
MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

RESOLUTION ESTABLISHING THE
MAINE HEALTH FACILITIES'
RESERVE FUND

Adopted December 6, 1991

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RESOLUTION

A Resolution Establishing the Maine Health Facilities'
Reserve Fund by the Maine Health and Higher
Educational Facilities Authority

WHEREAS, the Maine Health and Higher Educational Facilities Authority (the "Authority") is a public body corporate and politic of the State of Maine (the "State") created and existing under the Constitution and laws of the State with the powers, among others, set forth in the Maine Health and Higher Educational Facilities Authority Act, Chapter 413 of Title 22, Section 2051 to 2076, inclusive, of the Maine Revised Statutes Annotated, as it may be amended from time to time (the "Act"); and

WHEREAS, Section 2075 of the Act provides that the Authority shall establish and maintain a reserve fund to be entitled the Maine Health Facilities' Reserve Fund (the "Reserve Fund") in which is to be deposited (i) all money appropriated by the State for the purpose of the Reserve Fund, (ii) all proceeds of bonds issued by the Authority that may be required to be deposited in the Reserve Fund pursuant to the terms and conditions of any contract, including, but not limited to, any bond indenture or bond resolution, between the Authority and the holders of the Authority's bonds, (iii) any other money or funds of the Authority that the Authority determines to deposit in the Reserve Fund, and (iv) any other money made available to the Authority for the purpose of the Reserve Fund from any other source or sources, including, but not limited to, equity contributions made by participating hospitals, participating institutions for higher education, participating health care facilities, participating community mental health facilities, or other eligible facilities, as such terms are defined in Section 2053 of the Act; and

WHEREAS, money held in the Reserve Fund is to be held in trust and applied solely to the payment of the interest and redemption premium on and principal, including sinking fund payments, of bonds issued by the Authority that have been designated by the Authority as being secured by the Reserve Fund; and

WHEREAS, Section 2075 of the Act provides that the Reserve Fund shall be established and maintained at a required debt service reserve (as more fully defined in this Resolution, the "Reserve Fund Requirement"), which is to be, as of any date of computation, the amount or amounts required to be on deposit in the Reserve Fund as provided in the Act and in this

Resolution, being an aggregate amount equal to at least the largest amount of money required by the terms of all contracts between the Authority and the holders of the Authority's bonds designated as being secured by the Reserve Fund to be raised in the current or any succeeding calendar year for (i) the payment of interest on and maturing principal of that portion of outstanding bonds secured by the Reserve Fund; and (ii) sinking fund payments required by the terms of any such contracts to be made into any sinking funds established for the payment or redemption of outstanding bonds secured by the Reserve Fund; and

WHEREAS, to ensure the maintenance of the Reserve Fund at the Reserve Fund Requirement, Section 2075 of the Act provides that there must be annually appropriated and paid by the State to the Authority for deposit in the Reserve Fund the sum, if any, certified by the Executive Director of the Authority to the Governor of the State, as being required to restore the Reserve Fund to an amount equal to the Reserve Fund Requirement; and

WHEREAS, Section 2075 of the Act provides that, on or before December 1 of each year, the Executive Director of the Authority shall make and deliver to the Governor of the State a certificate stating the sum, if any, required to restore the Reserve Fund to the Reserve Fund Requirement, and the sum or sums so certified must be appropriated and paid by the State to the Authority for deposit into the Reserve Fund during the then current fiscal year of the State; and

WHEREAS, the Authority hereby determines that the establishment of the Reserve Fund and the issuance of the Authority's bonds from time to time secured by the Reserve Fund will be for the benefit of the people of the State, the increase of their commerce, welfare and prosperity and the improvement of their health, living conditions and education, will be for the public benefit and good, will accomplish a public purpose, will constitute the exercise of an essential governmental function, and will provide benefits to participating hospitals, participating institutions for higher education, participating health care facilities, participating community mental health facilities and other eligible facilities, all in accordance with the Act; and

WHEREAS, the Authority hereby determines that it is necessary and in keeping with its authorized purposes under the Act to establish and maintain the Reserve Fund, to issue its bonds from time to time secured by the Reserve Fund, and thereby to assist participating hospitals, participating institutions for higher education, and participating health care facilities to fulfill their obligations to provide hospital, educational, nursing home, health care, community mental health and other eligible facilities in the State.

NOW THEREFORE, Be it Resolved by the Members of the Maine Health and Higher Educational Facilities Authority, as follows:

ARTICLE I

DEFINITIONS, GRANTING CLAUSES AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions. As used in this Resolution, unless a different meaning clearly appears from the context, the following words and terms shall have the following respective meanings:

"Act" shall mean the Maine Health and Higher Educational Facilities Authority Act, Chapter 413 of Title 22, Sections 2051 to 2076, inclusive, of the Maine Revised Statutes Annotated, as it may be amended from time to time.

"Agreement" shall mean a loan agreement or a loan agreement and mortgage, by and between the Authority and an Institution, and when amended or supplemented, such Agreement, as amended or supplemented.

"Authority" shall mean the Maine Health and Higher Educational Facilities Authority, and its successors.

"Bonds" shall mean any and all of the Authority's bonds issued on behalf of an Institution or Institutions, which bonds have been designated by the Authority in a Bond Indenture as being secured by the Reserve Fund in accordance with Section 1.07 hereof.

"Bond Indenture" shall mean a bond indenture, by and between the Authority and a Bond Trustee, and when amended or supplemented, such Bond Indenture, as amended or supplemented.

"Bond Resolution" shall mean a bond resolution relating to the financing and refinancing of a Project which is the subject of an Agreement, adopted by the Authority from time to time.

"Bond Trustee" shall mean a trustee acting as such for a series of Bonds appointed by the Authority in a Bond Resolution or in a Bond Indenture and any successor to its duties under a Bond Indenture.

"Business Day" shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State of Maine or in the jurisdiction of the Reserve Fund Trustee, a legal holiday

or a day on which banking corporations are authorized or obligated by law or executive order to close.

"Credit Enhancer" shall mean any financial institution that insures, guarantees or otherwise secures the payment of principal of and interest on any Bonds.

"General Fund" shall mean the General Fund created and maintained pursuant to Section 2.02 of this Resolution.

"Government Obligations" shall mean direct general obligations of, or obligations the timely payment of principal and interest on which are fully and unconditionally guaranteed by, the United States of America or obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"Holder" or "Bondholder" shall mean the registered owner of any Bond.

"Institution" shall mean a private, not-for-profit and charitable corporation organized and existing under the laws of the State of Maine, operating hospital, higher educational, nursing home or other health care facilities, or any other entity that from time to time is designated as an eligible borrower from the Authority under the Act, located in the State, and its successors.

"Outstanding" shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by a Bond Trustee or delivered to a Bond Trustee for cancellation; (ii) Bonds which are deemed paid and no longer Outstanding as provided in a Bond Indenture; (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of a Bond Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the applicable Bond Trustee has been received that any such Bond is held by a bona fide purchaser; and (iv) for purposes of any consent or other action to be taken hereunder or under an Agreement or under a Bond Indenture by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Authority, an Institution, or any person

controlling, controlled by, or under common control with, either of them.

