section 703. Priority of Payments After Default. In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Second Lien Obligations and for payments then due with respect to Second Lien Parity Debt, such funds (excluding funds held for the payment or redemption of particular Second Lien Obligations which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Second Lien Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Second Lien Obligation Anticipation Notes) and any other money received or collected by the Fiduciaries, after making provision for the payment of any expenses necessary, in the opinion of the Second Lien Trustee, to protect the interest of the Owners of the Second Lien Obligations, and for the payment of the charges, expenses and liabilities incurred and advances

made by the Fiduciaries in the performance of their duties under the Second Lien Resolution, including reasonable fees of counsel, shall be applied as follows:

1. Unless the principal of all of the Second Lien Obligations shall have become due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due with respect to Second Lien Obligations and the interest components of Second Lien Parity Debt in the order of the maturity of such installments and interest components, and, if the amount available shall not be sufficient to pay in full any installments and interest components due on the same date, then to the payment thereof ratably, according to the amounts due on such installments and interest components, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Second Lien Obligations and Second Lien Parity Debt; and

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

If the principal of all of the Second Lien Obligations and the principal component of Second Lien Parity Debt shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the Second Lien Obligations and Second Lien Parity Debt without preference or priority of principal or principal component over interest or interest component or of interest or interest component over principal or principal component, or of any installment of interest or interest component over any other installment of interest or interest component, or of any Second Lien Obligation or Second Lien Parity Debt over any other Second Lien Obligation or Second Lien Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discretion or preference except as to any difference in the respective rates of interest specified in the Second Lien Obligations and Second Lien Parity Debt.

Section 704. Protection of Senior Lien Obligations.

Nothing in this Article requires or permits the Authority to proceed in a manner prejudicial to the rights and privileges of the owners of any Senior Lien Obligations; and notwithstanding any provision hereof to the contrary, such rights and privileges shall be senior and prior to the rights and privileges of any owner of Second Lien Obligations set forth herein.

ARTICLE VIII
CONCERNING THE SECOND LIEN TRUSTEE, PAYING AGENTS AND THE
SECOND LIEN REGISTRAR

Section 801. Second Lien Trustee; Appointment and Acceptance of Duties. On or prior to the delivery of any Second Lien Obligations, the Authority shall appoint a Second Lien Trustee. The Second Lien Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Second Lien Resolution by executing and delivering to the Authority a written acceptance thereof.

Section 802. Duties, Liabilities and Rights of the Second Lien Trustee.

(a) Prior to the occurrence of an Event of Default of which a Responsible Officer of the Second Lien Trustee has written notice or actual knowledge, and after the curing or waiver of any Event of Default which may have occurred:

(1) the Second Lien Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Second Lien Resolution, and no implied covenants or obligations shall be read into the Second Lien Resolution against the Second Lien Trustee; and

(2) in the absence of bad faith on its part, the Second Lien Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Second Lien Trustee and conforming to the requirements of the Second Lien Resolution; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Second Lien Trustee, the Second Lien Trustee is under a duty to examine same to determine whether or not they conform to the requirements of the Second Lien Resolution.

(b) In case an Event of Default of which a Responsible Officer of the Second Lien Trustee has written notice or actual knowledge has occurred and is continuing, the Second Lien Trustee shall exercise such rights and powers vested in it by the Second Lien Resolution, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use in the conduct of such Person's own affairs.

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

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section 802;

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

(3) the Second Lien Trustee is not and shall not be liable with respect to any action taken or omitted to be taken by it in good faith (i) in accordance with the direction of the Owners of the applicable percentage of Second Lien Obligations then Outstanding relating to the time,

method and place of conducting any proceeding for any remedy available to the Second Lien Trustee, or (ii) which it believes to be authorized or within its rights or powers under the Second Lien Resolution;

(4) no provision of the Second Lien Resolution shall require the Second Lien Trustee to expend or risk its own funds or otherwise incur any personal or financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, for which it has not received a satisfactory indemnity;

(5) the Second Lien Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person and shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Second Lien Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(6) the Second Lien Trustee shall not be charged with knowledge of an Event of Default unless a Responsible Officer of the Second Lien Trustee shall have received written notice from an Owner or the Authority or have actual knowledge; provided that the Second Lien Trustee shall be deemed to have actual knowledge of any failure to pay principal or Redemption Price of or interest on Second Lien Obligations when due;

(7) the Second Lien Trustee shall not be under any obligation to take any action that is discretionary hereunder, and the permissive rights of the Second Lien Trustee to take actions hereunder shall not be construed as a duty;

(8) neither the Second Lien Trustee nor any of its directors, officers, employees or agents shall be personally liable for any action taken, suffered or omitted by the Second Lien Trustee in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon the Second Lien Trustee by the Second Lien Resolution, nor shall the Second Lien Trustee be liable for any special, punitive or consequential damages;

(9) the Second Lien Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians, or nominees, and the Second Lien Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, custodians or nominees appointed with due care by it hereunder; and

(10) the Second Lien Trustee may request that the Authority deliver a certificate of an Authorized Officer setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant hereto, which certificate may be signed by any Person authorized to sign such a certificate, including any Person specified as so authorized in any such certificate previously delivered and not superseded.

(d) Whether or not expressly so provided, every provision of the Second Lien Resolution relating to the conduct or affecting the liability of or affording protection to the Second Lien Trustee is subject to the provisions of this Section 802.

(e) In the, event that the Second Lien Trustee is also acting as Paying Agent, Second Lien Registrar or Clearing Account Agent hereunder, the rights and protections afforded to the Second Lien Trustee pursuant to the Second Lien Resolution shall also be afforded to the Paying Agent, Second Lien Registrar or Clearing Account Agent.

Section 803. Paying Agents and Second Lien Registrars; Appointment and Acceptance of Duties.

1. The Second Lien Trustee is hereby appointed the Second Lien Registrar and a Paying Agent with respect to the Second Lien Obligations. The Authority may at any time or from time to time appoint one or more other Paying Agents and Second Lien Registrars in the manner and subject to the conditions set forth in Section 813 for the appointment of a successor Paying Agent or Second Lien Registrar. The Authority may be appointed a Paying Agent or Second Lien Registrar.

2. Each Paying Agent and Second Lien Registrar other than the Second Lien Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Second Lien Resolution by executing and delivering to the Authority and to the Second Lien Trustee a written acceptance thereof.

Section 804. Responsibilities of Fiduciaries. The recitals of fact contained in the Second Lien Resolution and in the Second Lien Obligations shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Second Lien Resolution or of any Second Lien Obligations issued hereunder or in respect of the security afforded by the Second Lien Resolution, or for any information in any preliminary or final official statement in connection with the issuance of any Second Lien Obligations or any financial statement required to be delivered or filed in connection with any Second Lien Obligations. No Fiduciary makes any representation as to any information in, or shall be responsible in any manner for, the recording, re-recording, filing or re-filing of any financing or continuation statement or other document or instrument, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Second Lien Obligations or the application of the proceeds thereof or the application of any money paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any money paid to any other Fiduciary. No Fiduciary shall be liable in connection with the performance of its duties under the Second Lien Resolution, or for any losses, fees, taxes or other charges incurred upon the purchase or sale or redemption of any securities purchased for or held in any Fund under the Second Lien Resolution, including any losses incurred by reason of having to sell securities prior to their maturity date, except in each case for its own willful misconduct, negligent action or negligent failure to act.

Section 805. Evidence on Which Fiduciaries May Act.

1. Each Fiduciary shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel of its selection, who may or may not be

counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, omitted to be taken or suffered by it under the Second Lien Resolution in good faith and in accordance therewith.

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

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

Section 806. Compensation. The Authority shall pay to each Fiduciary from time to time such compensation as shall be agreed to in writing between the Fiduciary and the Authority for all services rendered under the Second Lien Resolution (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Second Lien Resolution. To the extent permitted by law, the Authority further agrees to indemnify and save each Fiduciary and its officers, directors, agents, and employees harmless against any and all liabilities, losses, damages, claims or expenses which it may incur in the acceptance, exercise and performance of its powers and duties hereunder and which are not due to its willful misconduct, negligence or bad faith. The obligations of this Section 806 shall survive the discharge of the Second Lien Resolution. No obligation of the Authority to make any payment to any Fiduciary shall have the benefit of any lien on or pledge or assignment of the Second Lien Trust Estate.

A Fiduciary shall notify the Authority promptly of any claim for which it may seek indemnity. The Authority shall defend the claim and the Second Lien Trustee shall cooperate in the defense. The Fiduciary may have separate counsel and the Authority shall pay the reasonable fees and expenses of such counsel.

Section 807. Certain Permitted Acts. Any Fiduciary may become the owner of any Second Lien Obligations or any other obligations of the Authority, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law and pursuant to the Second Lien Resolution, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Second Lien Obligations or the Owners of any other obligations of the Authority or to effect or aid in any reorganization growing out of the enforcement of the Second Lien Obligations or any other obligations of the Authority or the Second Lien Resolution, whether

or not any such committee shall represent the Owners of a majority in principal amount of the Second Lien Obligations then Outstanding.

Section 808. Resignation of Second Lien Trustee. The Second Lien Trustee may at any time resign and be discharged of the duties and obligations created by the Second Lien Resolution by giving not less than 60 days' written notice to the Authority and mailing notice thereof to the Owners of the Second Lien Obligations, specifying the date when such resignation shall take effect, at least 45 days prior to the effective date, provided that such resignation shall take effect upon the later of (i) the day specified in such notice and (ii) the day a successor shall have been appointed by the Authority or the Owners of Second Lien Obligations as provided in Section 810 and shall have qualified therefor.

