



# UNION COUNTY IMPROVEMENT AUTHORITY

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Resolution No. 41-2015

Date: June 3, 2015

**SUPPLEMENTAL BOND RESOLUTION AUTHORIZING THE  
 ISSUANCE OF NOT TO EXCEED \$19,500,000 LEASE REVENUE BONDS,  
 SERIES 2015 (ROSELLE BOARD OF EDUCATION EARLY CHILDHOOD  
 LEARNING CENTER PROJECT) OF THE UNION COUNTY  
 IMPROVEMENT AUTHORITY AND DETERMINING VARIOUS OTHER  
 MATTERS IN CONNECTION THEREWITH**

APPROVED AS TO FORM:  
 Lisa M. da Silva, RMC  
 Clerk of the Authority

APPROVED AS TO SUFFICIENCY OF FUNDS  
 YES  NO  NONE REQUIRED  
 UNION COUNTY IMPROVEMENT AUTHORITY

*Lisa M. da Silva*

*[Signature]*

|                             | PRESENT | ABSENT | AYE | NAY | ABSTAIN | MOTION | SECOND |
|-----------------------------|---------|--------|-----|-----|---------|--------|--------|
| <i>Bornstad</i>             | ✓       |        | ✓   |     |         | ✓      | ✓      |
| <i>D'Elia</i>               |         | ✓      |     |     |         |        |        |
| <i>Hines</i>                | ✓       |        | ✓   |     |         |        |        |
| <i>Hockaday</i>             | ✓       |        | ✓   |     |         | ✓      |        |
| <i>Salerno, Secretary</i>   | ✓       |        | ✓   |     |         |        |        |
| <i>Tomko, Treasurer</i>     | ✓       |        | ✓   |     |         |        |        |
| <i>Vollero</i>              | ✓       |        | ✓   |     |         |        |        |
| <i>Rountree, Vice Chair</i> | ✓       |        | ✓   |     |         |        |        |
| <i>Scutari, Chairman</i>    | ✓       |        | ✓   |     |         |        |        |

**SUPPLEMENTAL BOND RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$19,500,000 LEASE REVENUE BONDS, SERIES 2015 (ROSELLE BOARD OF EDUCATION EARLY CHILDHOOD LEARNING CENTER PROJECT) OF THE UNION COUNTY IMPROVEMENT AUTHORITY AND DETERMINING VARIOUS OTHER MATTERS IN CONNECTION THEREWITH**

**WHEREAS**, the Union County Improvement Authority (the "Authority") has been duly created by a resolution duly adopted on June 5, 1986 by the Board of Chosen Freeholders (the "Board of Freeholders") of the County of Union (the "County") in the State of New Jersey (the "State") as a public body corporate and politic of the State pursuant to and in accordance with the county improvement authorities law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State, and the acts amendatory thereof and supplemental thereto (the "Act"); and

**WHEREAS**, the Board of Education of the Borough of Roselle, New Jersey (the "Board of Education") possesses a parcel of land located at Block 110, Lots 10 and 22 (the "Land") on the official tax map of the Borough and desires to use it for the design, development, finance, construction, maintenance and operation of an early childhood learning center (the "Facilities"); and

**WHEREAS**, the Authority is authorized by law, specifically Section 11 of the Act (N.J.S.A. 40:37A-54(a)), to provide public facilities for the use of the Board of Education, including without limitation, the provision of the Facilities; and

**WHEREAS**, in order to finance the construction of Facilities, the Authority will issue bonds in one or more series, including renewals, if any, in an aggregate principal amount not to exceed \$19,500,000, to be designated as "Lease Revenue Bonds, Series 2015 (Roselle Board of Education Early Childhood Learning Center Project)" (the "Bonds") with such further designation and in accordance with the terms of a resolution of the Authority entitled "Resolution Authorizing the Issuance of Lease Revenue Bonds, Series 2015 (Roselle Board of Education Early Childhood Learning Center Project) of the Union County Improvement Authority and Determining Other Matters Related Thereto" (together with any amendments thereof or supplements thereto in accordance with the terms thereof, the "Bond Resolution") to assist the Board of Education with the financing of such costs; and

**WHEREAS**, in connection with the issuance of such Bonds, the Board of Education will ground lease the Land to the Authority pursuant to the terms of a Ground Sublease and Facilities Lease Agreement to be dated as of the first day of the month of issuance of the Bonds, between the Board of Education and the Authority (together with any amendments thereof or supplements thereto in accordance with its terms, the "Lease Agreement"); and