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Authority's money:

(a) Government Obligations;

(b) Receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Resolution Funding Corporation; Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; or Government National Mortgage Association; or any of their successors;

(d) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, national banking association or other savings or financial institution (including the Reserve Fund Trustee), provided that such deposits, certificates, and other arrangements are (i) fully insured by the Federal Deposit Insurance Corporation or (ii) in or with a government securities dealer, bank, trust company, national banking association or other savings or financial institution rated in either of the two highest long term rating categories by a nationally recognized rating service, and provided further that any such obligations are held by the Reserve Fund Trustee or a bank, trust company or national banking association satisfactory to the Authority (other than the issuer of such obligations) during the term of such contract;

(e) Repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation, or with a commercial bank, broker/dealer or bank or other financial institution (i) whose unsecured indebtedness is rated in either of the three highest long term rating categories by a nationally recognized rating service, or (ii) which is the lead bank of a parent bank holding company whose unsecured indebtedness is rated in either of the three highest long term rating categories by a nationally recognized rating service, which repurchase agreement shall provide that: (A) the repurchase obligation of the registered broker/dealer or the bank or other financial institution is collateralized by securities described in paragraph (a) above which shall be held by the Reserve Fund Trustee (unless the Reserve Fund Trustee is obligated under the repurchase agreement) or by a third party which is a Federal

Reserve Bank or a commercial bank with capital, surplus and undivided profits of not less than \$25,000,000 or by the party to the repurchase agreement and the Reserve Fund Trustee shall have received written confirmation from said third party or from such party to the repurchase agreement that it holds said collateral securities free of any lien, as agent for the Reserve Fund Trustee; (B) a perfected security interest in favor of the Reserve Fund Trustee in the securities has been created under the Uniform Commercial Code or pursuant to the book entry procedures described in 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq.; (C) the collateral securities on the date of execution of the repurchase agreement have a fair market value of at least 100% of the amount of the repurchase obligation, including both principal and interest; (D) the repurchase obligation is to be performed within 30 days of the date described in (C) above, or throughout the term of the repurchase agreement the collateral securities have a fair market value equal to at least 100% of the amount of the repurchase obligation; provided that any such repurchase obligation shall have a term to maturity of 30 days or less or, if not, that the Reserve Fund Trustee shall value the collateral securities not less frequently than monthly and shall liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; and (E) a specific written agreement governs the transaction;

(f) Money market accounts or an investment agreement with a financial institution whose unsecured, uninsured and unguaranteed long term debt (or the unsecured, uninsured and unguaranteed long-term debt of such institution's parent company) is rated in either of the two highest long term rating categories by a nationally recognized rating service;

(g) Commercial paper rated in one of the three highest rating categories by a nationally recognized rating service; and

(h) Obligations that are exempt from federal income taxation that are rated in one of the three highest rating categories by a nationally recognized rating service;

provided, however, that the Authority may covenant, in a Bond Indenture with respect to a series of Bonds, with a Credit Enhancer, to further restrict the types of instruments that would qualify as Permitted Investments hereunder for so long as such Credit Enhancer is insuring, guaranteeing or otherwise securing such series of Bonds.

"Project" shall mean a project or program as may be defined or described as such in an Agreement, to be financed and refinanced from the proceeds of a series of Bonds.

"Reserve Fund" shall mean the Maine Health Facilities' Reserve Fund created and maintained pursuant to Section 2.01 this Resolution as authorized by Section 2075(1) of the Act.

"Reserve Fund Requirement" shall mean, at the time of computation, for the then current or any future calendar year, the greatest amount required to be paid in any such calendar year with respect to the Bonds during such calendar year (giving allowance for the computation of debt service on the Bonds of each series for future calendar years as may be provided in the Bond Indenture or Agreement related to such particular series of Bonds); provided, however, that proceeds of a series of Bonds deposited into the Reserve Fund shall in no event exceed the highest amount permitted under the Internal Revenue Code of 1986, as amended to the date of issuance of such series.

"Reserve Fund Trustee" shall mean Shawmut Bank, N.A., of Boston, Massachusetts, acting as reserve fund trustee and appointed by the Authority in this Resolution, and any successor to its duties under this Resolution.

"Reserve Fund Value" shall mean the lower of (i) the then current market value of Permitted Investments credited to the Reserve Fund, or (ii) the amortized cost (exclusive of accrued interest) of Permitted Investments credited to the Reserve Fund. Valuation on any particular date shall include the amount of interest then earned or accrued on such date on any monies or investments in the Reserve Fund.

"Resolution" shall mean this Resolution establishing the Maine Health Facilities' Reserve Fund and the General Fund, and when amended or supplemented, this Resolution, as amended or supplemented.

"State" shall mean the State of Maine.

"Supplement" shall mean a resolution of the Authority supplementing or modifying the provisions of this Resolution adopted by the Authority in accordance with Article V of this Resolution.

"Tax Regulatory Agreement" shall mean a Tax Regulatory Agreement, by and among the Authority, an Institution and a Bond Trustee.

Section 1.02. Granting Clauses. The Authority in consideration of the premises, of the acceptance by the Reserve Fund Trustee of the trusts hereby created, and of the insurance, guarantee or other securing of Bonds or any series thereof by a Credit Enhancer, and of the purchase and acceptance of the Bonds by the holders thereof, and for the purpose of fixing and

declaring the terms and conditions upon which the Bonds are to be secured by the Reserve Fund and the General Fund and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment from the Reserve Fund and the General Fund of all of the Bonds at any time issued and outstanding under a Bond Indenture and the interest and premium, if any, thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all of the covenants and conditions therein and herein contained, the Authority has adopted this Resolution and does hereby grant a security interest in, release, assign, transfer, pledge and grant and convey unto the Reserve Fund Trustee and its successors and assigns forever with power of sale the following described property:

A. Amounts on deposit from time to time in the Reserve Fund and the General Fund created pursuant hereto, including the earnings thereon, subject to the provisions of this Resolution and any Bond Indenture permitting the application thereof for the purpose and on the terms and conditions set forth herein or in a Bond Indenture.

B. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds, by the Authority or by anyone in its behalf or with its written consent, or by an Institution, in favor of the Reserve Fund 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.

TO HAVE AND TO HOLD all said properties pledged, assigned and conveyed by the Authority hereunder, including all additional property which by the terms hereof has or may become subject to the encumbrance hereof, unto the Reserve Fund Trustee and its successors in trust and its assigns forever, subject, however, to permitted encumbrances and to the rights reserved hereunder and in a Bond Indenture.

IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of the holders from time to time of the Bonds issued, authenticated, delivered and outstanding under a Bond Indenture and secured hereunder, without preference, priority or distinction as to lien or otherwise of any of said Bonds over any other or others of said Bonds to the end that each holder of such Bonds has the same rights, privileges and lien under and by virtue hereof; and conditioned, however, that if the Authority shall well and truly pay or cause to be paid fully and promptly when due all liabilities, obligations and sums at any time secured hereby, and shall promptly, faithfully and strictly

keep, perform or observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, then and in such event, this Resolution shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trusts and subject to the covenants and conditions hereinafter set forth.

Section 1.03. Interpretation. (a) Any reference herein to the Authority, its board of directors or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(d) Words importing the redemption of a Bond or the calling of a Bond for redemption do not mean or include the payment of a Bond at its stated maturity or the purchase of a Bond.