Section 809. Removal of Second Lien Trustee. The Second Lien Trustee may be removed at any time upon thirty (30) days' notice by an instrument or concurrent instruments in writing, filed with the Second Lien Trustee, and signed by the Owners of a majority in principal amount of the Second Lien Obligations then Outstanding or their attorneys-in-fact duly authorized, excluding any Second Lien Obligations held by or for the account of the Authority. In addition, so long as no Event of Default shall have occurred and be continuing hereunder and the Second Lien Trustee is not pursuing any right or remedy available to it pursuant to the Second Lien Resolution, the Second Lien Trustee may be removed by the Authority at any time for failure to provide reasonably acceptable services, failure to charge reasonably acceptable fees or any other reasonable cause, all as determined by a certificate of an Authorized Officer filed with the Second Lien Trustee. Any such removal shall not be effective until a successor shall have been appointed by the Authority or the Owners of Second Lien Obligations as provided in Section 810 and shall have qualified therefor.

Section 810. Appointment of Successor Second Lien Trustee.

1. In case at any time the Second Lien Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Second Lien Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Second Lien Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Second Lien Obligations then Outstanding, excluding any Second Lien Obligations held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of Second Lien Obligations or by their attorneys-in-fact duly authorized and delivered to such successor Second Lien Trustee, notification thereof being given to the Authority and the predecessor Second Lien Trustee; provided, nevertheless, that unless a successor Second Lien Trustee shall have been appointed by the Owners of Second Lien Obligations as aforesaid, the Authority, by a duly executed written instrument signed by an Authorized Officer of the Authority, shall forthwith appoint a Second Lien Trustee to fill such vacancy until a successor Second Lien Trustee shall be appointed by the Owners of Second Lien Obligations as authorized in this Section 810. The Authority shall mail notice of any such appointment made by it to all Owners within 20 days after such appointment. Any successor Second Lien Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Second Lien Obligations.

2. If in a proper case no appointment of a successor Second Lien Trustee shall be made pursuant to the foregoing provisions of this Section 810, within 45 days after the Second Lien Trustee shall have given to the Authority written notice as provided in Section 808 or after a vacancy in the office of the Second Lien Trustee shall have occurred by reason of its inability to act, the Second Lien Trustee or the Owner of any Second Lien Obligation may, at the expense of the Authority, apply to any court of competent jurisdiction to appoint a successor Second Lien Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Second Lien Trustee.

3. Any Second Lien Trustee appointed under the provisions of this Section 810 in succession to the Second Lien Trustee shall be a Bank that is organized under the laws of any state or is a national banking association organized under the laws of the United States of America, and having a capital and surplus aggregating at least \$100 million, if there be such a Bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Second Lien Resolution.

Section 811. Transfer of Rights and Property to Successor Second Lien Trustee. Any successor Second Lien Trustee appointed under the Second Lien Resolution shall execute, acknowledge and deliver to its predecessor Second Lien Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Second Lien Trustee, without any further act, deed or conveyance, shall become fully vested with all money, estates, properties, rights, powers, duties and obligations of such predecessor Second Lien Trustee, with like effect as if originally named as Second Lien Trustee; but the Second Lien Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Second Lien Trustee, and, upon the payment of all of its charges hereunder, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Second Lien Trustee all the right, title and interest of the predecessor Second Lien Trustee in and to any property held by it under the Second Lien Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Second Lien Trustee for more fully and certainly vesting in and confirming to such successor Second Lien Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any successor Second Lien Trustee shall promptly notify the Second Lien Registrar and the Paying Agents of its appointment as Second Lien Trustee.

Section 812. Merger or Consolidation. Any Person into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its municipal corporate trust business, provided such Person shall be a Bank that is organized under the laws of any state of the United States or is a national banking association organized under the laws of the United States of America, and having a capital and surplus aggregating at least \$100 million, and shall be authorized by law to perform all the duties imposed upon it by the Second Lien Resolution, shall

be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 813. Resignation or Removal of Paying Agent or Second Lien Registrar and Appointment of Successor.

1. Any Paying Agent or Second Lien Registrar may at any time resign and be discharged of the duties and obligations created by the Second Lien Resolution by giving at least 60 days' written notice to the Authority, the Second Lien Trustee, and the other Paying Agents or Second Lien Registrar, as the case may be. Any Paying Agent or Second Lien Registrar may be removed at any time by an instrument filed with such Paying Agent or Second Lien Registrar and the Second Lien Trustee and signed by the Authority. Any successor Paying Agent or Second Lien Registrar shall be appointed by the Authority, with the approval of the Second Lien Trustee, and (subject to the requirements of Section 604) shall be a Bank that is organized under the laws of any state of the United States of America or is a national banking association organized under the laws of the United States of America and having a capital and surplus aggregating at least \$100 million, which is willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Second Lien Resolution.

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

3. In the event of the resignation or removal of any Second Lien Registrar, such Second Lien Registrar shall transfer and deliver all records, certificates and documents held by it as Second Lien Registrar to its successor, or if there be no successor, to the Second Lien Trustee. In the event that for any reason there shall be a vacancy in the office of any Second Lien Registrar, the Second Lien Trustee shall act as such Second Lien Registrar.

Section 814. Adoption of Authentication. In case any of the Second Lien Obligations contemplated to be issued under the Second Lien Resolution shall have been authenticated but not delivered, any successor Second Lien Trustee may adopt the certificate of authentication of any predecessor Second Lien Trustee so authenticating such Second Lien Obligations and deliver the Second Lien Obligations so authenticated; and in case any of such Second Lien Obligations shall not have been authenticated, any successor Second Lien Trustee may authenticate such Second Lien Obligations in the name of the predecessor Second Lien Trustee, or in the name of the successor Second Lien Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Second Lien Obligations or in the Second Lien Resolution.

Section 815. Continuing Disclosure Agreements. The Second Lien Trustee shall be entitled to the same rights and the same degree of indemnification in its execution and performance of each continuing disclosure agreement entered into pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, as it is in its role as a Fiduciary under the Second Lien Resolution.

ARTICLE IX SUPPLEMENTAL SECOND LIEN RESOLUTIONS

Section 901. Supplemental Second Lien Resolutions Effective Upon Filing With the Second Lien Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Second Lien Resolution may be adopted, without the consent of or notice to any Owner, which, upon the filing with the Second Lien Trustee of a copy thereof certified by an Authorized Officer, or, if adopted prior to the appointment of a Second Lien Trustee pursuant to Section 801, upon its adoption, shall be fully effective in accordance with its terms:

1. To close the Second Lien Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Second Lien Resolution on, the issuance and delivery of the Second Lien Obligations, or the issuance or entering into of other evidences of indebtedness;

2. To add to the covenants and agreements of the Authority in the Second Lien Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Second Lien Resolution as theretofore in effect;

3. To add to the limitations and restrictions in the Second Lien Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Second Lien Resolution as theretofore in effect;

4. To surrender any right, power or privilege reserved to or conferred upon the Authority by the Second Lien Resolution;

5. To authorize Second Lien Obligations of a Series and, in connection therewith, (a) specify and determine the matters and things referred to in the provisions of the Second Lien Resolution authorizing issuance of Second Lien Obligations, and also any other matters and things relative to such Second Lien Obligations which are not contrary to or inconsistent with the Second Lien Resolution as theretofore in effect, (b) in the case of Variable Interest Rate Second Lien Obligations or Put Second Lien Obligations, as applicable, set forth provisions specifying the manner in which interest on Variable Interest Rate Second Lien Obligations or Put Second Lien Obligations, as applicable, is to be calculated for the purposes of various definitions and provisions of the Second Lien Resolution, provisions providing for changes in interest rates, interest rate periods or interest payment dates for any Variable Interest Rate Second Lien Obligation of a Series or Put Second Lien Obligations, as applicable, provisions regarding an Owner's right or obligation to tender Put Second Lien Obligations for redemption or purchase in lieu of redemption, and provisions governing the manner in which Variable Interest Rate Second Lien Obligations or Put Second Lien Obligations, as applicable, which the Owner thereof has the right to, or has exercised a right to, tender for redemption or purchase in lieu of redemption shall be treated for purposes of various definitions and provisions of the Second Lien Resolution, (c) set forth provisions governing the administration of any Second Lien Qualified Swap or Second Lien Credit Facility, and provisions providing for the issuance of Reimbursement Second Lien Obligations or the conversion of other Second Lien Obligations to Reimbursement Second Lien Obligations (and in connection with such conversion to change the interest rates, sinking fund provisions or maturity date on such Second Lien Obligations) to secure or reimburse the provider of such Second Lien

Credit Facility, (d) in the case of either Taxable Second Lien Obligations or Tax-Exempt Second Lien Obligations, set forth defeasance provisions with respect thereto (including the manner of attaining such defeasance and the effect thereof), and (e) make such additional changes herein, not materially adverse to the rights of the Owners of the Second Lien Obligations previously issued, as are necessary or appropriate; or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance and delivery of such Second Lien Obligations;

6. To authorize Second Lien Obligation Anticipation Notes in accordance with Section 207 and, in connection therewith, specify and determine the matters and things referred to in Section 207, and also any other matters and things relative to such Second Lien Obligations which are not contrary to or inconsistent with the Second Lien Resolution as theretofore in effect;

7. To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Second Lien Resolution of any additional security other than that granted or pledged under the Second Lien Resolution;