**WHEREAS**, pursuant to the Act, specifically Section 34 thereof (N.J.S.A. 40:37A-77), the Board of Education is authorized, without any referendum or public or competitive bidding, to enter into and perform any lease, including the Lease Agreement, with the Authority for the use, maintenance or operation by the Authority as part of any public facility, any real or personal

property which may be necessary or useful and convenient for the purposes of the Authority and accepted by the Authority; and

**WHEREAS**, the Facilities constitute a “public facility” as such term is defined in the Act; and

**WHEREAS**, in connection with the issuance of the Bonds, it will also be necessary for the Authority to lease the Facilities back to the Board of Education pursuant to the Lease Agreement (the transactions contemplated by the Lease Agreement shall sometimes be herein referred to as the “Project”); and

**WHEREAS**, pursuant to the Act, specifically Section 35 thereof (N.J.S.A. 40:37A-78), the Authority is authorized to enter into and perform any lease or other agreement, including the Lease Agreement, with the Board of Education for the lease to or use by the Board of Education of all or any part of any public facility on any terms and conditions which may be agreed upon by the Board of Education and the Authority; and

**WHEREAS**, the rental payments to be made under the terms of this Agreement shall constitute current expenditures of the Board of Education and shall not constitute a general obligation or other indebtedness of the Board of Education nor a mandatory charge or requirement against the Board of Education in an ensuing budget year beyond the then current budget year; and

**WHEREAS**, this Agreement is entered into pursuant to and in accordance with N.J.S.A. 18A:20-4.2 et seq. subject to the approval of the Commissioner of Education and the Local Finance Board; and

**WHEREAS**, in accordance with Section 13 (“Section 13”) of the Act (N.J.S.A. 40:37A-56), prior to the issuance of the Bonds, the Authority will have made a detailed report of the Board of Freeholders of the County, which report will include, without limitation, the Bond Resolution, the Bonds and the Lease Agreement (collectively, the “Financing Documents”); and

**WHEREAS**, the Authority desires, under and pursuant to this Supplemental Bond Resolution (the “Supplemental Bond Resolution”) to issue not to exceed \$19,500,000 aggregate principal amount of the Bonds, to appoint the Trustee, Registrar and Paying Agent therefor, to authorize the execution of necessary documentation, to delegate the sale and award of the Bonds to the Authorized Authority Representative, to determine other matters in connection with such Bonds and to adopt this Supplemental Bond Resolution to effectuate the purposes herein stated.

**NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE UNION COUNTY IMPROVEMENT AUTHORITY, AS FOLLOWS:**

## ARTICLE I

### Definitions

**Section 101.** This resolution may hereinafter be cited as the “Supplemental Bond Resolution”.

**Section 102. Terms Defined in Resolution.** Whenever used or referred to in this Supplemental Bond Resolution all capitalized terms herein shall, unless specifically defined herein or unless the context clearly requires otherwise, have the same meanings which are assigned to such terms in the General Bond Resolution.

**Section 103. Definitions.** As used or referred to in this Supplemental Bond Resolution, unless a different meaning clearly appears from the context:

(A) “Authorized Authority Representative” means the Chairperson, Vice Chairperson or the Executive Director of the Authority and any other person or persons who are authorized to act on behalf of the Authority by virtue of a written certificate, duly executed on behalf of the Authority.

(B) “Bond Insurer” shall mean any of bond insurance provider that provides a Municipal Bond Insurance Policy, as hereinafter defined, as a Credit Facility with respect to the issuance of any series of Bonds.

(C) “Certificate of Authority Officer” means a certificate which is executed by the Authorized Authority Representative determining any of the details relating to the issuance, sale, security for any other internal matters as provided in this Supplemental Bond Resolution.

(D) “Municipal Bond Insurance Policy” shall mean the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

(E) “Paying Agent” means the paying agent appointed for the Bonds in accordance with Section 301 hereof;

(F) “Registrar” means the registrar appointed for the Bonds in accordance with Section 301 hereof;

(G) “Securities Depository” means the securities depository appointed for the Bonds in accordance with Section 301 hereof;

(H) “Trustee” means the trustee appointed for the Bonds in accordance with Section 301 hereof; and

(I) “Underwriters” means such underwriter or underwriters as determined by the Certificate of Authority Officer.

