

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the 2014A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that interest on the 2014B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the 2014 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2014 Bonds. See "TAX MATTERS" herein.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
(NEW YORK)
\$155,765,000 SYSTEM REVENUE BONDS, 2014 SERIES A
\$1,435,000 SYSTEM REVENUE BONDS, 2014 SERIES B (FEDERALLY TAXABLE)

Dated: Date of Issuance

Due: October 1, as shown on inside cover

The Nassau County Sewer and Storm Water Finance Authority (the "Authority") will issue its System Revenue Bonds, 2014 Series A (the "2014A Bonds") and System Revenue Bonds, 2014 Series B (Federally Taxable) (the "2014B Bonds" and together with the 2014A Bonds, the "2014 Bonds") pursuant to the Authority's General Revenue Bond Resolution dated as of October 1, 2014, as supplemented by a First Supplemental Resolution dated as of October 1, 2014.

The 2014 Bonds are special obligations of the Authority and are payable solely from Revenues pledged as security for the payment thereof, including Assessments set by the County of Nassau, New York (the "County") under the Act and County Charter and paid to the Authority pursuant to a Financing Agreement dated as of October 1, 2014 between the County and the Authority (the "Financing Agreement"). The Financing Agreement requires that the County must set Assessments or Charges sufficient to provide, among other requirements, amounts to pay (i) the principal of, interest on and redemption premium, if any, for the 2014 Bonds and other series of Bonds when due; (ii) debt service on County Bonds when due; and (iii) the operating expenses of the System and the Authority. Assessments and other Revenues of the Authority are to be used first to pay debt service on Bonds before being used for other Authority purposes, as described herein under "SECURITY FOR THE 2014 BONDS – Flow of Funds" and in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

The 2014 Bonds will be issued as fully registered bonds without coupons in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2014 Bonds. Purchase will be made in book-entry form through DTC Participants only and no physical delivery of the 2014 Bonds will be made to purchasers. Payment of the principal, interest and premium, if any, will be made to purchasers by DTC through Participants. The 2014 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The 2014 Bonds will be dated their date of delivery and will bear interest from that date, payable semiannually on April 1 and October 1 in each year commencing October 1, 2015 until maturity or prior redemption.

The 2014A Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2014 BONDS" herein.

The proceeds of the 2014 Bonds are to be used by the Authority to (i) refinance all outstanding 2004B Bonds and 2008A Bonds, (ii) finance certain capital improvements to the System, and (iii) pay the costs of issuance of the 2014 Bonds. The 2014 Bonds are not obligations of the County and the faith and credit of the County is not pledged for the payments under the Financing Agreement. The Act provides that neither the State of New York (the "State") nor the County are liable on bonds of the Authority and such bonds shall not be a debt of the State or the County. The Authority has no taxing power.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The capitalization of any word not defined herein indicates that such word is defined in the Resolution, the Financing Agreement or in Appendix A.

The 2014 Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their Counsel, Hiscock & Barclay, LLP. Public Financial Management, Inc., New York, New York, has acted as Financial Advisor to the Authority. It is expected that the 2014 Bonds in definitive form will be available for delivery to DTC on or about November 18, 2014.

RAMIREZ & CO., INC.

BofA MERRILL LYNCH

J.P. MORGAN

**NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
(NEW YORK)
SYSTEM REVENUE BONDS, 2014 SERIES A**

\$155,765,000 SERIAL BONDS

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2015	\$ 2,940,000	2.00%	0.15%	63166QBP4
2016	8,770,000	5.00	0.36	63166QBQ2
2017	10,345,000	5.00	0.67	63166QBR0
2018	10,815,000	5.00	0.95	63166QBS8
2019	11,370,000	5.00	1.22	63166QBT6
2020	11,795,000	5.00	1.54	63166QBU3
2021	12,365,000	5.00	1.83	63166QBV1
2022	12,865,000	5.00	2.06	63166QBW9
2023	13,445,000	5.00	2.23	63166QBX7
2024	10,285,000	5.00	2.37	63166QBY5
2025	8,640,000	5.00	2.49*	63166QBZ2
2026	9,075,000	5.00	2.61*	63166QCA6
2027	9,530,000	5.00	2.72*	63166QCB4
2028	10,000,000	5.00	2.79*	63166QCC2
2029	1,990,000	5.00	2.84*	63166QCD0
2030	2,090,000	5.00	2.89*	63166QCE8
2031	2,190,000	5.00	2.94*	63166QCF5
2032	2,300,000	5.00	2.99*	63166QCG3
2033	2,415,000	5.00	3.04*	63166QCH1
2034	2,540,000	5.00	3.09*	63166QCJ7

* Priced to the first optional call date of October 1, 2024 at a redemption price of 100%.