8. To authorize Second Lien Parity Debt and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things referred to in paragraphs (4) and (6) of Section 206, and also any other matters and things relative to such Second Lien Parity Debt which are not contrary to or inconsistent with the Second Lien Resolution as then in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance or entering into of such Second Lien Parity Debt, and at any time to rescind or limit any authorization for any such Second Lien Parity Debt theretofore authorized but not issued or entered into; in connection with the authorization of Parity Swap Second Lien Obligations and Parity Reimbursement Second Lien Obligations, any such Supplemental Second Lien Resolution may include provisions for the availability, transferability, use or application of the Funds, Accounts and Subaccounts established pursuant to Section 502 for the benefit of such Parity Swap Second Lien Obligations and Parity Reimbursement Second Lien Obligations; and shall grant to the Owners of such Second Lien Parity Debt the same rights granted to Owners of Second Lien Obligations in Section 1002 and Article X herein;

9. To authorize Junior Indebtedness or Junior Contract Obligations and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things required or permitted by Article V of the Second Lien Resolution in connection therewith, and also any other matters and things relative to such Junior Indebtedness or Junior Contract Obligations which are not contrary to or inconsistent with the Second Lien Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Junior Indebtedness or Junior Contract Obligations theretofore authorized but not issued or entered into; and in connection with the authorization of Junior Indebtedness or Junior Contract Obligations, any such Supplemental Second Lien Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Junior Indebtedness or Junior Contract Obligations and any other funds, accounts or subaccounts created for the benefit of such Junior Indebtedness or Junior Contract Obligations;

10. To modify any of the provisions of the Second Lien Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Second Lien Obligations affected thereby and Outstanding at the date of the adoption of such Supplemental Second Lien Resolution shall cease to be Outstanding and (ii) such Supplemental Second Lien Resolution shall be specifically referred to in the text of all Second Lien Obligations delivered on original issuance after the date of the adoption of such Supplemental Second Lien Resolution and of the Second Lien Obligations issued in exchange therefor or in place thereof;

11. To authorize the granting of additional funding sources as security for any given Second Lien Obligations without making such additional funding sources available as security for all succeeding Second Lien Obligations issued under the Second Lien Resolution consistent with any limitations applicable to such additional funding sources in existence at the time of issuance of the affected Second Lien Obligations;

12. To add to the Second Lien Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Second Lien Obligations then Outstanding or to be issued or the exemption of interest received on any Second Lien Obligations, issued or to be issued, from state income taxation;

13. To modify, amend or supplement the Second Lien Resolution in any manner, not already provided for in or pursuant to the Supplemental Second Lien Resolution authorizing the related Series of Second Lien Obligations in order to provide for a Second Lien Credit Facility, Second Lien Qualified Swap, or other similar arrangement with respect to any Series of Second Lien Obligations, under the Second Lien Resolution, so long as the Authority determines that such Supplemental Second Lien Resolution does not materially adversely affect the right, security and interest of the Owners of Outstanding Second Lien Obligations;

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

15. To amend or modify any Supplemental Second Lien Resolution authorizing Second Lien Obligations of a Series to reflect the substitution of a new Second Lien Credit Facility for the Second Lien Credit Facility then in effect;

16. At any time prior to the first authentication and delivery of any Second Lien Obligations under the Second Lien Resolution or at any other time when no Second Lien Obligations are Outstanding under the Second Lien Resolution, to modify the provisions of the Second Lien Resolution in such manner as the Authority deems necessary or appropriate;

17. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Second Lien Resolution;

18. To insert such provisions clarifying matters or questions arising under the Second Lien Resolution as are necessary or desirable and are not contrary to or inconsistent with the Second Lien Resolution as theretofore in effect, including, in the event the Compact is amended or other legislation is enacted to so provide, the substitution of an alternate or different legal name for the current name of the Authority or any other Related Entity in the Second Lien Resolution or the form of Second Lien Obligations; or

19. With Rating Confirmation, to make any other modification or amendment of the Second Lien Resolution, which the Authority shall in its sole discretion determine will not have a material adverse effect on the interests of the Owners of Outstanding Second Lien Obligations. In making any determination under this paragraph 19 of this Section 901, the Authority may conclusively rely upon an Opinion of Counsel or opinions of other experts or professionals.

Section 902. Supplemental Second Lien Resolutions Effective With Consent of Owners of Second Lien Obligations. At any time or from time to time, a Supplemental Second Lien Resolution may be adopted subject to consent by Owners of Second Lien Obligations in accordance with and subject to the provisions of Article IX hereof, which Supplemental Second Lien Resolution, upon the filing with the Second Lien Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of said Article IX, shall become fully effective in accordance with its terms as provided in said Article IX.

Section 903. General Provisions.

1. The Second Lien Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article IX and Article X hereof. Nothing contained in this Article IX or in Article X shall affect or limit the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in the Second Lien Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Second Lien Resolution referred to and permitted or authorized by Section 901 may be adopted by the Authority without the consent of any of the Owners, but shall become effective only on the conditions, to the extent and at the time provided in said Section. The copy of every Supplemental Second Lien Resolution when filed with the Second Lien Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Second Lien Resolution has been duly and lawfully adopted in accordance with the provisions of the Second Lien Resolution, is authorized or permitted by the Second Lien Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms; provided, however, that the concurrent delivery of an Opinion of Bond Counsel required by subsection 2(a) of Section 202 shall satisfy this requirement.

3. No Supplemental Second Lien Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written consent.

ARTICLE X AMENDMENTS

Section 1001. Mailing. Any provision in this Second Lien Resolution for the mailing of a notice or other paper to Owners shall be fully complied with if it is mailed postage prepaid to each Owner of any affected Second Lien Obligation then Outstanding at such Owner's address, if any, appearing upon the registry books of the Authority, and to the Second Lien Trustee; or, in each case, to such parties by facsimile, e-mail or other means to the extent permitted by applicable law and arrangements. Notices sent by electronic means shall be subject to such further provisions as may be set forth in a related Supplemental Second Lien Resolution or Certificate of Determination.

Section 1002. Powers of Amendment. Any modification or amendment of the Second Lien Resolution and of the rights and Second Lien Obligations of the Authority and of the Owners, in any particular, may be made by a Supplemental Second Lien Resolution, with the written consent given as provided in Section 903, (i) of the Owners of a majority in principal amount of the Second Lien Obligations Outstanding at the time such consent is given, and (ii) in case less than all of the Second Lien Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Second Lien Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Second Lien Obligations remain Outstanding, the consent of the Owners of such Second Lien Obligations shall not be required and such Second Lien Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Second Lien Obligations under this Section. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Second Lien Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Second Lien Obligation, (b) reduce the percentages or otherwise affect the classes of Second Lien Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, (c) create a preference or priority of any Second Lien Obligation or Second Lien Obligations over any other Second Lien Obligation or Second Lien Obligations, without the consent of the Owners of all such Second Lien Obligations, (d) create a lien prior to or on parity with the lien of the Second Lien Resolution securing Second Lien Obligations, without the consent of the Owners of all of the Second Lien Obligations then Outstanding, or (e) change or modify any of the rights or obligations of any Fiduciary without its written consent thereto. For the purposes of this Section, a Second Lien Obligation shall be deemed to be affected by a modification or amendment of the Second Lien Resolution if the same materially and adversely affects the rights of the Owner of such Second Lien Obligation. The Second Lien Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment particular Second Lien Obligations would be affected by any modification or amendment of the Second Lien Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Second Lien Obligations. The Second Lien Trustee may request and receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether particular Second Lien Obligations would be so affected by any such modification or amendment of the Second Lien Resolution and the Second Lien Trustee shall have no duty or obligation to take any action hereunder unless and until it has received such opinion. Notwithstanding anything in this Section or the Second Lien Resolution to the contrary, the consent of Owners of any Series of additional Second Lien

Obligations to be issued hereunder shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Second Lien Obligations is offered and sold.

Section 1003. Consent of Owners of Second Lien Obligations. The Authority at any time may adopt a Supplemental Second Lien Resolution making a modification or amendment permitted by the provisions of Section 1002 to take effect when and as provided in this Section. A copy of such Supplemental Second Lien Resolution (or brief summary thereof or reference thereto in form approved by the Second Lien Trustee) together with a request to the Owners for their consent thereto in form satisfactory to the Second Lien Trustee, shall be mailed by the Authority to the Owners (but failure to mail such copy and request shall not affect the validity of the Supplemental Second Lien Resolution when consented to as in this Section provided). Such Supplemental Second Lien Resolution shall not be effective unless and until (i) there shall have been filed with the Second Lien Trustee (a) the written consents of Owners of the percentages of Outstanding Second Lien Obligations specified in Section 1002 and (b) a Counsel's Opinion stating that such Supplemental Second Lien Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Second Lien Resolution, is authorized or permitted by the Second Lien Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed to Owners as hereinafter in this Section 1003 provided. Any such consent, including any consent provided by the initial purchaser of a Second Lien Obligation from the Authority, shall be binding upon the Owner of the Second Lien Obligations giving such consent and, anything in Section 1103 to the contrary notwithstanding, upon any subsequent Owner of such Second Lien Obligations and of any Second Lien Obligations issued in exchange therefor (whether or not such Subsequent Owner thereof has notice thereof). At any time after the Owners of the required percentages of Second Lien Obligations shall have filed their consents to the Supplemental Second Lien Resolution, the Second Lien Trustee shall make and file with the Authority and the Second Lien Trustee a written statement that the Owners of such required percentages of Second Lien Obligations have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Second Lien Resolution (which may be referred to as a Supplemental Second Lien Resolution adopted by the Authority on a stated date, a copy of which is on file with the Second Lien Trustee) has been consented to by the Owners of the required percentages of Second Lien Obligations and will be effective as provided in this Section 1003, may be given to Owners of Second Lien Obligations by the Authority by mailing such notice to Owners of Second Lien Obligations (but failure to mail such notice shall not prevent such Supplemental Second Lien Resolution from becoming effective and binding as in this Section 1003 provided). The Authority shall file with the Second Lien Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 1003 to be filed with the Second Lien Trustee, shall be proof of the matters therein stated. Such Supplemental Second Lien Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Owners of all Second Lien Obligations at the expiration of 40 days after the filing with the Second Lien Trustee of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Second Lien Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that any Fiduciary

and the Authority during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Second Lien Resolution as they may deem expedient.