## ARTICLE II

### Authorization, Amount and Description of the Bonds

**Section 201. Authorization and Purpose of the Bonds.** The proceeds of the Bonds will be used to:

- (A) implement the design, development, finance, and construction of the Facilities;
- (B) if necessary, fund the Bond Reserve Fund;
- (C) if necessary, fund capitalized interest on the Bonds;
- (D) provide for the costs of issuance associated with the Bonds; and
- (E) any other matters set forth in a Certificate of Authority Officer necessary in order to effectuate the Project

**Section 202. Amount and Title of the Bonds.** Not to exceed \$19,500,000 of the Bonds are hereby authorized to be issued and sold in accordance with the provisions of the General Bond Resolution, this Supplemental Bond Resolution and a Certificate of Authority Officer authorized pursuant to Section 203 of this Supplemental Bond Resolution. Each of such Bonds shall be designated "Lease Revenue Bonds, Series 2015 (Roselle Board of Education Early Childhood Learning Center Project)" as set forth below. Such Bonds may be issued and sold in one or more series, including renewals, if any, and as taxable or non-taxable obligations as determined by the Authorized Authority Representative in consultation with the Authority's Bond Counsel and Municipal Advisor and set forth in Certificate of Authority Officer.

### **Section 203. Description of the Bonds.**

**(A) Description of the Bonds; Delegation to Authority Officer.** Pursuant to and in accordance with the provisions of *N.J.S.A. 40:37A-60* and the terms of the General Bond Resolution, the Authority hereby determines that the Authorized Authority Representative is hereby designated as the individual who shall have the power to sell and to award the Bonds on behalf of the Authority to the Underwriters, in accordance with the terms of the Certificate of Authority Officer and subject to the parameters set forth herein, including the power to determine, among other things (a) the amount of Bonds to be issued, in an amount not to exceed the amount set forth in Section 202 hereof, which are authorized to be issued pursuant to the terms of Section 301 of the General Bond Resolution, (b) the time and the manner of sale of the Bonds, (c) the maturity or maturities of such Bonds and the provisions pertaining to redemptions thereof and/or sinking funds established therefor, (d) the rate or rates of interest for such Bonds, and (e) such other terms and conditions as may be necessary or related to the sale of the Bonds. The Authorized Authority Representative is hereby authorized to award such Bonds to the Underwriters. Such

award shall be evidenced by the execution of a Certificate of Authority Officer. Such Certificate of Authorized Authority Representative shall determine the terms and conditions relating to the sale of the Bonds, including the rate of interest to be borne by the Bonds and the Underwriters' discount, if any, which is payable to the Underwriters in connection with the sale of the Bonds; provided however, that no individual maturity or sinking fund installment shall be in excess of two and one-half million dollars and the maximum maturity of the Bonds will not exceed 40 years; provided however, that without the further authorization of the Authority, the rate or rates of interest (or the net interest rate in the event that the Bonds are issued as fixed interest rate obligations) or the initial rate of interest (in the event that the Bonds bear interest at a variable rate of interest), as the case may be, to be borne by the Bonds shall not exceed six per centum (6.00%) per annum for such Bonds issued as Tax-Exempt Obligations and seven and one-half per centum (7.50%) per annum for such Bonds issued as taxable obligations; provided however, that the Underwriters' discount for the Bonds shall not exceed \$6.00 per \$1,000 principal amount of such Bonds; and provided however, that the rate of interest (or net interest rate, if applicable) or the initial rate of interest on the Bonds and the Underwriters' discount for such Bonds may exceed the amounts which are set forth herein if such greater rate of interest or such greater Underwriters' discount is approved, prior to the award and sale of such Bonds, by a resolution duly adopted by the Authority. Such Certificate shall contain such other terms and conditions as shall be deemed to be necessary in connection with the sale of the Bonds.

**(B) Execution of Bond Purchase Agreement Evidencing Award of the Bonds.**

The sale and award of the Bonds by the Authorized Authority Representative shall be evidenced by the execution of the Certificate of Authority Officer as of the date of the sale and the award of the Bonds and a bond purchase agreement executed by the Underwriters, and such Certificate and bond purchase agreement shall be presented to the members of the Authority at the next regular meeting of the Authority following such sale and award as evidence of the terms and details of the sale of such Bonds. The Authorized Authority Representative is hereby authorized and directed to execute the bond purchase agreement and to deliver same to the Underwriters on terms deemed advisable by the Authorized Authority Representative in consultation with the Authority's Bond Counsel and Municipal Advisor, and the signature upon the same shall be determinative evidence thereof. The Bonds will be sold to the Underwriter for the purchase price set forth in the Bond Purchase Contract, plus accrued interest, if any, and giving effect to an Underwriter's discount, all as set forth therein. Settlement of the purchase price for the Bonds will be made as provided in the Bond Purchase Contract.