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**NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
(NEW YORK)
SYSTEM REVENUE BONDS, 2014 SERIES B (FEDERALLY TAXABLE)**

\$1,435,000 SERIAL BONDS

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP*</u>
2016	\$1,435,000	0.70%	100%	63166QCK4

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NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY

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TRUSTEE UNDER THE RESOLUTION

The Bank of New York Mellon

No dealer, broker, salesperson or other person has been authorized by the Nassau County Sewer and Storm Water Finance Authority or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Nassau County Sewer and Storm Water Finance Authority and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and, except as to information as to itself, is not to be construed as a representation by the Nassau County Sewer and Storm Water Finance Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2014 BONDS TO CERTAIN DEALERS AND CERTAIN DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE 2014 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT**

Certain statements included in this Official Statement, including in particular "Authority Projected Financial Information," constitute "forward-looking statements" within the meaning of Section 105 of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THOSE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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OFFICIAL STATEMENT

**NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
(NEW YORK)**

\$155,765,000 SYSTEM REVENUE BONDS, 2014 SERIES A

\$1,435,000 SYSTEM REVENUE BONDS, 2014 SERIES B (FEDERALLY TAXABLE)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the exhibits and appendices hereto, provides certain information in connection with the issuance and sale by the Nassau County Sewer and Storm Water Finance Authority (the "Authority") of its \$155,765,000 principal amount of System Revenue Bonds, 2014 Series A (the "2014A Bonds"), \$1,435,000 principal amount of System Revenue Bonds, 2014 Series B (Federally Taxable) (the "2014B Bonds" and with the 2014A Bonds, the "2014 Bonds"). The 2014 Bonds are to be issued under and secured by the Authority's General Revenue Bond Resolution dated as of October 1, 2014 (the "General Resolution") as supplemented by a First Supplemental Resolution dated as of October 1, 2014 (the "First Supplemental Resolution"). The General Resolution and the First Supplemental Resolution are referred to herein collectively as the "Resolution." The Bank of New York Mellon is the Trustee under the Resolution (the "Trustee"). A summary of certain terms used in this Official Statement is set forth in Appendix A hereto.

The Authority was established in 2003 by the State of New York (the "State"), as a body corporate and politic constituting a public benefit corporation, under the Nassau County Sewer and Storm Water Finance Authority Act, now codified as Title 10-D of Article 5 of the Public Authorities Law of the State (the "Act"). The Act authorizes the Authority, among other things, to borrow money and issue bonds, and do all things, as the Authority may deem necessary, convenient or desirable to carry out the purposes of the Act. See "THE AUTHORITY" herein. Further, the Authority is a Covered Organization under the statute governing NIFA. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

The 2014 Bonds are special obligations of the Authority, and are payable solely from Revenues pledged as security for the payment thereof, including Assessments set by the County under the Act and County Charter and paid to the Authority pursuant to the Financing Agreement. See "SECURITY FOR THE 2014 BONDS" herein. All of the Authority's Revenues are currently derived through the imposition by the County of Assessments. The County currently imposes and collects (through each city and town receiver of taxes in the County) such Assessments. The County has covenanted in the Financing Agreement to direct each city and town receiver of taxes to pay all Assessments directly to the Trustee.

The County has covenanted with the Authority in the Financing Agreement to levy Assessments or impose Charges in amounts sufficient to (i) pay debt service on Authority Bonds, (ii) pay debt service on County Bonds, (iii) pay the County's Operating Expenses for the System, (iv) pay Authority Operating Expenses and (v) fund mandated reserves, if any. The Authority has covenanted to enforce the Financing Agreement. See "SECURITY FOR THE 2014 BONDS – Levying of Assessments" herein.