Section 1004. Modifications by Unanimous Consent. The terms and provisions of the Second Lien Resolution and the rights and obligations of the Authority and of the Owners of Second Lien Obligations may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Second Lien Resolution and the consent of the Owners of all of the Second Lien Obligations then Outstanding, such consent to be given as provided in Section 1003 except that no notice to Owners of Second Lien Obligations shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Second Lien Trustee of the written consent thereto of such Fiduciary in addition to the consent of the Owners of Second Lien Obligations.

Section 1005. Notation on Second Lien Obligations. Second Lien Obligations issued and delivered after the effective date of any action taken as in Article IX or this Article provided may, and, if the Second Lien Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Second Lien Trustee as to such action, and in that case upon demand of the Owner of any Second Lien Obligation Outstanding at such effective date and presentation of its Second Lien Obligation for such purpose at the corporate trust office of the Second Lien Trustee, suitable notation shall be made on such Second Lien Obligation by the Second Lien Trustee as to any such action. If the Authority or the Second Lien Trustee shall so determine, new Second Lien Obligations so modified as in the opinion of the Second Lien Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered. Upon demand of the Owner of any Second Lien Obligations then Outstanding and the surrender of such Second Lien Obligations, there shall be authenticated and exchanged therefor, new Second Lien Obligations having the same terms, other than the noted modification, as the Second Lien Obligations surrendered.

ARTICLE XI MISCELLANEOUS

Section 1101. Subordination.

1. Notwithstanding anything in this Second Lien Resolution to the contrary, the indebtedness evidenced by the Second Lien Obligations (and any obligation of the Authority related thereto and on parity therewith) shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to all principal of, premium, if any, and interest on the Senior Lien Obligations (and any obligation of the Authority related thereto, and on parity therewith).

2. The Authority will not, directly or indirectly, make or agree to make, and neither the Owner of any Second Lien Obligations nor any assignee or successor thereof will demand, accept or receive, (i) any payment (in cash, property or securities by set-off or otherwise), direct or indirect, of or on account of any principal, premium, if any, or interest in respect of any Second Lien Obligations, or (ii) any payment for the purpose of any redemption, purchase or other acquisition, direct or indirect, of any Second Lien Obligations, and no such payment shall be due, except as specifically set forth in this Second Lien Resolution and any Supplemental Second Lien Resolution governing such Second Lien Obligations.

3. In the event of (A) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Authority or its property, (B) any proceeding for the liquidation, dissolution or other winding-up of the Authority, voluntary or involuntary, and whether or not involving insolvency or bankruptcy proceedings, (C) any assignment for the benefit of creditors, or (D) any distribution, division, marshaling or application of any of the properties or assets of the Authority or the proceeds thereof to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then and in any such event, except as otherwise provided in the preceding paragraph:

(a) all Senior Lien Obligations shall first be paid in full (including all principal, premium, if any, and interest, including interest accruing after the commencement of any such proceeding) before any payment or distribution of any character, whether in cash, securities or other property shall be made in respect of any Second Lien Obligations, other than from the Second Lien Debt Service Fund;

(b) all principal or premium, if any, and interest on the Second Lien Obligations shall forthwith become due and payable and any payment or distribution of any character, whether in cash, securities or other property, which would otherwise (but for the terms hereof) be payable or deliverable in respect of any Second Lien Obligations (other than payments from the Second Lien Debt Service Fund), shall be paid or delivered directly to the Owners of the Senior Lien Obligations, for application to the payment of the Senior Lien Obligations, until all Senior Lien Obligations have been paid in full, and the Owners of the Second Lien Obligations at the time Outstanding irrevocably authorize, empower and direct all receivers, trustees, liquidators, conservators, fiscal agents and others having authority in the premises to effect all such payments and deliveries; and

(c) to the maximum extent permitted by law, each Owner of the Second Lien Obligations at the time Outstanding irrevocably authorizes and empowers each Owner of the Senior Lien Obligations (without imposing any obligation on any Owner of the Senior Lien Obligations or such Owner's representative) to demand, sue, or collect and receive such Owner's ratable share of all such payments and distributions and to receipt therefor, and to file and prove all claims therefor and take all such other action in the name of such Owner or otherwise, as such Owner of the Senior Lien Obligations or such Owner's representative may determine to be necessary or appropriate to the enforcement of this paragraph.

4. For all purposes of this Second Lien Resolution, Senior Lien Obligations shall not be deemed to have been paid in full unless the Owners thereof shall have received cash equal to the amount of principal, premium, if any, and interest in respect of all Senior Lien Obligations at the time Outstanding.

5. If any payment or distribution of any character, whether in cash, securities or other property, shall be received by any Owner of any of the Second Lien Obligations, or such Owner's representative, in contravention of any of the terms of this Second Lien Resolution, such payment or distribution or security shall be held in trust for the benefit of, and shall be paid over or delivered and transferred to, the Owners of the Senior Lien Obligations or such Owner's representatives for application to the payment of all Senior Lien Obligations remaining unpaid, to the extent necessary to pay all such Senior Lien Obligations in full. Notwithstanding the foregoing, an Owner of Second Lien Obligations may assume that payments received hereunder are in compliance with the terms of this Second Lien Resolution unless such Owner has actual knowledge that such payments are in contravention of the terms of this Second Lien Resolution.

6. In case cash, securities or other property otherwise payable or deliverable to the Owner of the Second Lien Obligations shall have been applied pursuant to this section to the payment of Senior Lien Obligations in full, then and in each case, the Owner of the Second Lien Obligations shall be subrogated to any rights of any Owner of Senior Lien Obligations to receive any further payments or distributions in respect of or applicable to the Senior Lien Obligations.

7. The terms of this section shall continue to be effective or be reinstated, as the case may be, if at any time payment of any Senior Lien Obligations is rescinded, annulled or must otherwise be returned by any Owner of Senior Lien Obligations or such Owner's representative, upon the insolvency, bankruptcy or reorganization of the Authority or otherwise, all as though such payment has not been made.

Section 1102. Defeasance.

1. If the Authority shall pay or cause to be paid to the Owners of all Second Lien Obligations then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Second Lien Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Second Lien Trustee, the covenants, agreements and other obligations of the Authority to the Owners of Second Lien Obligations shall be discharged and satisfied. In such event, the Second Lien Trustee shall, upon the written request of the Authority, execute and

deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Second Lien Resolution which are not required for the payment or redemption of Second Lien Obligations not theretofore surrendered for such payment or redemption.

2. Outstanding Second Lien Obligations or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall at the respective maturity or redemption dates thereof be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section. Outstanding Second Lien Obligations or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section either (A) with respect to the defeasance of Taxable Second Lien Obligations, Tax-Exempt Second Lien Obligations or otherwise, as provided in the Supplemental Second Lien Resolution authorizing their issuance or (B) if (a) in case any of said Second Lien Obligations are to be redeemed on any date prior to their maturity, the Authority shall have given to the Second Lien Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article IV notice of redemption on said date of such Second Lien Obligations, (b) there shall have been irrevocably deposited with the Second Lien Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Second Lien Trustee, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Second Lien Obligations or such portions thereof on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Second Lien Obligations are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Authority shall have given the Second Lien Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Second Lien Obligations that the deposit required by (b) above has been made with the Second Lien Trustee and that said Second Lien Obligations are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which money is to be available for the payment of the principal or Redemption Price, if applicable, on such Second Lien Obligations. Notwithstanding the foregoing, in the event that all or a portion of any Second Lien Obligations or portions thereof are to be discharged as a result of there being irrevocably deposited with the Second Lien Trustee Defeasance Securities, the lien of this Second Lien Resolution with respect to such Second Lien Obligations or portions thereof will not be released and discharged until the Authority and the Second Lien Trustee have received a verification of the sufficiency of funds held to discharge such Second Lien Obligations or portions thereof from an independent certified public accountant. Neither Defeasance Securities nor money deposited with the Second Lien Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Second Lien Obligations; provided, however, that any money on deposit with the Second Lien Trustee, (i) to the extent such money will not be required at any time for such purpose, shall be paid over to the Authority as received by the Second Lien Trustee, free and clear of any trust, lien or pledge securing said Second Lien Obligations or otherwise existing under the Second Lien Resolution, and (ii) to the extent such money will be required for such purpose at a later date, shall,

to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient, together with any money available to the Second Lien Trustee for such purpose, to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Second Lien Obligations on and prior to such redemption date or maturity date thereof, as the case may be. Notwithstanding any other provision hereof, the Authority may at the time of defeasance elect to retain the right to redeem or require the tender of any obligations deemed paid pursuant to subsection 2 of this Section 1102. The Second Lien Trustee shall, at the direction of the Authority, select the Second Lien Obligations or portions thereof that are deemed to have been paid in advance of the redemption of such Second Lien Obligations.