**(C) Denomination and Place of Payment.** The Bonds shall be issued in book-entry form only and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). The Bonds shall be issued in the form of one certificate for each maturity for each series, in the aggregate principal amount of such maturity. As long as DTC or its nominee, Cede & Co., is the Registered Owner of the Bonds, payments of the principal of, redemption premiums, if any, and interest on the Bonds will be made by the Paying Agent directly to Cede & Co., as Registered Owner, which will remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. All other terms and conditions with respect to the payment of the principal of,

redemption premium, if any, and interest on the Bonds shall be as provided in the General Bond Resolution.

**(D) Transfer and Exchange of Bonds.** As long as the Bonds remain in book-entry form, such Bonds shall be transferable only upon the records of DTC. All other provisions governing the transfer and exchange of the Bonds shall be as provided in the General Bond Resolution.

**(E) Form of the Bonds.** The Bonds shall be in substantially the form set forth in Section 1207 of the General Bond Resolution, which form is by this reference incorporated in full as if set forth herein, with such omissions, insertions and variations as are properly required and which are not contrary to any of the provisions of the General Bond Resolution or any of the provisions of this Supplemental Bond Resolution.

### ARTICLE III

#### **Trustee, Registrar, Paying Agent, Securities Depository, Official Statement, and other Required Actions**

##### **Section 301. Appointment of Trustee, Registrar, Paying Agent, Securities Depository and Municipal Advisor.**

(A) DTC is hereby appointed to serve as Securities Depository for the Bonds, pursuant to and under the provisions of the General Bond Resolution

(B) The appointment of the (i) Paying Agent, Registrar and Trustee, (ii) Underwriter and (iii) the Printer in connection with the issuance and sale of the Bonds shall be designated by the Authorized Authority Representative pursuant to the Certificate of Authority Officer.

(C) NW Financial Group is hereby appointed to serve as Municipal Advisor in connection with the issuance and sale of the Bonds.

**Section 302. Authorization of Official Statement.** The Authority's Bond Counsel and the Underwriters are hereby authorized to prepare and to distribute a Preliminary Official Statement on behalf of the Authority in connection with the sale of the Bonds. The form and content of such Preliminary Official Statement shall, prior to the distribution thereof, be approved by the Authority, or by the Authorized Authority Representative, as the case may be, acting on behalf of the Authority. Subsequent to obtaining such approval, the Preliminary Official Statement may be revised, if necessary, and may contain additional terms and information relating to the sale of the Bonds; provided however, that the form and content of such revised Preliminary Official Statement shall have been previously approved by the Authority, or by the Authorized Authority Representative, as the case may be, acting on behalf of the Authority, prior to the distribution thereof. The Authorized Authority Representative is hereby authorized to execute the final Official Statement and shall execute any closing or other documents which are required to be

executed in connection with the delivery of the Bonds. Any actions which are not determined by this Supplemental Bond Resolution or any other resolution of the Authority duly adopted prior to the authentication and delivery of the Bonds shall be determined by the execution of a Certificate of Authority Officer.

**Section 303. Approval of Lease Agreement and Other Actions.** The Authorized Authority Representative shall also take all other actions and execute the Lease Agreement and any other documents, agreements, certificates or other instruments deemed necessary, convenient or desirable by the Authorized Authority Representative to consummate the transactions contemplated by the General Bond Resolution, this Supplemental Bond Resolution or the Lease Agreement.

**Section 304. Intentionally Left Blank.**

**Section 305. Certificate of Authority Officer.** In accordance with the General Bond Resolution and in addition to matters set forth in Section 203 of this Supplemental Bond Resolution, the Authorized Authority Representative, and after consultation with Authority Bond Counsel and the Authority Municipal Advisor, as applicable, is hereby:

- (i) authorized to execute the Certificate of Authority Officer;
- (ii) authorized to execute the Bond Purchase Contract;
- (iii) authorized to take all actions necessary to provide any Credit Facility for the Bonds in accordance with Section 502(c) of the General Bond Resolution, including the qualification and commitment for a Municipal Bond Insurance Policy and including additional covenants that may be required by purchasers of the Bonds on behalf of the holders of the Bonds;
- (iv) authorized to negotiate the final terms and conditions of the Lease Agreement and execute the same; and
- (v) authorized to amend or modify the provisions of the General Bond Resolution or this Supplemental Bond Resolution in the Certificate of Authority Officer, provided that any such amendment or modification occurs prior to the issuance of the Bonds.