(e) When used in this Resolution, any reference to an Institution's "allocable share" or "allocable portion" of amounts in a fund or account, costs, expenses, payments etc. shall mean: (i) in the event that any amount, cost, expense or payment is related to a specific Institution because of any action or inaction on the part of such specific Institution, all of such amount, cost, expense or payment; and (ii) in the event that any amount, cost, expense or payment is not so related to a specific Institution, but rather to all, or a group of, Institutions, the percentage of such amount, cost, expense or payment computed by utilizing a fraction, the numerator of which is the then Outstanding principal amount of Bonds issued on behalf of such Institution and the denominator of which is the then Outstanding principal amount of all Bonds issued on behalf of all Institutions in question; provided, however, that "allocable share" and "allocable portion" may be adjusted in the sole discretion of the Authority as may be reasonable and appropriate under the circumstances.

Section 1.04. All Bonds Equally and Ratably Secured; Bonds Not General Obligations of the Authority. All Bonds designated as being secured by the Reserve Fund hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding and secured hereunder shall have the same right, lien, preference hereunder, and shall all be equally and ratably secured hereby. The Bonds are special obligations of the Authority payable solely from and secured by a pledge of pledged revenues received under the related Agreements from the related Institution, by funds provided therefor under a Bond Indenture and by the Reserve Fund. Neither the State nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, other than from pledged revenues, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

Section 1.05. Resolution Constitutes a Contract. With respect to each series of Bonds in consideration of the purchase and acceptance of the Bonds of a series authorized to be secured under this Resolution by those who shall hold the same from time to time: (i) this Resolution shall constitute a contract between the Authority, the Reserve Fund Trustee, each Credit Enhancer, and the Holders from time to time of such Bonds and (ii) the pledge made herein and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of each Credit Enhancer and the Holders of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof except as expressly provided in or permitted hereby.

Section 1.06. Authority for this Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act. The Authority covenants that it is duly authorized under the Act and all applicable laws to adopt this Resolution and to pledge the Reserve Fund and other moneys, securities and funds pledged by this Resolution in the manner and to the extent provided herein. The Authority further covenants that the Reserve Fund and other moneys, securities and funds so pledged are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to the pledge created by this Resolution, and that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of this Resolution are and shall be the valid and legally enforceable obligations of the Authority in

accordance with their terms. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Reserve Fund and other moneys, securities and funds pledged under this Resolution, and all of the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 1.07. Designation of Bonds to be Secured by the Reserve Fund. The Authority may from time to time designate which of its bonds, notes or other obligations shall be secured by the Reserve Fund created by this Resolution and shall be designated as Bonds under this Resolution. Any such designation shall be made by the Authority pursuant to a Bond Indenture or a Bond Resolution and shall indicate that the Bonds in question "shall be secured by the Maine Health Facilities' Reserve Fund created and maintained pursuant to" this Resolution. Any Bonds so designated may be, but need not be, identified as being secured by the Reserve Fund in the title of such Bonds as authorized by the applicable Bond Indenture or Bond Resolution. However, each such Bond so designated shall state, in the body of such Bond, that it "shall be secured by the Maine Health Facilities' Reserve Fund created and maintained pursuant to" this Resolution.

ARTICLE II

RESERVE FUND AND GENERAL FUND

Section 2.01. Creation, Administration and Maintenance of Reserve Fund. (a) Upon the adoption of this Resolution by the Authority and the acceptance of this Resolution by the Reserve Fund Trustee, the Reserve Fund Trustee shall establish the Reserve Fund to be held in trust for the Holders of the Bonds.

(b) Within the Reserve Fund the Reserve Fund Trustee shall, by ledger entry only, create, for each series of Bonds, an account for each Institution borrowing proceeds of a series of Bonds pursuant to an Agreement. Within each such account the Reserve Fund Trustee shall, by ledger entry only, keep records of each Institution's equity contribution to the Reserve Fund, if any, each Institution's allocable share, if any, of investment earnings, if any, on any and all Permitted Investments, if any, held in the Reserve Fund from time to time, and each Institution's allocable share, if any, of deposits to (from whatever source), and withdrawals from, the Reserve Fund. The Authority shall designate, in each Bond Indenture pursuant to which Bonds are issued, whether or not the proceeds of such Bonds (or other funds) deposited into the Reserve Fund shall constitute an asset of the Authority or an asset of an Institution or group of Institutions. If funds deposited into the Reserve Fund are designated as being an asset of the Authority, the amount of proceeds of such Bonds lent to Institutions pursuant to the related Agreements shall not include the amounts so deposited into the Reserve Fund, and the Institutions shall have no rights or liabilities (other than the liabilities described in Section 2.01(e) hereof) with respect to such moneys in the Reserve Fund, or any investment earnings thereon. In no event shall any such designation prevent any and all moneys held on deposit in the Reserve Fund from being applied to pay debt service on any Bonds as may be necessary because of a failure to make a Note Payment by one or more Institutions or otherwise.

(c) The Authority shall maintain the Reserve Fund established by the Reserve Fund Trustee in accordance with the provisions of this Resolution. There shall be deposited into the Reserve Fund, promptly upon receipt by the Reserve Fund Trustee, (i) all money appropriated by the State for the purpose of the Reserve Fund; (ii) all proceeds of Bonds that may be required to be deposited in the Reserve Fund pursuant to the terms and conditions of any Bond Indenture or Bond Resolution; (iii) any other money or funds of the Authority that the Authority determines to deposit in the Reserve Fund (including, but not limited to, any money or funds held in a construction fund, bond fund or debt service fund established under a Bond Indenture or

Bond Resolution); and (iv) any other money made available to the Authority for the purpose of the Reserve Fund from any other source or sources (including, but not limited to, equity contributions made by Institutions). The Reserve Fund Trustee is hereby directed to make such deposits into the Reserve Fund as are required to be made hereunder. All money and securities held in the Reserve Fund shall be used, disbursed and applied only in accordance with the provisions of this Resolution and for no other purpose. Money and securities held in the Reserve Fund shall not be withdrawn therefrom at any time in such amount as would reduce the Reserve Fund Value of money and securities in the Reserve Fund to an amount less than the Reserve Fund Requirement other than in accordance with the provisions of and for the purposes prescribed by Section 2.04 hereof and by Section 2075(1)(A) of the Act, being: (i) payment of interest then due and payable on Bonds; (ii) payment of the principal of Bonds then maturing and payable; (iii) sinking fund payments with respect to Bonds; (iv) the retirement of Bonds in accordance with the terms of any Bond Indenture; or (v) the payment for which other money of the Authority is not then available for payment of interest, principal or sinking fund payments or the retirement of Bonds in accordance with the terms of any such Bond Indenture, all as provided in Section 2.04 hereof.

(d) In order to assure the maintenance of the Reserve Fund in an amount equal to the Reserve Fund Requirement and in compliance with the requirements of the Act, the Authority shall cause its Executive Director annually, on or before each December 1, to make and deliver to the Governor of the State a certificate stating the amount, if any, required to restore the Reserve Fund to the Reserve Fund Requirement, and a copy of any such certificate shall be promptly delivered by the Executive Director of the Authority to the Reserve Fund Trustee. All money received by the Authority from the State pursuant to any such certification, in accordance with the provisions of Section 2075(1)(C) of the Act, shall be paid to the Reserve Fund Trustee for deposit into the Reserve Fund.