The Act provides that neither the State nor the County are liable on bonds of the Authority and that such bonds shall not be a debt of the State or the County.

This Official Statement contains descriptions of the Authority, the Act, the System, the County, the terms of and security for the 2014 Bonds, the Financing Agreement and the Resolution. Information concerning the County included in this Official Statement, including Appendix C hereto, was obtained from the County and is believed to be accurate. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete and each such document, statute, report or instrument is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Authority. All references to the 2014 Bonds are qualified in their entirety by reference to the definitive forms thereof

and the information with respect thereto contained in the Resolution or the Financing Agreement. The capitalization of any word not defined herein indicates that such word is defined in the Resolution, the Financing Agreement or in Appendix A hereto.

PURPOSE OF ISSUE

The 2014 Bonds will be the fourth series of bonds issued by the Authority and the proceeds will be used principally to (i) refinance the Authority’s outstanding \$16,735,000 System Revenue Bonds, 2004 Series B (the “2004B Bonds”) and its outstanding \$113,680,000 System Revenue Bonds, 2008 Series A (the “2008A Bonds”), (ii) finance certain capital improvements to the System, and (iii) pay costs of issuance of the 2014 Bonds.

The 2004B Bonds and the 2008A Bonds (the “Refunded Bonds”) are the only bonds of the Authority currently outstanding. Proceeds of the 2014 Bonds will be used to purchase non-callable direct obligations of or obligations guaranteed by the United States of America (“Government Obligations”) which, together with available cash proceeds of the 2014 Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by The Bank of New York Mellon (the “Escrow Holder”) pursuant to an escrow contract between the Authority and the Escrow Holder dated the date of delivery of the 2014 Bonds. The Government Obligations so deposited will mature in amounts which, together with cash so deposited, will be sufficient to pay the principal of and interest on the Refunded Bonds up to and including the date of their redemption. See APPENDIX H.

APPLICATION OF THE PROCEEDS OF THE 2014 BONDS

The application of the proceeds of the 2014 Bonds is set forth below:

Sources of Funds	<u>2014A Bonds</u>	<u>2014B Bonds</u>	<u>Total</u>
Par Amount	\$155,765,000.00	\$1,435,000.00	\$157,200,000.00
Original Issue Premium	28,503,669.40	—	28,503,669.40
Total Sources	<u>\$184,268,669.40</u>	<u>\$1,435,000.00</u>	<u>\$185,703,669.40</u>
Uses of Funds			
Refunding of 2004B Bonds	\$ 16,874,458.33	\$ —	\$ 16,874,458.33
Refunding of 2008A Bonds	128,110,717.45	1,424,137.12	129,534,854.57
System Improvements	37,783,009.98	—	37,783,009.98
Costs of Issuance (Including Underwriters’ Discount and Contingency)	<u>1,500,483.64</u>	<u>10,862.88</u>	<u>1,511,346.52</u>
Total Uses	<u>\$184,268,669.40</u>	<u>\$1,435,000.00</u>	<u>\$185,703,669.40</u>

ANNUAL DEBT SERVICE

The following table sets forth, for each 12-month period ending on December 31, the amounts required for the payment of debt service on the 2014 Bonds.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2015	\$ 2,940,000	\$6,703,449.27	\$ 9,643,499.27
2016	10,205,000	7,651,295.00	17,856,295.00
2017	10,345,000	7,202,750.00	17,547,750.00
2018	10,815,000	6,685,500.00	17,500,500.00
2019	11,370,000	6,144,750.00	17,514,750.00
2020	11,795,000	5,576,250.00	17,371,250.00
2021	12,365,000	4,986,500.00	17,351,500.00
2022	12,865,000	4,368,250.00	17,233,250.00
2023	13,445,000	3,725,000.00	17,170,000.00
2024	10,285,000	3,052,750.00	13,337,750.00
2025	8,640,000	2,538,500.00	11,178,500.00
2026	9,075,000	2,106,500.00	11,181,500.00
2027	9,530,000	1,652,750.00	11,182,750.00
2028	10,000,000	1,176,250.00	11,176,250.00
2029	1,990,000	676,250.00	2,666,250.00
2030	2,090,000	576,750.00	2,666,750.00
2031	2,190,000	472,250.00	2,662,250.00
2032	2,300,000	362,750.00	2,662,750.00
2033	2,415,000	247,750.00	2,662,750.00
2034	2,540,000	127,000.00	2,667,000.00