## ARTICLE IV

### Proceeds of the Bonds

**Section 401. Application of Proceeds of the Bonds.** At the time of delivery of the Bonds, the proceeds of the Bonds shall be irrevocably deposited with the Trustee and applied in accordance with the letter of instruction of an Authorized Authority Representative provided at the closing of the Bonds.

**Section 402. Bond Reserve Fund.** The Bond Reserve Requirement for the Bonds is an amount equal to the lesser of (i) Maximum Annual Bond Service, (ii) one hundred twenty-five percent (125%) of the average annual bond service, or (iii) ten percent (10%) of the stated principal



amount (substituting the “issue price” for the “stated principal amount” if the Bonds have more than a “de minimis” amount of original issue discount or premium, as such terms are defined for the purposes of Section 148 of the Code) of the Bonds issued, as shall be determined by the Certificate of Authority Officer upon initial issuance of the Bonds; provided however, that, to the extent that any Bonds are issued as tax-exempt obligations, the amount of proceeds derived from the sale of such Bonds, if any, which are deposited into the Bond Reserve Fund in satisfaction or partial satisfaction of the “Bond Reserve Requirement” shall be limited to the amount of the proceeds of such Bonds in order to maintain the exclusion from gross income of interest on such Bonds. The Bond Reserve Requirement may be modified by a Certificate of an Authority Officer in connection with the Chairman to the extent that such modification facilitates and/or does not impede the marketing and sale of the Bonds.

**Section 403. Costs of Issuance of the Bonds.** The Trustee is hereby authorized and directed to pay all of the costs of issuance in connection with the sale of the Bonds from the Construction Fund pursuant to the Certificate of Authority Officer or any other certificate of the Executive Director of the Authority to be delivered to the Trustee at or about the time of closing.

## ARTICLE V

### Continuing Disclosure Undertaking

**Section 501. Material Events Disclosure.** Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission as amended and interpreted from time to time (the “Rule”), the Authorized Authority Representative is hereby authorized to execute a Continuing Disclosure Agreement on behalf of the Authority in connection with the delivery and issuance of the Bonds.

**Section 502. Damages.** In the event that the Authority fails to comply with the requirements of the Continuing Disclosure Agreement, the Authority shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance. If any part of the Rule ceases to be in effect for any reason, then the information required to be provided in the Continuing Disclosure Agreement, insofar as the provisions of the Rule no longer require such information, shall no longer be required pursuant to this Supplemental Bond Resolution.

**Section 503. Amendments.** Article V of this Supplemental Bond Resolution and the Continuing Disclosure Agreement may be amended from time to time without notice to the Bondholders if the Authority determines that an amendment is necessary to comply with the Rule and such amendment, in the opinion of nationally recognized bond counsel, complies with the Rule.

## ARTICLE VI

### Municipal Bond Insurance Policy

**Section 601. Consent of Bond Insurer.**

**(A) Consent of Bond Insurer.** Any provision of this Supplemental Bond Resolution expressly recognizing or granting rights in or to a Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer. The Bond Insurer may reserve the right to charge the Authority a fee for any consent or amendment to this Supplemental Bond Resolution while the Municipal Bond Insurance Policy is outstanding.

**(B) Consent of the Bond Insurer in Addition to Bondholder Consent.** Unless otherwise provided in this Section 601, the Bond Insurer's consent shall be required when required, for the following purposes: (i) execution and delivery of any Supplemental Bond Resolution or any amendment, supplement or change to or modification of the Lease Agreement; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

**(C) Consent of Bond Insurer in the Event of Insolvency.** Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold Bond Insurer-insured Bonds absent a default by the Bond Insurer under the applicable Municipal Bond Insurance Policy insuring such Bonds.

**(D) Consent of the Bond Insurer Upon Default.** Anything in this Supplemental Bond Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Supplemental Bond Resolution.