(e) In addition to the provisions of paragraph (d) above, in order to further assure the maintenance of the Reserve Fund in an amount equal to the Reserve Fund Requirement, the Authority covenants that with respect to each series of Bonds to be secured by the Reserve Fund it will cause each Institution borrowing all or a portion of the proceeds of a series of Bonds to covenant with the Authority in the applicable Agreement that the payments to be made by such Institution to the Authority pursuant to such Agreement shall include:

- (i) such Institution's allocable share (within the meaning of Section 1.03(e) hereof) of the amount or amounts to be deposited into the Reserve Fund

sufficient to cause the Reserve Fund Value to be not less than the Reserve Fund Requirement, within three months (in three substantially equal monthly installments) after a computation of the Reserve Fund Value by the Reserve Fund Trustee indicates that the Reserve Fund Value is below the Reserve Fund Requirement, in the event that such deficiency results from a decline in the market value of Permitted Investments held in the Reserve Fund; provided, however, that the Institution shall not be required to make such three monthly installments required by this clause in the event that the Authority and such Institution shall have entered into an arrangement or contract to provide for the replenishment of any such deficiency, or the Authority otherwise provides for the replenishment of such deficiency, and such deficiency is replenished within such three month period;

- (ii) such Institution's allocable share (within the meaning of Section 1.03(e) hereof) of the amount or amounts to be deposited into the Reserve Fund sufficient to cause the Reserve Fund Value to be not less than the Reserve Fund Requirement, in six substantially equal monthly installments after any transfer of funds by the Reserve Fund Trustee from the Reserve Fund in accordance with Section 2.04(a) or (b) hereof, as a result of such Institution's failure to make a timely payment or payments due to the Authority under an Agreement with respect to debt service on Bonds, or as a result of the recovery of any payment made to a Holder in the event that such payment is determined to constitute an avoidable preference to such Holder, as provided in Section 2.04(b) hereof; provided, however, that the Institution shall not be required to make such six monthly installments required by this clause in the event that the Authority and such Institution shall have entered into an arrangement or contract to provide for the replenishment of any such deficiency, or the Authority otherwise provides for the replenishment of such deficiency, and such deficiency is replenished within such six month period;
- (iii) such Institution's allocable share (within the meaning of Section 1.03(e) hereof) of lost investment earnings on moneys in the Reserve Fund, as determined by the Authority in its sole

discretion, as a result of a transfer of funds by the Reserve Fund Trustee from the Reserve Fund in accordance with Section 2.04(a) or (b) hereof, in an amount in excess of such Institution's allocable share (within the meaning of Section 1.03(e) hereof) of the Reserve Fund, within six months, as a result of such Institution's failure to make a timely payment or payments due to the Authority under an Agreement with respect to debt service on Bonds, or as a result of the recovery of any payment made to a Holder in the event that such payment is determined to constitute an avoidable preference to such Holder, as provided in Section 2.04(b) hereof; provided, however, that the Institution shall not be required to make such six monthly installments required by this clause in the event that the Authority and such Institution shall have entered into an arrangement or contract to provide for the replenishment of any such deficiency, or the Authority otherwise provides for the replenishment of such deficiency, and such deficiency is replenished within such six month period; and

- (iv) such Institution's allocable share (within the meaning of Section 1.03(e) hereof) of any and all amounts by which the earnings from the investments held or on deposit in the Reserve Fund are less than the debt service payments and related expenses due with respect to an amount of Bonds, the proceeds of which were deposited into the Reserve Fund, as determined by the Authority from time to time, in monthly installments; provided, however, that the Institution shall not be required to make such installments required by this clause in the event that the Authority and such Institution shall have entered into an arrangement or contract to provide for the replenishment of any such deficiency, or the Authority otherwise provides for the replenishment of such deficiency, and such deficiency is replenished within thirty (30) days.

(f) From time to time in accordance with a Bond Indenture, all or a portion of a series of Bonds may be defeased, refunded, redeemed or otherwise deemed paid and no longer Outstanding hereunder or under such Bond Indenture. In such event and simultaneously therewith, the Reserve Fund Trustee, upon receipt of written directions from the Authority, shall transfer from the Reserve Fund the applicable Institution's

allocable share of moneys or investments held in the Reserve Fund to the applicable Bond Trustee for application, either directly or by deposit into an escrow fund or a redemption fund, to such defeasance, refunding, redemption or payment of such Bonds, or to such other use permitted by law, all as may be directed by the Authority; provided, however, that no such transfer shall occur if (i) the money in the Reserve Fund allocable to such Institution has been designated by the Authority, pursuant to Section 2.01(b) hereof, as being an asset of the Authority, or (ii) the result of such transfer is to cause the amounts held on deposit in the Reserve Fund to be less than the Reserve Fund Requirement.

Section 2.02. Creation and Administration of General Fund. (a) Upon the adoption of this Resolution by the Authority and the acceptance of this Resolution by the Reserve Fund Trustee, the Reserve Fund Trustee shall establish the General Fund to be held in trust for the Holders of the Bonds.

(b) The Authority shall maintain the General Fund established by the Reserve Fund Trustee in accordance with the provisions of this Resolution. There shall be deposited into the General Fund, promptly upon receipt by the Reserve Fund Trustee, (i) all money or funds held in the Reserve Fund in excess of the Reserve Fund Requirement, as provided in Section 2.04(a) hereof; (ii) all investment income or interest earnings on amounts in the Reserve Fund (so long as the Reserve Fund Value equals or exceeds the Reserve Fund Requirement) and in the General Fund, as provided in, and subject to, Section 2.07 hereof; (iii) all proceeds of Bonds that may be required to be deposited in the General Fund pursuant to the terms and conditions of any Bond Indenture or Bond Resolution; (iv) any other money or funds of the Authority that the Authority determines to deposit in the General Fund; and (v) any other money made available to the Authority for the purpose of the General Fund from any other source or sources. The Reserve Fund Trustee is hereby directed to make such deposits into the General Fund as are required to be made hereunder. All money and securities held in the General Fund shall be used, disbursed and applied only in accordance with the provisions of this Resolution and for no other purpose. Money and securities held in the General Fund may be utilized by the Authority, in its sole discretion, upon written direction by the Authority to the Reserve Fund Trustee, for (i) payments of principal of, premium, if any, and interest on Bonds; (ii) payments to an Institution as may from time to time be determined by the Authority; (iii) payments by the Authority of obligations of an Institution that might arise hereunder, under a Bond Indenture, under an Agreement or under a Tax Regulatory Agreement, including, but not limited to, any rebate liability under the Internal Revenue Code of 1986, as amended, or any initial or annual administrative fees of the Authority, the

Reserve Fund Trustee or a Bond Trustee; (iv) payments to the United States, to the Earnings Fund or to the Rebate Fund, as may be directed by the Authority; or (v) payments to the Authority free and clear of any lien or pledge under this Resolution for application to any of the Authority's corporate purposes permitted under the Act; provided, however, that the Authority may not withdraw moneys from the General Fund (other than to provide for the payment of principal of or interest on Bonds secured by the Reserve Fund) unless there is reasonably projected by the Authority to be sufficient funds after such withdrawal available in the General Fund, or otherwise readily available, to make the next required payment of principal of or interest on Bonds secured by the Reserve Fund; and provided further, however, that the Authority may not withdraw moneys from the General Fund (other than to provide for the payment of principal of or interest on Bonds secured by the Reserve Fund) in the event of a payment default on Bonds secured by the Reserve Fund at any time after the Authority has notice or knowledge of such a default until such default has been cured.