SECURITY FOR THE 2014 BONDS

General

The 2014 Bonds are special obligations of the Authority and are payable solely from Revenues pledged under the Resolution as security for the payment thereof. The Authority has no taxing power. The Authority's principal source of Revenues is expected to be Assessments, which are payable to the Authority under the Financing Agreement. Assessments are typically billed in January and July and paid in February/March and August/September. The County is required to levy Assessments or impose Charges in amounts sufficient to pay when due, among other things: (i) the principal of, interest on and redemption premium, if any, for, the 2014 Bonds and other Bonds; (ii) debt service, when due, on outstanding County Bonds; (iii) amounts, if any, required to replenish reserves; (iv) Authority Operating Expenses and (v) the Operating Expenses of the System. The Trustee, on behalf of the owners of Bonds, including owners of the 2014 Bonds, has a first lien on all Revenues of the Authority and on all reserves of the Authority. Pursuant to the Financing Agreement, Assessments are required to be deposited directly to the Trustee by each city and town receiver of taxes in the County and are not first transferred to the County. Under the Resolution, debt service on Bonds is payable from Revenues before any moneys are transferred to the County for Debt Service on County Bonds and the Operating Expenses of the System.

As Revenues are received, the Authority makes monthly deposits of amounts sufficient to pay debt service projected to accrue on Bonds during the ensuing semi-annual period. The Resolution provides that an amount sufficient to pay debt service projected to accrue on Bonds issued by the Authority is to be deposited in the Debt Service and Sinking Fund. Deposits continue until the full amount of accrued debt service is on deposit. See "Flow of Funds" within this section.

The enforceability of the 2014 Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally and the enforcement thereof and by principles of equity relating to the availability of remedies. The County and the Authority (as a Covered Organization), pursuant to the statute governing NIFA, are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller, and no such petition may be filed while NIFA bonds or notes remain outstanding. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

The 2014 Bonds will constitute the first series of Bonds issued by the Authority under the Resolution and, notwithstanding the time of their authentication and delivery or maturity, all Bonds issued pursuant to the Resolution will be secured equally without preference, priority or distinction of any such Bond over any other such Bond except as expressly provided in or permitted by the Resolution.

Pledge Under the General Resolution

As security for its obligations to make payments required under the Resolution and to secure the performance and observance of all the covenants and conditions contained therein, the Authority has pledged and granted to the Trustee a lien on and security interest in the Trust Estate, which consists of amounts on deposit with the Trustee, including primarily Revenues (as defined below), the Debt Service and Sinking Fund, the Debt Service Reserve Fund, the Authority's rights under the Financing Agreement, and all other receipts, property rights and interests of the Authority. There will not be a Debt Service Reserve Fund Requirement in connection with the 2014 Bonds.

"Revenues" under the Resolution means Assessments and Charges.

The Financing Agreement

The Financing Agreement establishes the respective rights and obligations of the County and the Authority as to the terms of Authority financings, including the obligation of the County to levy and cause to be collected Assessments and/or to impose and collect Charges for the purposes set forth in the Financing Agreement. Pursuant to the County Charter, the County Legislature has approved the Financing Agreement.

Under the original financing agreement, pursuant to which prior bonds of the Authority were issued, the Facilities were transferred to the Authority (other than the land upon which they are located) coincident with the closing of the initial series of Authority bonds in 2004. The transfer to the Authority was necessary in order to apply for low cost acquisition financing from the New York State Environmental Facilities Corporation (“EFC”). As such financing was later deemed ineligible, in order to achieve administrative and accounting efficiencies, the Financing Agreement transfers the Facilities back to the County at the time of issuance of the 2014 Bonds. The Facilities have not served and will not serve as collateral for Authority Bonds.

No financings can be undertaken by the Authority without first receiving a request to do so by the County. With respect to the issuance of the 2014 Bonds, the County provided such request pursuant to its resolution adopted by the County Legislature on September 22, 2014.