**Section 602. Notices/Information to be Given to the Bond Insurer.**

(A) While the Municipal Bond Insurance Policy is in effect, the Authority or the Trustee, as appropriate, shall furnish to the Bond Insurer, upon request:

- (i) a copy of any financial statement, audit and/or annual report of the Authority; and
- (ii) such additional information that it may reasonably request.

(B) While the Municipal Bond Insurance Policy is in effect, a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Supplemental Bond Resolution relating to the security for the Bonds, shall be sent to the Bond Insurer at no cost.

(C) While the Municipal Bond Insurance Policy is in effect and to the extent that the Authority has entered into a continuing disclosure agreement with respect to the Bonds, the Bond Insurer shall be included as a party to be notified thereunder

(D) The Trustee or the Authority shall notify the Bond Insurer's General Counsel Office of any failure of the Authority to provide relevant notices or certificates, as the case may be.

(E) Notwithstanding any other provision of this Supplemental Bond Resolution, the Trustee or the Authority shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default.

(F) The Authority shall permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority. The Trustee and the Authority shall permit the Bond Insurer to have access to and make copies of all books and records relating to the Bonds at any reasonable time. The Bond Insurer shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

**Section 603. Defeasance.** Notwithstanding anything in the General Bond Resolution or this Supplemental Bond Resolution to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

**Section 604. Payment Procedure Pursuant to the Municipal Bond Insurance Policy.** As long as the Municipal Bond Insurance Policy shall be in full force and effect, the Authority, the Trustee and any Paying Agent agree to comply with the following provisions:

(A) At least one (1) day prior to all Interest Payment Dates, the Trustee or Paying Agent will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on each applicable series of the Bonds on such Interest Payment Date. If the Trustee or Paying Agent determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds or portions thereof to which such deficiency is applicable and whether such Bonds or portions thereof will be deficient as to principal or interest, or both. If the Trustee or Paying Agent has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the

applicable series of the Bonds on or before the first (1<sup>st</sup>) day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent.

(B) The Trustee or Paying Agent shall, after giving notice to the Bond Insurer as provided in (A) above, make available to the Bond Insurer and, at the Bond Insurer's direction to the insurance trustee, or any successor thereto (the "Insurance Trustee"), to be named in the Certificate of Authority Officer, the registration books of the Authority maintained by the Trustee or Paying Agent and all records relating to the Funds and Accounts maintained under the General Bond Resolution.

(C) The Trustee or Paying Agent shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Bonds or portions thereof entitled to receive principal or interest payments from the Bond Insurer under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds or portions thereof surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial payments from the Bond Insurer.

(D) The Trustee or Paying Agent shall, at the time it provides notice to the Bond Insurer pursuant to (A) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(E) In the event that the Trustee or Paying Agent has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent shall at the time the Bond Insurer is notified pursuant to (A) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the

Bonds which have been made by the Trustee or Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(F) In addition to those rights granted the Bond Insurer under this Supplemental Bond Resolution, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for the past due principal, the Trustee or Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

**Section 605. Bond Insurer as Third-Party Beneficiary.** To the extent that this Supplemental Bond Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Supplemental Bond Resolution, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

## ARTICLE VII

### Miscellaneous

**Section 701. Amendments.** The Authorized Authority Representative of the Authority is hereby authorized, prior to the execution and delivery of the Bonds, through the execution of a Certificate of Authority Officer, to approve and to implement any amendments and/or supplements to any financing documents, including the General Bond Resolution and this Supplemental Bond Resolution, that may be required to amend, modify or clarify the terms and conditions of the General Bond Resolution or this Supplemental Bond Resolution relating to the authorization, issuance, sale, security, flow of funds or covenants of the Bonds or as may be required by any rating agency and/or bond insurer in connection with their delivery of ratings on the Bonds or issuance of financing guaranty insurance, respectively; provided however, that, the Authorized Authority Representative, in conjunction with the Authority's Bond Counsel and General Counsel, has determined that any such amendments and/or supplements will not have a material or adverse affect on the ability of the Authority to market, sell and deliver the Bonds or on any of the material terms, conditions and/or covenants set forth in the General Bond Resolution or this Supplemental Bond Resolution.

**Section 702. Filing of the Supplemental Bond Resolution.** The Secretary of the Authority is hereby authorized and directed to cause copies of the Supplemental Bond Resolution to be filed for public inspection at the offices of the Trustee and the Authority.

**Section 703. Effective Date.** This Supplemental Bond Resolution shall take effect immediately.