(c) Within the General Fund the Reserve Fund Trustee shall, by ledger entry only, create, for each series of Bonds, an account for each Institution borrowing proceeds of a series of Bonds pursuant to an Agreement. Within each such account the Reserve Fund Trustee shall, by ledger entry only, keep records of each Institution's allocable share of investment earnings, if any, on any and all Permitted Investments, if any, held in the General Fund from time to time, and each Institution's allocable share of deposits to (from whatsoever source), and withdrawals from, the General Fund. All amounts held or on deposit in the General Fund shall constitute assets of the Authority, and the Institutions shall have no rights or liabilities (other than for payment of any rebate obligation to the United States) with respect to such moneys in the General Fund, or any investment earnings thereon.

Section 2.03. Application of Bond Proceeds and Other Moneys. (a) All proceeds of the sale of a series of Bonds, and any moneys provided by an Institution, shall be paid to the Bond Trustee as provided in the applicable Bond Indenture, at or prior to the delivery of such series of Bonds. Such funds shall be deposited by the Bond Trustee in the manner determined by the applicable Bond Indenture. Each such Bond Indenture (i) shall provide for the transfer, concurrently with the delivery of the applicable series of Bonds, by the Bond Trustee to the Reserve Fund Trustee of amounts to be deposited into the Reserve Fund and (ii) may provide for the transfer, concurrently with the delivery of the applicable series of Bonds, by the Bond Trustee to the Reserve Fund Trustee of amounts to be deposited into the General Fund. Such amounts to be deposited into the Reserve Fund or into the General Fund may be derived, in whole or in part, from

proceeds of a series of Bonds, from an Institution's equity contribution, or from any other sources permitted by the Act. Upon receipt of any such funds, from a Bond Trustee or otherwise, the Reserve Fund Trustee shall promptly deposit such funds into the Reserve Fund or into the General Fund, as the case may be, as set forth in the Bond Indenture.

(b) Notwithstanding anything in this Reserve Fund Resolution to the contrary, in the event that any money is deposited into any fund or account hereunder, inadvertently or otherwise, that is not required or necessary to be deposited therein pursuant to the terms of this Reserve Fund Resolution, such money shall be transferred by the Reserve Fund Trustee, at the direction of the Authority, to any other fund or account created hereunder or under a Bond Indenture or to any other Person, including, but not limited to, the Authority, a Bond Trustee, an Institution, the State of Maine or the United States.

(c) Notwithstanding anything in this Resolution to the contrary, upon the occurrence and continuance of a Bond Indenture Event of Default described in Section 7.01(a) or (b) of a Bond Indenture (or any similar provision relating to the payment of debt service on Bonds), and the failure of the Authority to exercise any and all reasonable remedies then available to the Authority, the Bond Trustee may enforce the rights or obligations of the Authority under such Bond Indenture or under this Resolution as may relate to such Bond Indenture Event of Default, including, but not limited to, directing the Reserve Fund Trustee to transfer funds from the Reserve Fund or the General Fund to such Bond Trustee for deposit into the Bond Fund created pursuant to such Bond Indenture; provided, however, that in no event shall a Bond Trustee be permitted or have the right to exercise powers of the Authority under Sections 2075 or 2076 of the Act.

Section 2.04. Utilization of Reserve Fund. (a) When moneys held under a Bond Indenture in a bond fund or otherwise are insufficient to pay principal of, premium, if any, or interest on Bonds when due, moneys in the Reserve Fund shall be used at the direction of the Authority to augment payments due for principal, premium, if any, or interest on the Bonds, including, but not limited to, the payment of the principal of, premium, if any, or interest on a series of Bonds in any year of maturity of such series of Bonds or in the event of the redemption in whole or in part of such series of Bonds in accordance with the applicable Bond Indenture. The Authority covenants that, upon the occurrence of any such deficiency for which the Authority has received notice from the applicable Bond Trustee, the Authority shall promptly (and in any event no later than the Business Day prior to the next interest payment date for such Bonds) notify the Reserve Fund Trustee thereof and direct the Reserve Fund Trustee to apply money in the Reserve Fund to

replenish such deficiency (not later than the Business Day prior to the next interest payment date for such Bonds) unless the Authority shall have otherwise elected to promptly utilize other available money to replenish such deficiency and shall have provided such other available money to the applicable Bond Trustee. Upon receipt by the Reserve Fund Trustee of notice from the Authority of the existence of such insufficiency for the payment of principal of, premium, if any, or interest on Bonds when due, the Reserve Fund Trustee shall promptly transfer funds from the Reserve Fund (as a first priority, from the account within the Reserve Fund designated for the particular Institution or Institutions whose failure to make a payment when due under an Agreement gave rise to such deficiency, if such deficiency arises from such failure of an Institution or Institutions, and after such account has been depleted, if applicable, from all other accounts within the Reserve Fund, pro-rata among all such other accounts according to the amounts then credited to such accounts) to the applicable Bond Trustee for subsequent and prompt application by the Bond Trustee to the payment of principal of, premium, if any, or interest on Bonds when due in accordance with the applicable Bond Indenture. When moneys in the Reserve Fund are so used, the Reserve Fund Trustee shall forthwith give written notice thereof to the Authority. If at any time the Reserve Fund Value exceeds the Reserve Fund Requirement, from other than investment earnings thereon (which shall be transferred to the General Fund as provided in Section 2.07 hereof), such excess may be transferred, at the written direction of the Authority, to the General Fund for application to any purpose permitted under Section 2.02(b) of this Resolution.

(b) In addition to the uses specified in paragraph (a) above, the Reserve Fund shall also be available for the reimbursement to a Holder of any payment of principal of, premium, if any, or interest on Bonds which payment is subsequently recovered from any Holder pursuant to a final judgment by a court or competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy law.

Section 2.05. Investment of Moneys Held in the Reserve Fund and in the General Fund. (a) Moneys in the Reserve Fund and in the General Fund held by the Reserve Fund Trustee shall be invested by the Reserve Fund Trustee, as soon as possible upon receipt in Permitted Investments as directed in writing by the Authority, or as selected by the Reserve Fund Trustee in the absence of direction by the Authority.

(b) Amounts credited to any account within the Reserve Fund or in the General Fund may be invested on a commingled basis, together with amounts credited to one or more other accounts within the Reserve Fund or within the General Fund, in

the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to such account for which the joint investment is made and (ii) the Reserve Fund Trustee maintains separate records for such account and such investments are accurately reflected therein.

(c) The Reserve Fund Trustee may make any investment permitted by this Section, through or with its own commercial banking or investment departments unless otherwise directed by the Authority.

(d) The Reserve Fund Trustee shall calculate the Reserve Fund Value semiannually on or as of each January 1 and July 1, unless the Permitted Investments on deposit in the Reserve Fund have an average aggregate weighted term to maturity not greater than five (5) years. In addition, the Reserve Fund Trustee shall calculate the Reserve Fund Value as requested from time to time by the Authority, but not more frequently than once each calendar month. In computing the amount in the Reserve Fund, Permitted Investments purchased as an investment of moneys therein shall be valued at their Reserve Fund Value. The Reserve Fund Trustee shall compute the Reserve Fund Value, and give written notice of the Reserve Fund Value and the date of its computation, to the Authority, as may be requested from time to time by the Authority; but not more frequently than once each calendar month.