3. Anything in the Second Lien Resolution to the contrary notwithstanding, any money held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Second Lien Obligations which remains unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, has become due and payable, either at stated maturity dates or by call for earlier redemption, if such money was held by the Fiduciary at such date, or for 2 years after the date of deposit of such money if deposited with the Fiduciary after the date when such principal, Redemption Price, or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Second Lien Obligations shall look only to the Authority for the payment of such principal, Redemption Price, or interest, respectively. Before being required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such money a notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such money then unclaimed will be returned to the Authority.

Section 1103. Evidence of Signatures of Owners of Second Lien Obligations and Ownership of Second Lien Obligations.

1. Any request, consent, revocation of consent or other instrument which the Second Lien Resolution may require or permit to be signed and executed by the Owners of Second Lien Obligations may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners of Second Lien Obligations in Person or by their attorneys-in-fact appointed in writing or by such electronic or other means as may be recognized pursuant to applicable law. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any Person of the Second Lien Obligations shall be sufficient for any purpose of the Second Lien Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Second Lien Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Owner or its attorney-in-fact of such instrument may be proved by the certificate of a signature guarantor, or of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn

to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership such certificate or affidavit shall also constitute sufficient proof of its authority;

(b) The ownership of Second Lien Obligations and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

2. Any request or consent by the Owner of any Second Lien Obligation shall bind all future Owners of such Second Lien Obligation in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

Section 1104. Money Held for Particular Second Lien Obligations. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Second Lien Obligations shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of Second Lien Obligations entitled thereto.

Section 1105. General Regulations as to Money and Funds.

1. Each of the Funds and Accounts established by the Second Lien Resolution shall be a trust fund for the purposes thereof.

2. All amounts of the Authority held or set aside under the Second Lien Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Second Lien Resolution, be deposited by the Authority in its name, on demand or time deposit, in such Banks as shall be selected by the Authority. Any amounts held by any Fiduciary under the Second Lien Resolution shall be deposited in such Banks as the Authority may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks or other means of withdrawals consistent with industry practices on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Second Lien Resolution.

3. Unless otherwise specified in a Supplemental Second Lien Resolution authorizing the issuance of Second Lien Obligations, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Fiduciary, on time deposit. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

Section 1106. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of the Second Lien Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any Owners of at least 5% aggregate principal amount of Second Lien Obligations and their agents and their representatives, any of whom may make copies thereof.

Section 1107. Parties Interest Herein. Nothing in the Second Lien Resolution expressed or implied is intended or shall be construed to confer upon, or to give to any Person, other than the Authority, the Fiduciaries, the Clearing Account Agent, the Owners of Second Lien Obligations and the Owners of Second Lien Parity Debt, any right, remedy or claim under or by reason of the Second Lien Resolution or any covenant, condition or stipulation thereof, and all the covenants, stipulations, promises and agreements in the Second Lien Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, the Owners of Second Lien Obligations and the Owners of Second Lien Parity Debt.

Section 1108. No Recourse on the Second Lien Obligations. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Second Lien Obligations or Second Lien Parity Debt or for any claim based thereon or on the Second Lien Resolution against any member, officer, or employee of the Authority or any Person executing the Second Lien Obligations.

Section 1109. Successors and Assigns. Whenever in the Second Lien Resolution the Authority is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Second Lien Resolution contained by or on behalf of the Authority shall bind and ensure to the benefit of its successors and assigns whether so expressed or not.

Section 1110. Business Days. Except as otherwise provided pursuant to a Supplemental Second Lien Resolution, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Second Lien Resolution, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if made or done on the nominal date provided in the Second Lien Resolution and no interest shall accrue during the intervening period with respect to any payment so deferred.

Section 1111. Severability of Invalid Provisions. If any term or provision of the Second Lien Resolution shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, and such term and provision shall be valid and enforceable to the fullest extent permitted by law.

The invalidity of any one or more phrases, sentences, clauses or Sections of the Second Lien Resolution shall not affect the remaining portions of the Second Lien Resolution, or any part hereof.

Section 1112. Exclusion of Second Lien Obligations. Second Lien Obligations owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of any consent to be given or other action to be taken by or upon the direction of Owners of a specified portion of Second Lien Obligations Outstanding, and the Authority shall not be entitled with

respect to such Second Lien Obligations to give any such consent or to take, or direct the taking of, any such action. At the time of any such consent or action, the Authority shall furnish to the Second Lien Trustee a certificate of an Authorized Officer, upon which the Second Lien Trustee may conclusively rely, describing all Second Lien Obligations so to be excluded.

Section 1113. Applicability of the Laws of the State of New York to Trustee. The Second Lien Trustee's immunities and standard of care in connection with the administration of its trusts hereunder shall be governed by the laws of the State of New York.

Section 1114. Effective Date. The Board of Directors finds that the proper and timely performance of its functions requires that this resolution be, and it hereby is, effective immediately.

Reviewed as to form and legal sufficiency:

Patricia Y. Lee
Executive Vice President, Chief Legal Officer and
General Counsel

WMATA File Structure No:
4.1 Bonds

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

2023-__

2023A SUPPLEMENTAL SECOND LIEN BOND RESOLUTION

Supplementing

Second Lien Dedicated Capital Funding Revenue Bond Resolution 2023-__
Adopted ____, 2023

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2023A SUPPLEMENTAL SECOND LIEN BOND RESOLUTION

Supplementing

Second Lien Dedicated Capital Funding Revenue Bond Resolution 2023-____ Adopted _____, 2023

BE IT RESOLVED by the Board of Directors (the "Board") of **WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY** (the "Authority"), as follows:

ARTICLE I. DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01 Supplemental Second Lien Resolution. This 2023A Supplemental Second Lien Bond Resolution (the "Supplemental Second Lien Resolution") is supplemental to, amends, and is adopted in accordance with Article II, Article IX and Article X of Resolution 2023-__ of the Authority adopted on _____, 2023, entitled "Second Lien Dedicated Capital Funding Revenue Bond Resolution" (the "Second Lien Resolution").

Section 1.02 Definitions

1. All capitalized terms which are used but not otherwise defined in this Supplemental Second Lien Resolution shall have the same meanings, respectively, as such terms are given by Section 101 of the Second Lien Resolution.

2. In this Supplemental Second Lien Resolution:

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Second Lien Trustee as available for use in connection with its services hereunder.

"Second Lien Trustee" shall mean The Bank of New York Mellon, a New York banking corporation.

"Series 2023A Second Lien Bonds" shall mean the Second Lien Dedicated Revenue Bonds, Series 2023A (**Sustainability – Climate Transition Bonds**), authorized by Article II of this Supplemental Second Lien Resolution.

Section 1.03 Authority for this Supplemental Second Lien Resolution. This Supplemental Second Lien Resolution is adopted pursuant to the provisions of the Compact and the Second Lien Resolution.

ARTICLE II. AUTHORIZATION OF SERIES 2023A SECOND LIEN BONDS

Section 2.01 Authorized Principal Amount, Designation, Purpose and Series. Pursuant to the provisions of the Second Lien Resolution, and in order to finance Capital Costs, Second Lien

Obligations entitled to the benefit, protection and security of the provisions of the Second Lien Resolution are hereby authorized to be issued in an aggregate principal amount, not taking into account any premium on or any original issue discount or underwriter's discount from the principal, not exceeding \$797,800,000.

Such Second Lien Obligations authorized by this Supplemental Second Lien Resolution shall be designated as, and shall be distinguished from the Second Lien Obligations of all other Series by the title, "Second Lien Dedicated Revenue Bonds, Series 2023A **(Sustainability – Climate Transition Bonds)**" pursuant to and subject to the terms, conditions and limitations established in the Second Lien Resolution and this Supplemental Second Lien Resolution. Notwithstanding any other provision hereof, to the extent provided in one or more Certificates of Determination, such Series 2023A Second Lien Bonds may be issued in one or more Series or subseries, on the same or on different dates, with such further or different designations as set forth in such Certificates of Determination. The Series 2023A Second Lien Bonds shall be issued as Tax-Exempt Second Lien Obligations.

Section 2.02 Dates, Maturities, Principal Amounts and Interest. The Series 2023A Second Lien Bonds shall be dated the date or dates determined in the related Certificate of Determination and shall bear interest from such date or dates. The Series 2023A Second Lien Bonds shall mature on the date or dates and in the year or years and principal amount or amounts, and shall bear interest at the rate or rates per annum, or in the manner determined in the related Certificate of Determination.

Section 2.03 Interest Payments. Interest on the Series 2023A Second Lien Bonds shall be payable on such date or dates as may be determined pursuant to the related Certificate of Determination. Except as otherwise provided in the related Certificate of Determination, interest on the Series 2023A Second Lien Bonds shall be computed on the basis of twelve 30-day months and a 360-day year.

Section 2.04 Denominations, Numbers and Letters. Unless otherwise provided in the related Certificate of Determination, the Series 2023A Second Lien Bonds shall be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof. The Series 2023A Second Lien Bonds shall be lettered as provided in the related Certificate of Determination and shall be numbered from one consecutively upwards.

Section 2.05 Appointment of Second Lien Trustee; Places of Payment and Paying Agent.