The County has covenanted in the Financing Agreement to levy Assessments and/or impose Charges in an amount sufficient each year to pay debt service on Bonds, including the 2014 Bonds and County Bonds, to make any deposits required to be made into any mandated reserves, and to pay the aggregate amount of Operating Expenses for the System and Authority Operating Expenses payable during the Fiscal Year.

Levying of Assessments

The County annually levies within the District an ad valorem (tax) (“Assessments”) to fund the expenses of the District, including, among other things, the annual amount needed to pay the principal of and interest as such come due on County Bonds, and any amounts required to be paid to the Authority under the Financing Agreement.

Assessments for Services levied by the County are to be collected by each city and town receiver of taxes in the County, and deposited directly with the Trustee. As required by the Financing Agreement, if any Assessments remain unpaid at the time required for their transfer to the Authority, the County has directed the receivers to pay to the Trustee any other amounts that would otherwise be payable to the County, up to the amount of any such unpaid Assessments. Assessments are Revenues of the Authority, and are to be used by the Authority, pursuant to the flow of funds described below, to pay debt service and certain other costs before any amounts are transferred to the County for Operating Expenses of the System and other District purposes.

The District Act establishes a framework for the transition to uniform assessments for recipients of Services in the County. The County had maintained separate budgets on behalf of each of the Prior Districts and levied separate assessments on behalf of each within their respective service territories. The District had been divided into zones of assessment that mirror the boundaries of the Prior Districts, except for certain areas that were not receiving Sewerage Services, which have been excluded from the applicable zone for such Sewerage Services. Through 2007, District ratepayers in the aggregate were charged for Sewerage Services at the 2003 level for their respective Prior Districts, and no separate Assessments for Storm Water Resources Services could be assessed until after 2007. By January 1, 2014, the District Act required that the County transition to three zones of assessment: one zone of assessment for areas of the District receiving Storm Water Resources Services, one zone of assessment for areas of the District receiving sewage collection and disposal services, and one zone of assessment for areas of the District receiving sewage disposal, but not sewage collection, services. The transition to three zones of assessments occurred on January 1, 2014. The County Legislature from time to time, by resolution, after holding a public hearing, may change either (i) the allocation of costs among such zones of assessment or (ii) the boundaries of such zones of assessment.

The County may in the future establish a system of rates or charges (“Charges”), in place of or in conjunction with Assessments, for Services. In the Financing Agreement, the County has covenanted, among other things, that it will (i) levy Assessments or impose Charges in an amount sufficient to pay the amounts due to the Authority therein, (ii) notify the Authority of its intent to impose Charges and (iii) require that all revenues raised through Charges to be paid to the Trustee as promptly as practicable. The County has enacted an ordinance, effective as of July 1, 2011, imposing Charges for sewer services in the District upon certain users of the sewer system who are exempt from the payment of ad valorem assessments or who place a disproportionate burden on the sewer system. Various school districts and others in the County have brought lawsuits against the County in Nassau Supreme Court challenging the validity of its enactment of the ordinance imposing service charges. In connection with these lawsuits, the County has been preliminarily enjoined from implementing the ordinance.

See “APPENDIX E — SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT” and “APPENDIX D — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” for a more detailed description of the proposed structure for the levying and application of Assessments.

Flow of Funds

The Resolution creates a flow of funds designed to provide for a gross pledge of Revenues to Accrued Debt Service on Bonds. As described above, the County continues to cause the System to be operated, and the costs of operating and maintaining the System continue to be funded primarily from Assessments. Pursuant to the Resolution, however, debt service on Bonds, as well as Authority Operating Expenses, are to be paid before funds are transferred to the County for debt service on County Bonds and Operating Expenses of the System. The County is obligated under the Financing Agreement to continue to maintain, or cause to be maintained, the System so as to be capable of providing services throughout the term of the agreement.