(e) The Reserve Fund Trustee shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Reserve Fund or from the General Fund.

(f) Neither the Reserve Fund Trustee nor the Authority shall knowingly use or direct or permit the use of any moneys of the Authority in its possession or control in any manner which would cause any Bond to be an "arbitrage bond" within the meaning ascribed to such term in Section 148 of the Code, or any successor section of the Code.

(g) Notwithstanding any provision of this Resolution, the Authority shall observe its covenants and agreements contained in each Tax Regulatory Agreement, to the extent that and for so long as such covenants and agreements are required by law.

(h) The Reserve Fund Trustee shall terminate any repurchase agreement with respect to an investment in the Reserve Fund upon a failure of the counterparty thereto to maintain the requisite collateral percentage required hereunder after any

applicable restoration period and, if not paid by the counterparty in immediately available funds against transfer of the repurchase agreement securities, liquidate such collateral.

(i) The Reserve Fund Trustee shall give notice to any provider of an investment agreement with respect to an investment in the Reserve Fund in accordance with the terms of the investment agreement so as to receive funds thereunder without penalty or premium paid.

(j) The Reserve Fund Trustee shall, upon receipt of actual knowledge of the withdrawal or suspension of either of the ratings of an investment agreement provider with respect to an investment in the Reserve Fund or a lowering of the ratings thereon below "A", so notify each Credit Enhancer and, if so directed by one or more Credit Enhancers, shall demand further collateralization of the agreement or liquidation thereof.

(k) If at any time an investment of amounts in the Reserve Fund is made, which investment thereafter ceases to constitute a Permitted Investment, and such investment, when aggregated with all other then non-conforming investments, exceeds ten percent (10%) of the funds then credited to the Reserve Fund, the Reserve Fund Trustee shall promptly sell or liquidate such investment, unless otherwise approved by the Credit Enhancers.

Section 2.06. Liability of Reserve Fund Trustee for Investments. The Reserve Fund Trustee shall not be liable for the making of any investment authorized by the provisions of this Article in the manner provided in this Article or for any loss resulting from any such investment so made, except for its own gross negligence, willful misconduct or breach of trust.

Section 2.07. Investment Income. An account of all investment income or interest earnings on amounts allocable to each series of the Bonds in the Reserve Fund or in the General Fund shall be given on a monthly basis by the Reserve Fund Trustee to the Authority and to the applicable Bond Trustee, with instructions to such Bond Trustee to the effect that such amounts are to be credited by ledger entry by the applicable Bond Trustee to the applicable Earnings Fund (as established in the applicable Bond Indenture) as provided in the Bond Indenture.

All income and gain from investment of the Reserve Fund, so long as the Reserve Fund Value equals or exceeds the Reserve Fund Requirement, shall be transferred to the General Fund. All income and gain from investment of the General Fund, so long as the Reserve Fund Value equals or exceeds the Reserve Fund Requirement, shall be retained in the General Fund. All income and gain from investment of the Reserve Fund or the General Fund,

so long as the Reserve Fund Value is less than the Reserve Fund Requirement, shall be retained in or transferred to, as the case may be, the Reserve Fund. Any loss realized from investments of money in the Reserve Fund or in the General Fund shall be charged to the fund from which such investment was made.

ARTICLE III

GENERAL COVENANTS OF THE AUTHORITY

Section 3.01. Payment of Principal and Interest. Subject to the limited sources of payment specified herein and in each Bond Indenture, the Authority covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on each Bond secured hereunder at the place, on the dates and in the manner provided herein and in said Bonds according to the terms thereof. The principal of, premium, if any, and interest on the Bonds are payable solely from the pledged revenues and moneys held by the Bond Trustee under the applicable Bond Indenture and by the Reserve Fund Trustee hereunder, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Bonds shall be construed as assigning or pledging any other funds or assets of the Authority.

Section 3.02. Performance of Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein in each and every Bond executed, authenticated and delivered under a Bond Indenture and in all proceedings of the Authority pertaining thereto.

Section 3.03. Instruments of Further Assurance. The Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Reserve Fund Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Reserve Fund Trustee the Authority's interest in and to the Reserve Fund and the General Fund and all other interests, revenues and receipts pledged hereby to the payment of the principal hereof, premium, if any, and interest on the Bonds in the manner and to the extent contemplated herein.

Section 3.04. Protection of Lien. The Authority hereby agrees not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein. The Authority agrees that no obligations the payment of which is secured by the Reserve Fund will be issued by it except future series of Bonds pursuant to a Bond Indenture and Bonds in

lieu of, or upon transfer of registration or exchange of, any Bond as provided in a Bond Indenture.

Section 3.05. Reserve Fund Requirement. No Bonds shall be issued by the Authority unless, immediately upon their issuance and the application of the proceeds thereof in accordance with the provisions hereof and of the applicable Bond Indenture, the Reserve Fund Value shall at least equal the Reserve Fund Requirement.

ARTICLE IV

THE RESERVE FUND TRUSTEE

Section 4.01. Acceptance of Trust; General. Shawmut Bank, N.A., of Boston, Massachusetts, is hereby appointed to act as Reserve Fund Trustee. By execution of the acceptance hereof, the Reserve Fund Trustee shall evidence the acceptance of the powers, duties and obligations of the Reserve Fund Trustee as set forth herein. The Reserve Fund Trustee shall have no duty, responsibility or obligation for the issuance of Bonds or for the validity thereof, or of any other document relating to such issuance. The Reserve Fund Trustee shall have no duty, responsibility or obligation for the payment of Bonds except for payment in accordance with the terms and provisions hereof from, and to the extent of, funds which are held in trust by the Reserve Fund Trustee in the Reserve Fund or in the General Fund for the purpose of such payment.

The Reserve Fund Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Reserve Fund Trustee's own gross negligence, willful misconduct or breach of trust. The duties and obligations of the Reserve Fund Trustee shall be determined solely by the express provisions hereof and no implied covenants or obligations against the Reserve Fund Trustee shall be read into this Resolution.

The Reserve Fund Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Reserve Fund Trustee, except as may result from its own gross negligence, willful misconduct or breach of trust.

Section 4.02. The Reserve Fund Trustee Not Required to Take Action Unless Indemnified. Except as expressly required herein, the Reserve Fund Trustee shall neither be required to institute any suit or action or other proceeding hereunder or appear in any suit or action or other proceeding in which it may be a defendant, or to take any steps to enforce its rights and expose it to liability, nor shall the Reserve Fund Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages; provided, however, that indemnification shall not include expenses in the nature of "overhead" of the Reserve Fund Trustee. The Reserve Fund Trustee may, nevertheless, begin suit, or appear in and defend suit, or

do anything else which in its judgment is proper to be done by it as the Reserve Fund Trustee, without prior assurance of indemnity, and in such case each applicable Institution shall, through the Authority, reimburse the Reserve Fund Trustee for such Institution's allocable share of all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Reserve Fund Trustee in connection therewith, except for the Reserve Fund Trustee's gross negligence, willful misconduct or breach of trust. If the Reserve Fund Trustee begins, appears in or defends such a suit, the Reserve Fund Trustee shall give reasonably prompt notice of such action to the Authority and each applicable Institution, and shall give such notice prior to taking such action if possible. If an Institution shall fail to make such reimbursement, the Reserve Fund Trustee may reimburse itself from any funds held in the Reserve Fund in excess of the Reserve Fund Requirement; provided, however, that if the Reserve Fund Trustee shall collect any amounts or obtain a judgment, decree or recovery, by exercising the remedies available to it hereunder, the Reserve Fund Trustee shall have a first claim upon the amount recovered for payment of its reasonable costs, expenses and fees incurred.