1. The Bank of New York Mellon is hereby appointed Second Lien Trustee, Second Lien Registrar and a Paying Agent.

2. Except as otherwise provided in the related Certificate of Determination, principal and Redemption Price of the Series 2023A Second Lien Bonds shall be payable to the registered owner of each Series 2023A Bond when due upon presentation of such Series 2023A Bond at the designated corporate trust office of The Bank of New York Mellon, as Second Lien Trustee. Except as otherwise provided in the related Certificate of Determination, interest on the registered Series 2023A Second Lien Bonds will be paid by check or draft mailed on the interest payment date by The Bank of New York Mellon, as Paying Agent, to the registered owner at the owner's address as it appears on the registration books or, at the option of any Owner of at least one million dollars (\$1,000,000) in principal amount of the Series 2023A Second Lien Bonds, by wire transfer in immediately available funds on each interest payment date to such Owner thereof upon written notice from such Owner to the Second Lien Trustee, at such address as the Second Lien Trustee may from time to time notify such Owner, containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed, if such written notice is received not less than twenty (20) calendar days prior to the related interest payment date (such notice may refer to multiple interest payments).

Section 2.06 Sinking Fund Redemptions. The Series 2023A Second Lien Bonds, if any, determined in the related Certificate of Determination shall be subject to redemption in part, by lot, on each date in the year or years determined in the Certificate of Determination at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on each such date the principal amount of such Series 2023A Second Lien Bonds.

Section 2.07 Redemption Terms. The Series 2023A Second Lien Bonds may be subject to redemption prior to maturity, at the option of the Authority, upon notice as provided in Article IV of the Second Lien Resolution, at any time as a whole or in part (and by lot within a maturity if less than all of a maturity is to be redeemed), from maturities designated by the Authority on and after the date and in the years and at the Redemption Prices (expressed as a percentage of principal amount) determined in the related Certificate of Determination, plus accrued interest up to but not including the redemption date.

Section 2.08 Delegation to an Authorized Officer.

1. There is hereby delegated to each Authorized Officer, subject to the limitations contained in this Supplemental Second Lien Resolution, the following powers with respect to the Series 2023A Second Lien Bonds:

(a) to determine the principal amount of the Series 2023A Second Lien Bonds, and any original issue discount or premium with respect to any of the Series 2023A Second Lien Bonds, to be issued to accomplish the purposes authorized by Section 2.01 of this Supplemental Second Lien Resolution which principal amount shall not exceed the principal amount permitted by Section 2.01 of this Supplemental Second Lien Resolution;

(b) to determine the maturity date and principal amount of each maturity of the Series 2023A Second Lien Bonds and the amount and due date of each Sinking Fund Installment if any; provided, however, that the Series 2023A Second Lien Bonds shall not mature later than July 15, 2053;

(c) to determine the date or dates which the Series 2023A Second Lien Bonds shall be dated and the interest rate or rates of the Series 2023A Second Lien Bonds or the manner of determining such interest rate or rates; provided, however, that the all-in true interest cost with respect to the Series 2023A Second Lien Bonds (as determined by an Authorized Officer of the Authority which determination shall be conclusive) shall not exceed seven percent (7.00%) per annum;

(d) if applicable, to determine the purchase price for the Series 2023A Second Lien Bonds to be paid by the Underwriters referred to in the Bond Purchase Agreement described in Section 2.09 of this Supplemental Second Lien Resolution, which price may include such original issue discount and original issue premium as shall be determined in the related Certificate of Determination;

(e) to take all actions required for the Series 2023A Second Lien Bonds to be eligible under the rules and regulations of The Depository Trust Company ("DTC") for investment and trading as uncertificated securities, to execute and deliver a standard form of letter of representation with DTC and, notwithstanding any provisions to the contrary contained in this Supplemental Second Lien Resolution, to include in the related Certificate of Determination such terms and provisions as may be appropriate or necessary to provide for uncertificated securities in lieu of Series 2023A Second Lien Bonds issuable in fully registered form;

(f) to determine the Redemption Price or Redemption Prices, if any, and the redemption terms, if any, for the Series 2023A Second Lien Bonds; provided, however, that if the Series 2023A Second Lien Bonds are to be redeemable at the election of the Authority, the

Redemption Price shall not be greater than one hundred three percent (103%) of the principal amount of the Series 2023A Second Lien Bonds to be redeemed, plus accrued interest thereon up to but not including the date of redemption;

(g) to determine the advisability, as compared to an unenhanced transaction, of obtaining a policy of bond insurance or a surety bond as a Second Lien Credit Facility, to select a provider thereof and to determine and accept the terms and provisions and price thereof, to determine such other matters related thereto as in the opinion of the Authorized Officer executing the related Certificate of Determination shall be considered necessary or appropriate and to effect such determinations by entering into any reasonable contractual arrangements required by such Second Lien Credit Facility provider; provided, however, that such Authorized Officer estimates, based upon the advice of the Authority's financial advisors, Frasca & Associates, LLC and PFM Financial Advisors LLC, that the interest savings on the Series 2023A Second Lien Bonds to be realized by purchasing such Second Lien Credit Facility shall be greater than the premium paid for the purchase of such Second Lien Credit Facility;

(h) to determine whether to designate the Series 2023A Second Lien Bonds as "green," "sustainable," or "ESG" (i.e., environmental, social and governance) bonds (or other similar designation) and, in connection therewith, to obtain a certification, verification or second-party opinion for such designation, if deemed prudent, including, without limitation, selecting a verifier or certifier with respect thereto and accepting the terms and provisions related to such verification or certification;

(i) to select additional Underwriters (as defined below) as may be prudent in the judgment of the Authorized Officer;

(j) to direct the proceeds of the Series 2023A Second Lien Bonds consistent with Section 3.01 hereof;

(k) to make such changes in or from the form of this Supplemental Second Lien Resolution as may be necessary or desirable in order to cure any ambiguities, inconsistencies or other defects; and

(l) to determine such other matters specified in or permitted by (i) Sections 202 and 203 of the Second Lien Resolution, as applicable, or (ii) this Supplemental Second Lien Resolution.

2. Any Authorized Officer is hereby authorized to proceed with the offering and sale of the Series 2023A Second Lien Bonds when that Authorized Officer deems such offering and sale advisable and to pay any Costs of Issuance associated with such offering and sale from the proceeds of the Series 2023A Second Lien Bonds.

3. Any Authorized Officer shall execute one or more Certificates of Determination evidencing the determinations made pursuant to subsection 1 of this Section 2.08 and any such Certificate of Determination shall be conclusive evidence of the determinations of such Authorized Officer, as stated therein. Any Certificate of Determination shall be delivered to the Second Lien Trustee prior to the authentication and delivery of the Series 2023A Second Lien Bonds by the Second Lien Trustee. Determinations set forth in the Certificate of Determination shall have the same effect as if set forth in this Supplemental Second Lien Resolution.

Section 2.09 Sale of Series 2023A Second Lien Bonds. In accordance with Section 401 of the Authority's Debt Management Policy Guidelines adopted by Board Resolution 2022-06, the sale of the Series 2023A Second Lien Bonds on a negotiated basis is hereby approved. Each Authorized Officer is hereby

authorized to sell and award the Series 2023A Second Lien Bonds to the underwriters (the "Underwriters") then approved by the Authority and referred to in the Bond Purchase Agreement (the "Bond Purchase Agreement"), which Bond Purchase Agreement shall be substantially in the form attached hereto as Exhibit B, with such revisions to reflect the terms and provisions of the Series 2023A Second Lien Bonds as may be approved by the Authorized Officer executing the Bond Purchase Agreement, and with such other changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable. Each Authorized Officer is hereby authorized to agree to the selection of the representative of the Underwriters as referred to in the Bond Purchase Agreement and to execute and deliver the Bond Purchase Agreement for and on behalf and in the name of the Authority with such changes, omissions, insertions and revisions as may be approved by the Authorized Officer executing the Bond Purchase Agreement, said execution being conclusive evidence of such approval and concurrence in the selection of the representative of the Underwriters.

Each Authorized Officer is hereby authorized to make public and to authorize the use and distribution by said Underwriters or other appropriate parties of a preliminary official statement (the "Preliminary Official Statement") in connection with the public offering of the Series 2023A Second Lien Bonds, in substantially the form attached hereto as Exhibit C, with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Authority authorizes any of said officers to deliver a certification to the effect that such Preliminary Official Statement, together with such other documents, if any, described in such certificate, was deemed final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, as applicable.

Each Authorized Officer is hereby authorized to make public and to authorize distribution of a final Official Statement in substantially the form of the Preliminary Official Statement, but reflecting the provisions of the Certificate of Determination, together with such changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable, to sign such Official Statement and to deliver such Official Statement to the purchasers of the Series 2023A Second Lien Bonds, such execution being conclusive evidence of the approval of such changes, omissions, insertions and revisions.

Each Authorized Officer is hereby authorized to execute and deliver for and on behalf and in the name of the Authority, to the extent determined by such Authorized Officer to be necessary or convenient, a Continuing Disclosure Agreement, substantially in the form attached as Exhibit D to the Form of Preliminary Official Statement, with such changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable (the "Continuing Disclosure Agreement"), said execution being conclusive evidence of the approval of such changes, omissions, insertions and revisions.

The proceeds of the good faith deposit, if any, received by the Authority from the Underwriters under the terms of the Bond Purchase Agreement may be invested by the Authority pending application of the proceeds of such good faith deposit for the purposes provided in Section 2.01 of this Supplemental Second Lien Resolution at the time of the issuance and delivery of such Series 2023A Second Lien Bonds.