Pursuant to the Resolution, the Authority shall create and maintain a “Revenue Fund” to be held by the Trustee separate and apart from other funds and accounts of the Trustee. The Authority shall cause all Revenues, whether received from the County pursuant to the Financing Agreement or otherwise, to be transferred to the Trustee for deposit into the Revenue Fund promptly upon receipt. Amounts held in the Revenue Fund shall be invested solely as directed in writing by an Authorized Representative of the Authority in Investment Securities, subject to the limitations imposed thereon by the Act. On the first day of each calendar month, the Trustee shall make the following payments from the Revenue Fund in the following order of priority:

(A) such amount to the Debt Service and Sinking Fund as is necessary so that the balance in the Debt Service and Sinking Fund equals for the period (i) commencing on each February 1st through July 31st such amount as shall be sufficient to pay Accrued Debt Service estimated to be due and payable from October 1st through the following March 31st on Bonds and (ii) commencing on each August 1st through the following January 31st such amount as shall be sufficient to pay the Authority’s Accrued Debt Service estimated to be due and payable from the following April 1st through the following September 30th on Bonds;

(B) from the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraph, an amount to the Debt Service Reserve Fund as is necessary so that the balance in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement, if any;

(C) from the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, such amount as is necessary to make all required payments for or in connection with Subordinated Indebtedness as provided in and in accordance with the provisions of any Supplemental Resolution or similar document pertaining to Subordinated Indebtedness;

(D) from the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, such amount as is necessary to make six months of funding of expected Authority expenditures from the Operating Fund;

(E) from the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, such amount as is necessary to make all required payments in any fund or account as the Authority or the Trustee at the direction of the Authority may from time to time create pursuant to the Resolution in such amount as is required by said direction; and

(F) from the balance, if any in the Revenue Fund after making the deposits required by the preceding paragraphs, all remaining amounts of Assessments or Charges to the County.

Exchange Agreements

The Authority is not currently authorized under the Act to enter into Exchange Agreements. However, the Resolution provides that, any other provision of the Resolution notwithstanding, the Authority may, to the extent permitted by law, enter into an Exchange Agreement with a financial institution, pursuant to which the Authority

shall agree to make payments from amounts held in the Revenue Fund in exchange for the financial institution agreeing to make payments to be deposited under the Resolution as Revenues. Prior to entering into any such Exchange Agreement the Authority shall (i) give adequate notice to the Rating Agencies of its intention to enter into any such Exchange Agreement and (ii) deliver to the Trustee evidence satisfactory to the Trustee from the Rating Agencies to the effect that the entering of and conformance to such Exchange Agreement would not adversely affect the existing rating on the outstanding Indebtedness of the Authority, and the Authority shall deliver to the Trustee an opinion of Bond Counsel to the effect that the entering of and conformance to such Exchange Agreement would not affect any exclusion from gross income of interest on the Indebtedness for federal income tax purposes.

See “APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” for a more detailed description of the funds under the General Resolution.

Debt Service and Sinking Fund

The Resolution creates a special fund known as the Debt Service and Sinking Fund which is held in trust by the Trustee until applied as provided under the Resolution.

The money held from time to time in the Debt Service and Sinking Fund shall be applied by the Trustee without further direction from the Authority to the payment of the Debt Service Requirements on Bonds as and when the same shall become due and payable; provided that if the same shall have been paid under a Credit Facility (other than municipal bond insurance) relating to Bonds on which the payments were due, including in those instances where Debt Service Requirements on Bonds have been paid in the first instance from the proceeds of a Credit Facility, amounts equal to such payments on deposit in the account of the Debt Service and Sinking Fund established with respect to Bonds shall be paid to the Credit Facility Provider as reimbursement. If a Supplemental Resolution provides that Debt Service Requirements on Bonds of a series of Bonds issued thereunder are to be paid in the first instance from the proceeds of a Credit Facility, the Trustee shall comply with the terms of such Supplemental Resolution in that regard and draw upon the Credit Facility to pay Debt Service Requirements on Bonds of such series of Bonds.

In the event moneys are not sufficient for the payment of Debt Service on a Payment Date, the Trustee shall, without instruction or further direction from the Authority, promptly transfer the requisite amounts from the Debt Service Reserve Fund to the relevant accounts of the Debt Service and Sinking Fund to make good any such deficiency.