Section 4.03. Employment of Experts. The Reserve Fund Trustee is hereby authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Reserve Fund Trustee), as it may deem necessary to carry out any of its obligations hereunder, and shall be reimbursed by each applicable Institution for all reasonable expenses and charges in so doing. The Reserve Fund Trustee shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Reserve Fund Trustee.

The Reserve Fund Trustee may consult with counsel and the written advice of such counsel with respect to any opinion of counsel shall be full and complete authorization and protection in respect to any action taken or not taken by the Reserve Fund Trustee hereunder in good faith and in reliance thereon.

Section 4.04. Enforcement of Performance by Others. It shall not be the duty of the Reserve Fund Trustee, except as herein provided, to see that any duties and obligations herein imposed upon the Authority, a Bond Trustee or an Institution are performed.

Section 4.05. Right to Deal in Bonds and Take Other Actions. The Reserve Fund Trustee may in good faith buy, sell or hold and deal in any Bonds with like effect as if it were not such Reserve Fund Trustee and may commence or join in any action which a Holder is entitled to take with like effect as if the

Reserve Fund Trustee were not the Reserve Fund Trustee. It is understood and agreed that the Reserve Fund Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Reserve Fund Trustee to engage in such business with the Authority, a Bond Trustee, an Institution or any Holder. So engaging in such business shall not, in and of itself, and so long as the Reserve Fund Trustee duly performs all of its duties as required hereby, constitute a breach of trust on the part of the Reserve Fund Trustee.

Section 4.06. Removal and Resignation of the Reserve Fund Trustee. The Reserve Fund Trustee may at any time with notice to the Authority, the Credit Enhancers, the Bond Trustees and the Institutions, resign or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Bonds then Outstanding or by all of the Credit Enhancers. Written notice of such resignation or removal shall be given to the Authority and each Credit Enhancer and such resignation or removal shall only take effect upon the appointment and qualification of, and acceptance by, a successor Reserve Fund Trustee. In the event a successor Reserve Fund Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Reserve Fund Trustee or the Authority may apply to any court of competent jurisdiction for the appointment of a successor Reserve Fund Trustee to act until such time as a successor is appointed as provided in this Section.

In addition, the Reserve Fund Trustee may be removed at any time with or without cause, by Supplement hereto signed by the Authority so long as the Authority determines, in such Supplement, that the removal of the Reserve Fund Trustee shall not have an adverse effect upon the rights or interests of the Bondholders.

In the event of the resignation or removal of the Reserve Fund Trustee or in the event the Reserve Fund Trustee is dissolved or otherwise becomes incapable to act as the Reserve Fund Trustee, the Authority shall be entitled to appoint a successor Reserve Fund Trustee. In such event, the successor Reserve Fund Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding in such manner deemed appropriate by the Authority. If the Reserve Fund Trustee resigns, the resigning Reserve Fund Trustee shall pay for such notice. If the Reserve Fund Trustee is removed, is dissolved, or otherwise becomes incapable of acting as Reserve Fund Trustee, the Authority shall pay for such notice.

Any corporation or association that succeeds to the corporate trust business of the Reserve Fund Trustee as a whole

or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Reserve Fund Trustee under this Reserve Fund Resolution, without any further act or conveyance.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Reserve Fund Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000 (or such lesser amount as may be approved by the Credit Enhancers), if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Reserve Fund Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing, accepting such appointment hereunder, and thereupon such successor Reserve Fund Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Reserve Fund Trustee all the rights, powers and trusts of such predecessor. The predecessor Reserve Fund Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Reserve Fund Trustee. The predecessor Reserve Fund Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Reserve Fund Trustee.

Each successor Reserve Fund Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Bond Trustee, who in turn shall mail a notice of such assumption to the applicable Institution and to each applicable Holder of a registered Bond.

Section 4.07. Proof of Claim. The Reserve Fund Trustee shall have the right and power to act in its name or in the name and place of the Authority or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered by the Reserve Fund Trustee as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances incurred by the Reserve Fund Trustee or its agents in pursuing such claim, shall be for the equal benefit of all of the Holders of Bonds Outstanding.

Section 4.08. Reserve Fund Trustee's Fees and Expenses. Any provision hereof to the contrary notwithstanding, if the Authority or an Institution fails to make any payment properly due the Reserve Fund Trustee for its reasonable fees, costs, expenses and fees of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Reserve Fund Trustee) incurred in performance of its duties, the Reserve Fund Trustee may reimburse itself from any moneys on hand in the Reserve Fund.

Section 4.09. Reliance Upon Documents. The Reserve Fund Trustee may rely upon and shall be protected in acting or refraining from acting in reliance upon any document, including but not limited to any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper officials of the Authority, a Bond Trustee, the Holders or agents or attorneys of the Holders; provided, in the case of any such document specifically required to be furnished to the Reserve Fund Trustee hereby, the Reserve Fund Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements hereof. The Reserve Fund Trustee 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 or other paper or document submitted to the Reserve Fund Trustee, however, the Reserve Fund Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit. Whenever in the administration hereof, the Reserve Fund Trustee shall deem it desirable that a matter be provided or established prior to taking or not taking any action hereunder, the Reserve Fund Trustee (unless other evidence be specifically prescribed herein) may rely upon any document provided for in this Section.

Except where other evidence is required hereby, any request or direction of the Authority herein shall be sufficiently evidenced by a certified copy of such request executed by the Chairman, Vice Chairman or Executive Director of the Authority.

Section 4.10. Recitals and Representations. The recitals, statements and representations contained herein shall be taken and construed as made by and on the part of the Authority and not by the Reserve Fund Trustee, and the Reserve Fund Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Reserve Fund Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof

or, except as herein required, the filing or recording or registering of any document. The Reserve Fund Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Reserve Fund Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Reserve Fund Trustee shall not be responsible or liable for any loss suffered in connection with the investment of any funds made by it in accordance with the provisions hereof. The Reserve Fund Trustee shall have no duty of inquiry with respect to any default described herein or in any Bond Indenture or any Agreement without actual knowledge of or receipt by the Reserve Fund Trustee of written notice of any such default from the Authority, a Bond Trustee, a Credit Enhancer, an Institution, or any Holder.

Section 4.11. Reports. The Reserve Fund Trustee shall monthly and at the end of each calendar year prepare and submit to the Authority and to each Credit Enhancer reports covering all moneys received and all payments, expenditures and investments made as the Reserve Fund Trustee hereunder since the last previous monthly or annual report, as the case may be. Such annual reports may be in summary form.