Each Authorized Officer is hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts necessary or proper, including the indemnification of the Underwriters and other service providers as provided for in such documents and instruments for carrying out the Bond Purchase Agreement, the Continuing Disclosure Agreement, the terms of any Second Lien Credit Facility, and the issuance, sale and delivery of the Series 2023A Second Lien Bonds and for implementing the terms of the Series 2023A Second Lien Bonds, and in accordance with the requirements of the Code, and the transactions contemplated hereby or thereby, including ongoing payments for debt service, Second Lien Trustee fees and charges and other applicable fees and services.

When reference is made in this Supplemental Second Lien Resolution to the authorization of an Authorized Officer to do any act, such act may be accomplished by any of such officers individually.

Section 2.10 Form of Series 2023A Second Lien Bonds and Second Lien Trustee's Authentication Certificate. Subject to the provisions of the Second Lien Resolution, the form of registered Series 2023A Second Lien Bonds and the Second Lien Trustee's certificate of authentication shall be substantially in the form attached hereto as Exhibit A including, if necessary, any changes to comply with the requirements of DTC or the provisions of this Supplemental Second Lien Resolution or any Certificate of Determination.

ARTICLE III. DISPOSITION OF SERIES 2023A SECOND LIEN BOND PROCEEDS

Section 3.01 Disposition of Series 2023A Second Lien Bond Proceeds. The proceeds of the sale of the Series 2023A Second Lien Bonds, other than accrued interest, if any, shall be deposited, simultaneously with the issuance and delivery of the Series 2023A Second Lien Bonds, at one time or from time to time in one or more Series or subseries, in each case in amounts as determined in any Certificate of Determination as follows:

1. in the Second Lien Proceeds Account which is hereby established in the Second Lien Proceeds Fund to be applied to the payment of all or any part of the Capital Costs; and
2. the balance of such proceeds, exclusive of accrued interest, shall be deposited in the Second Lien Costs of Issuance Account or a separate account established with the Second Lien Trustee pursuant to the Certificate of Determination and applied to the payment of Costs of Issuance.

Unless otherwise provided in a Certificate of Determination, the accrued interest, if any, and any capitalized interest, received on the sale of the Series 2023A Second Lien Bonds shall be deposited in the Second Lien Debt Service Fund.

ARTICLE IV. TAX COVENANTS AND DEFEASANCE

Section 4.01 Tax Covenants Relating to the Series 2023A Second Lien Bonds. The Authority covenants that, in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2023A Second Lien Bonds, the Authority will satisfy, or take such actions as are necessary to cause to be satisfied, each provision of the Code necessary to maintain such exclusion. In furtherance of this covenant, the Authority agrees to comply with such written instructions as may be provided by Bond Counsel. In furtherance of the covenant contained in the preceding sentence, the Authority agrees to continually comply with the provisions of any "Arbitrage and Use of Proceeds Certificate" executed by the Authority in connection with the execution and delivery of any Series 2023A Second Lien Bonds, as amended from time to time.

Notwithstanding any other provision of the Second Lien Resolution to the contrary, upon the Authority's failure to observe, or refusal to comply with, the above covenant (a) the Owners of the Series 2023A Second Lien Bonds, or the Second Lien Trustee acting on their behalf, shall be entitled to the rights and remedies provided to Owners or the Second Lien Trustee under Section 702 of the Second Lien Resolution, and (b) neither the Owners of the Second Lien Obligation of any Series or holders of any Second Lien Parity Debt (other than the Series 2023A Second Lien Bonds or the Second Lien Trustee acting on their behalf), nor the Second Lien Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to the Owners, the Second Lien Parity Debt holders or the Second Lien Trustee under the

Second Lien Resolution based upon the Authority's failure to observe, or refusal to comply with, the above covenant.

Section 4.02 Defeasance. In the event the Authority shall seek, prior to the maturity or redemption date thereof, to pay or cause to be paid, within the meaning and with the effect expressed in the Second Lien Resolution, all or less than all Outstanding Series 2023A Second Lien Bonds and the provisions of Section 4.01 hereof shall then be of any force or effect, then, notwithstanding the provisions of Article XI of the Second Lien Resolution, the obligations of the Authority to comply with the requirements of Section 4.01 hereof shall survive such payment or provision for payment.

ARTICLE V. NOTICES

Section 5.01 Notices. Unless otherwise specified in the Second Lien Resolution, any notice required or permitted to be given under or in connection with the Second Lien Resolution shall be in writing and shall be mailed by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid, or sent by Electronic Means confirmed by mailing (by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid) written confirmation at substantially the same time as such delivery by Electronic Means, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered to the addresses or numbers set forth below, or as to each party at such other address or numbers as shall be designated by such party in a written notice to the other parties:

The Authority:	Washington Metropolitan Area Transit Authority 300 7th Street, SW Washington, DC 20024 Attention: Robert Haas, Vice President and Treasurer Telephone: (202) 962-2882 Facsimile: (202) 962-2801 Email: RMHass@wmata.com
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The Second Lien Trustee:	The Bank of New York Mellon – Corporate Trust 500 Ross Street, 12 th Floor Pittsburgh, PA 15262 Attention: Bart Trindeitmar, Vice President Telephone: (502) 566-6903 Facsimile: (502) 425-3813 Email: bart.trindeitmar@bnymellon.com
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The Second Lien Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Second Lien Resolution and related financing documents and delivered using Electronic Means; provided, however, that the Authority shall provide to the Second Lien Trustee an incumbency certificate listing those of its Authorized Officers with the authority to provide such Instructions ("Authorized Funds Transfer Officers") and containing specimen signatures of such designated Authorized Funds Transfers Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Second Lien Trustee Instructions using Electronic Means and the Second Lien Trustee in its discretion elects to act upon such Instructions, the Second Lien Trustee's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Second Lien Trustee cannot determine the identity of the actual sender of such Instructions and that the Second Lien Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Funds Transfer Officer listed on

the incumbency certificate provided to the Second Lien Trustee have been sent by such Authorized Funds Transfer Officer. The Authority shall be responsible for ensuring that only such Authorized Funds Transfer Officers designated hereunder transmit such Instructions to the Second Lien Trustee and that the Authority and all such Authorized Funds Transfer Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Second Lien Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Second Lien Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Second Lien Trustee, including without limitation the risk of the Second Lien Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Second Lien Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Second Lien Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

In order to timely close on the Series 2023A Second Lien Bonds, this Supplemental Second Lien Resolution shall be effective immediately.

Reviewed for form and legal sufficiency,

Patricia Y. Lee
Executive Vice President, Chief Legal Officer and
General Counsel

WMATA File Structure No:
4.1 Bonds

EXHIBIT A

Form of Series 2023A Second Lien Bond

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered by the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

As provided in the Second Lien Resolution referred to herein, until the termination of the system of book-entry-only transfers through DTC and notwithstanding any other provision of the Second Lien Resolution to the contrary, a portion of the principal amount of this Second Lien Bond may be paid or redeemed without surrender hereof to the Paying Agent. DTC or a nominee, transferee or assignee of DTC of this Second Lien Bond may not rely upon the principal amount indicated hereon as the principal amount hereof outstanding and unpaid. The principal amount hereof outstanding and unpaid shall for all purposes be the amount determined in the manner provided in the Second Lien Resolution.

**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
SECOND LIEN DEDICATED REVENUE BONDS
SERIES 2023A
(SUSTAINABILITY – CLIMATE TRANSITION BONDS)**

REGISTERED NO. 23AR-_____ DOLLARS \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
_____ %	July 15, 20__	[DATE, 2023]	

Registered Owner: CEDE & CO.

Principal Sum: DOLLARS

The WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY (herein called the "Authority"), a body corporate and politic created by Compact defined below, acknowledges itself indebted to, and for value received hereby promises to pay to the Registered Owner stated above, or registered assigns, on the Maturity Date set forth above, but solely from the Second Lien Trust Estate defined below, upon presentation and surrender of this Second Lien Bond at the corporate trust office of The Bank of New York Mellon, as Paying Agent (the "Paying Agent"), designated for such payment, the Principal Sum set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay to the Registered Owner hereof interest on such Principal Sum, such payment to be made by the Paying Agent, but solely from the Second Lien Trust Estate, from the Dated Date set forth above or such later date to which interest has been paid, at the Interest Rate per annum set forth above, payable on January 15, 2024, and semi-annually thereafter on January 15 and July 15 in each year, until the Authority's obligation with respect to the payment of such Principal Sum shall be discharged. Interest on the Series 2023A Second Lien Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest will be paid by check mailed on the interest payment date by the Paying Agent to the Registered Owner at its address as it appears on the registration records or, at the option of any Owner of at least one million dollars (\$1,000,000) in principal amount of

the Series 2023A Second Lien Bonds, by wire transfer in immediately available funds on each interest payment date to such Owner, provided such Owner has notified the Second Lien Trustee (as hereinafter defined) in writing of such Owner's wire transfer address (which shall be in the continental United States) at least 15 days prior to the relevant payment date. *In the event that any payment date is not a business day, payment will be made on the next business day with the same force and effect as if made on the nominal date provided in the Second Lien Resolution and no interest shall accrue during the intervening period with respect to any payment so deferred.*

This Second Lien Bond is a special and limited obligation of the Authority and is one of a duly authorized issue of obligations of the Authority issued under and pursuant to the Washington Metropolitan Area Transit Authority Compact, an interstate compact by and among the State of Maryland, the Commonwealth of Virginia and the District of Columbia, as amended and supplemented (herein called the "Compact"), and under and pursuant to a resolution of the Authority adopted on _____, 2023, entitled "2023-__ Second Lien Dedicated Capital Funding Bond Resolution," as supplemented and amended (the "Second Lien Resolution"), and particularly as supplemented by a 2023-__ Supplemental Second Lien Bond Resolution of the Authority adopted on _____, 2023 (the "Supplemental Second Lien Resolution"). This Second Lien Bond is one of a series of Bonds designated as "Second Lien Dedicated Revenue Bonds, Series 2023A **(Sustainability – Climate Transition Bonds)**" (herein called the "Series 2023A Second Lien Bonds"), issued in the aggregate principal amount of \$_____ under said Second Lien Resolution. All capitalized terms used but not otherwise defined have the respective meanings ascribed by the Second Lien Resolution.

Copies of the Second Lien Resolution, as supplemented and amended, are on file at the office of the Authority and at the designated corporate trust office of The Bank of New York Mellon, which as of the Dated Date is located in Pittsburgh, Pennsylvania, as Second Lien Trustee under the Supplemental Second Lien Resolution, or its successor as Second Lien Trustee (herein called the "Second Lien Trustee"), and reference to the Second Lien Resolution and any and all supplements thereto and modifications and amendments thereof and to the Compact is hereby made for a complete description of the pledge and covenants securing the Series 2023A Second Lien Bonds, the nature, extent and manner of enforcement of, and limitations with respect to, such pledge, the rights and remedies of the registered owners of the Series 2023A Second Lien Bonds with respect thereto, and the terms and conditions upon which the Series 2023A Second Lien Bonds are issued and may be issued thereunder.

This Second Lien Bond is a special and limited obligation of the Authority, secured by a pledge, subject only to the provisions of the Second Lien Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Second Lien Resolution, of all right, title and interest of the Authority in the "Second Lien Trust Estate," being (i) subordinate to the obligations of the Authority in respect of Senior Lien Obligations as provided by the Senior Lien Resolution, all Dedicated Capital Funding Revenues, (ii) the proceeds of the sale of the Second Lien Obligations, (iii) all Funds, Accounts and Subaccounts established by the Second Lien Resolution (other than the Clearing Account, except to the extent provided in Section 504, and any rebate fund established pursuant to a tax certificate or agreement executed by the Authority in connection with the Series 2023A Second Lien Bonds), including the investments, if any, thereof, and (iv) all funds, moneys and securities and any and all other rights and interest in property, whether tangible or intangible, from time to time hereafter received by the Second Lien Trustee as additional security under the Second Lien Resolution.

To the extent provided in the Second Lien Resolution, Bonds may be issued from time to time pursuant to Supplemental Second Lien Resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Second Lien Resolution. The aggregate principal amount of Bonds which may be issued under the Second Lien Resolution is not limited except as provided in the Second Lien Resolution, and all Bonds

issued and to be issued under the Second Lien Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Second Lien Resolution.

The events specified in the Second Lien Resolution as such shall constitute Events of Default and the Second Lien Trustee and the Owners shall have the rights and remedies provided by the Second Lien Resolution.

To the extent provided in the Second Lien Resolution, Second Lien Parity Debt, secured on a parity with the Second Lien Bonds with respect to all right, title and interest of the Authority in the Second Lien Trust Estate may be issued or entered into by the Authority. The aggregate principal amount of Second Lien Parity Debt which may be issued or entered into under the Second Lien Resolution is not limited except as provided in the Second Lien Resolution.

To the extent and in the manner permitted by the terms of the Second Lien Resolution, modification or amendment of the Second Lien Resolution and of the rights and obligations of the Authority and of the Owners of the Second Lien Bonds may be made by a Supplemental Second Lien Resolution, in certain instances without the written consent of the Owners of the Second Lien Bonds. Reference is made to the Second Lien Resolution for the terms and provisions thereof relating to amendments and supplements.

The registration of this Second Lien Bond is transferable as provided in the Second Lien Resolution, only upon the books of the Authority kept for that purpose, at the above mentioned office of the Second Lien Trustee by the Registered Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this Second Lien Bond together with a written instrument of transfer satisfactory to the Second Lien Trustee, duly executed by the Registered Owner or the duly authorized attorney, and thereupon a new registered Series 2023A Second Lien Bond (in the same aggregate principal amount, interest rate and maturity) shall be issued to the transferee in exchange therefor as provided in the Second Lien Resolution, and upon payment of the charges therein prescribed. The Authority and each Fiduciary, including the Second Lien Trustee and any Paying Agent, may deem and treat the person in whose name this Second Lien Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or any Redemption Price hereof and interest due hereon and for all other purposes.

The Series 2023A Second Lien Bonds are issued by means of a book-entry-only system, with no physical distribution of bond certificates to be made except as provided in the Second Lien Resolution. One or more bond certificates for each maturity, registered in the name of the Securities Depository Nominee, is being issued for deposit with the Securities Depository and immobilized in its custody. The book-entry-only system will evidence positions held in the Series 2023A Second Lien Bonds by the Securities Depository's participants; beneficial ownership of the Series 2023A Second Lien Bonds, in the principal amount of \$5,000 or any integral multiple thereof, shall be evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Authority and the Second Lien Trustee will recognize the Securities Depository Nominee, while the Registered Owner of this Second Lien Bond, as the owner of this Second Lien Bond for all purposes, including payments of principal of and any Redemption Price and interest on this Second Lien Bond, notices and voting. Transfers of principal, interest and any Redemption Price payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfers of principal, interest and any Redemption Price payments to beneficial owners of the Series 2023A Second Lien Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. Neither the Authority nor the Second Lien Trustee will be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its participants or persons acting through such participants. While the Securities Depository Nominee is the owner of this Second Lien Bond, notwithstanding any provisions herein contained to the contrary, payments of principal of and any Redemption Price and interest

on this Second Lien Bond shall be made in accordance with existing arrangements among the Second Lien Trustee, the Authority and the Securities Depository. In the event the Series 2023A Second Lien Bonds are no longer held in book-entry-only form, the Series 2023A Second Lien Bonds would be issuable in the form of fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

The Series 2023A Second Lien Bonds are [not subject to optional redemption prior to maturity, except that the Series 2023A Second Lien Bonds maturing on or after July 15, 20__ shall be] subject to redemption prior to maturity in whole or in part in any authorized denomination, on any date on or after July 15, 20__, at the option of the Authority, at the redemption price of [__%] of the principal amount of the Series 2023A Second Lien Bonds to be redeemed, plus accrued interest thereon up to but not including the date of redemption.

[The Series 2023A Second Lien Bonds maturing on July 15, 20__, shall be subject to mandatory sinking fund redemption at par plus accrued interest up to but not including the redemption date, without premium, in the years and amounts as follows:

INSERT SINKING FUND SCHEDULE]

This Second Lien Bond is payable upon redemption at the above-mentioned office or agency of the Paying Agent. Notice of redemption shall be given no less than thirty (30) days nor more than forty-five (45) days before the redemption date, to the Registered Owners of any Series 2023A Second Lien Bonds or portions of Series 2023A Second Lien Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry records of The Bank of New York Mellon, as the Second Lien Registrar, and otherwise all in the manner and upon the terms and conditions set forth in the Second Lien Resolution. If notice of redemption shall have given as aforesaid, then the Series 2023A Second Lien Bonds or portions thereof so called for redemptions shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid up to but not including the redemption date, and, upon presentation and surrender thereof at the office specified in such notice such Series 2023A Second Lien Bonds or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid up to but not including the redemption date, and, from and after the redemption date interest on such Series 2023A Second Lien Bonds or portions thereof so called for redemption shall cease to accrue and be payable. Any redemption notice or other notice required by the Second Lien Resolution shall be sent only to the Securities Depository Nominee, initially Cede & Co., as nominee of DTC, and will not be published so long as the Series 2023A Second Lien Bonds are held in book-entry-only form.

The Compact provides that neither the Directors of the Authority nor any person executing the Series 2023A Second Lien Bonds shall be liable personally on the Series 2023A Second Lien Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

It is hereby certified and recited that all conditions, acts and things required by law and the Second Lien Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Second Lien Bond, exist, have happened and have been performed and that the issue of the Series 2023A Second Lien Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

This Second Lien Bond shall not be entitled to any benefit under the Second Lien Resolution or be valid or become obligatory for any purpose until this Second Lien Bond shall have been authenticated by the execution by the Second Lien Trustee of the Second Lien Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, the **WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY** has caused this Second Lien Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Authorized Officer as of the Dated Date.

**WASHINGTON METROPOLITAN AREA
TRANSIT AUTHORITY**

Authorized Officer

SECOND LIEN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Second Lien Bond is one of the Second Lien Bonds described in the within-mentioned Second Lien Resolution adopted by the Washington Metropolitan Area Transit Authority on _____, 2023, as supplemented by the 2023A Supplemental Bond Resolution adopted on _____, 2023.

THE BANK OF NEW YORK MELLON

By: _____
Authorized Officer

Date of Authentication: [DATE], 20__

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(PLEASE TYPE OR TYPEWRITER NAME, SOCIAL SECURITY NUMBER AND ADDRESS OF TRANSFEREE)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature Guarantee should be made by a Guarantor Institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Second Lien Trustee. The signature of this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

Form of Bond Purchase Agreement

EXHIBIT C

Form of Preliminary Official Statement