ARTICLE V

SUPPLEMENTS

Section 5.01. Supplements Not Requiring Consent of Bondholders. Prior to the issuance of any Bonds designated by the Authority in a Bond Indenture as being secured by the Reserve Fund, this Resolution may be amended or modified by Supplement or otherwise, as directed by the Executive Director of the Authority, without any further action of the members of the Authority and without the consent of or notice to any of the Holders, for any purpose consistent with the goals and intentions of the Authority under the Act. After the issuance of any Bonds designated by the Authority in a Bond Indenture as being secured by the Reserve Fund, without the consent of or notice to any of the Holders, the Authority may adopt and the Reserve Fund Trustee may accept, one or more Supplements for one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission herein so long as such amendment is not inconsistent with the terms of this Resolution;

(b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or, with the consent of each Credit Enhancer, to make any other provisions with respect to matters or questions arising hereunder which shall not materially adversely affect the interests of the Holders;

(c) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(e) To preserve the exemption of the interest income borne on the Bonds from federal income taxes;

(f) To remove the Reserve Fund Trustee in accordance with the second paragraph of Section 4.06 hereof; and

(g) To address any regulatory changes, whether Federal or State, or any changes in the Code or the regulations or rulings under the Code, or any other significant changes in the health care industry; provided, however, that prior to the

effectiveness of any such Supplement, notice of the substance of such Supplement shall be given in writing by or on behalf of the Authority to any rating agency then rating the Outstanding Bonds, and such rating agency or agencies shall have indicated in writing that the ratings then in effect on the Bonds shall not be withdrawn or reduced as a result of such Supplement.

Section 5.02. Supplements Requiring Consent of Bondholders. (a) Other than Supplements referred to in Section 5.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the adoption by the Authority and the acceptance by the Reserve Fund Trustee of such Supplements as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) reduce the Reserve Fund Requirement or otherwise reduce or eliminate the effectiveness of the Reserve Fund replenishment mechanism provided in the Act without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority shall request the Reserve Fund Trustee to accept a Supplement pursuant to this Section, the Reserve Fund Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed acceptance of such Supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books provided for in each Bond Indenture. The Reserve Fund Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the

proposed Supplement and shall state that copies thereof are on file at the office of the Reserve Fund Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding three years, as shall be prescribed by the Authority, following the first giving of such notice, the Reserve Fund Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in subsection 5.02(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the adoption and acceptance thereof in substantially the form of the copy thereof referred to in such notice as on file with the Reserve Fund Trustee, thereupon, but not otherwise, the Reserve Fund Trustee may accept such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Reserve Fund Trustee, prior to the acceptance by the Reserve Fund Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Reserve Fund Trustee shall make and file with the Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the acceptance of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the acceptance thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the acceptance thereof, or to enjoin or restrain the Reserve Fund Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

(f) Supplements pursuant to this Section 5.02 shall not become effective unless each Credit Enhancer has consented to such Supplement.

Section 5.03. Effect of Supplements. (a) In accepting any Supplement permitted by this Article, the Reserve Fund

Trustee shall be entitled to receive and to rely upon an opinion of counsel stating that the execution of such Supplement is authorized or permitted hereby. The Reserve Fund Trustee may but shall not be obligated to accept any such Supplement which affects the Reserve Fund Trustee's own rights, duties or immunities.

(b) Upon the adoption and acceptance of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered under a Bond Indenture shall be bound thereby.

(c) Any Bond authenticated and delivered after the adoption and acceptance of any Supplement in accordance with this Article may, and if required by the Authority or the Reserve Fund Trustee shall, bear a notation in form approved by the Authority and Reserve Fund Trustee as to any matter provided for in such Supplement. If the Authority shall so determine, new bonds so modified as to conform in the opinion of the Reserve Fund Trustee and the Authority to any such Supplement may be prepared and executed by the Authority and authenticated and delivered as provided in a Bond Indenture in exchange for and upon surrender of Bonds then Outstanding.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Evidence of Acts of Bondholders. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Reserve Fund Trustee and the Authority, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of all Bonds shall be proved by the register of such Bonds maintained by the Bond Trustee, as registrar.

Nothing in this Section shall be construed as limiting the Reserve Fund Trustee to the proof herein specified, it being intended that the Reserve Fund Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Reserve Fund Trustee pursuant to any provision hereof, upon the request or with the assent of any person who at the time is the Holder of any Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Section 6.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Resolution or the Bonds is intended or shall be construed to give to any person other than the Authority, the Reserve Fund Trustee, each Credit Enhancer, each Bond Trustee, and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Resolution or any covenants, conditions and provisions herein contained; this Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Authority, the Reserve

Fund Trustee, each Credit Enhancer, each Bond Trustee, and the Holders of the Bonds as herein provided.

Section 6.03. Unrelated Bonds. Prior to the issuance of the Bonds the Authority has issued, and subsequent to the issuance of the Bonds the Authority may issue, bonds in connection with the financing or refinancing of other projects that are not secured by the Reserve Fund (said bonds together with any bonds issued by the Authority between the date hereof and the issuance of the Bonds shall be referred to herein as the "Other Bonds"). Any pledge, mortgage or assignment made in connection with any Other Bonds shall be protected and any funds pledged or assigned for the payment of the Other Bonds will not be used for the payment of principal, premium, if any, or interest on the Bonds. Any pledge, mortgage or assignment made in connection with the Bonds shall be protected and no funds pledged or assigned for the payment of the Bonds shall be used for the payment of principal, premium or interest on the Other Bonds or any other present or future bonds or obligations of the Authority.

Section 6.04. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Bonds issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 6.05. Holidays. When the date on which principal of or interest or premium on any Bond is due and payable is a day on which banking institutions at a place of payment on the Bonds are authorized by law to remain closed, payment may be made on Bonds presented at such place of payment on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

Section 6.06. Governing Law. This Resolution and the Bonds are contracts made under the laws of the State of Maine and shall be governed and construed in accordance with such laws.

Section 6.07. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be

deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the Authority, addressed to:

Maine Health and Higher
Educational Facilities Authority
45 University Drive
P.O. Box 2268
Augusta, Maine 04338
Attention: Executive Director

(ii) If to the Reserve Fund Trustee, addressed to:

Shawmut Bank, N.A.
One Federal Street
Boston, Massachusetts 02211
Attention: Corporate Trust Department

(iii) If to the registered Holder of a Bond, addressed to such Holder at the address shown on the registration books of the registrar kept pursuant to the applicable Bond Indenture.

(iv) If to an Institution, addressed to such Institution at the address shown in the applicable Agreement.

(v) If to a Bond Trustee, addressed to such Bond Trustee at the address shown in the applicable Bond Indenture.

(vi) If to a Credit Enhancer, addressed to such Credit Enhancer at the address shown in the applicable Bond Indenture.

(b) The Authority or the Reserve Trustee may from time to time by notice in writing to the other designate a different address or addresses for notice hereunder.

Section 6.08. Immunity of Authority and of Individuals.

In the exercise of the powers of the Authority and its officers under this Resolution, including (without limiting the foregoing) the application of moneys and the investment of funds, the Authority shall not be accountable to the Holders of the Bonds, the Reserve Fund Trustee, a Bond Trustee or an Institution for any action taken or omitted by it or its officers in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred. The Authority and its officers shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it and they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had for the payment of

the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future director, officer, employee, agent or consultant of the Authority, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Bonds.

Section 6.09. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Authority, the Reserve Fund Trustee and the Holders of the Bonds and their respective successors and assigns subject to the limitations contained herein.

Section 6.10. Section Headings. The section headings have been prepared for convenience only and are not a part of this Resolution and shall not be taken as an interpretation of any provision of this Resolution.

Section 6.11. Effective Date. This Resolution shall take effect immediately.

ACCEPTANCE BY
RESERVE FUND TRUSTEE:

SHAWMUT BANK, N.A., as
Reserve Fund Trustee

By: _____
Name: _____
Title: _____
Date: December __, 1991