Additional Bonds

With respect to any Additional Parity Indebtedness, the Trustee shall not authenticate or deliver to the Authority on its order any Additional Parity Indebtedness pursuant the Resolution unless theretofore or simultaneously therewith there shall have been delivered to the Trustee a certificate duly executed by the Accountant (or an Authorized Representative of the Authority, to the extent permitted by the Resolution) stating that, based upon a review of the books and records of the Authority, for any twelve (12) consecutive month period of the eighteen (18) calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued (or during such lesser period if less time has expired), (i) all amounts required to be paid into the Debt Service and Sinking Fund were so paid, (ii) the Debt Service Reserve Fund Requirement was maintained in accordance with the Resolution and (iii) Revenues from Assessments and Charges during such period are no less than 200% of the debt service on Bonds and proposed Additional Parity Indebtedness on an annual basis for the Fiscal Year immediately preceding the issuance of the Additional Parity Indebtedness.

Subordinated Indebtedness

The Resolution provides that the Authority may issue from time to time one or more series of Subordinated Indebtedness pursuant to the terms of a Supplemental Resolution for any lawful purpose of the Authority (including the provision of working capital of the Authority), such Subordinated Indebtedness to be in substantially such form as may be approved by the Authority and specified in the Supplemental Resolution authorizing the same. The priority of payments of principal or redemption price and interest on such Subordinated Indebtedness and the

security therefor shall be as provided in the applicable Supplemental Resolution, which shall make such provisions for payment of the Debt Service Requirements of the Subordinated Indebtedness from Revenues held in the Revenue Fund.

AUTHORITY HISTORICAL FINANCIAL RESULTS

The Authority's historical financial results for the years 2009-2013 are set forth below.

(000's omitted)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues					
Assessments	\$110,037	\$116,038	\$119,041	\$117,282	\$117,275
Net Investment Income	177	30	(47)	20	7
Federal Aid	<u>--</u>	<u>--</u>	<u>3,126</u>	<u>--</u>	<u>1,108</u>
Total Revenues	\$110,214	\$116,068	\$122,120	\$117,302	\$118,390
Expenditures					
Authority Debt Service	\$14,824	\$15,616	\$15,352	\$15,479	\$15,265
Authority Operating					
Expenses	<u>512</u>	<u>282</u>	<u>220</u>	<u>226</u>	<u>171</u>
Total Expenditures	\$15,336	\$15,898	\$15,572	\$15,705	\$15,436
Authority Debt Service					
Coverage	7.43x	7.43x	7.95x	7.58x	7.76x

AUTHORITY PROJECTED FINANCIAL INFORMATION

The County's levying of Assessments is determined in each year in conjunction with its budget process, and is therefore inherently uncertain. In addition, neither the County nor the Authority can predict with certainty the Operating Expenses of the System. The County largely self-insures and the capital needs of the System could vary materially from those projected.

The Authority's projected financial information for the years 2014-2018 is set forth below.

(000's omitted)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues					
Assessments	\$117,271	\$123,314	\$123,314	\$123,314	\$123,314
Net Investment Income	<u>15</u>	<u>5</u>	<u>5</u>	<u>10</u>	<u>15</u>
Total Revenues	\$117,286	\$123,319	\$123,319	\$123,324	\$123,329
Expenses					
Authority Debt Service	\$15,381	\$ 9,643	\$17,856	\$17,548	\$17,501
Authority Operating					
Expenses	<u>920</u>	<u>920</u>	<u>920</u>	<u>920</u>	<u>920</u>
Total Expenditures	\$16,301	\$10,563	\$18,776	\$18,468	\$18,421
Authority Debt Service					
Coverage	7.62x	12.79x	6.91x	7.03x	7.05x

The following sets forth the amount of debt to be financed for County sewer and storm water resources projects in the years 2015 through 2018 as set forth in the County’s 2015-2018 Multi-Year Financial Plan. It is anticipated that the County will issue bonds for such projects but the Authority may be requested to finance certain of such projects.

**Projected Borrowing Amounts
County Sewer and Storm Water Resources Projects**

<u>Year</u>	<u>Borrowing Amount</u>
2015	\$50,000,000
2016	50,000,000
2017	50,000,000
2018	<u>50,000,000</u>
TOTAL	\$200,000,000

DESCRIPTION OF THE 2014 BONDS

General

The 2014 Bonds shall each be dated the date of their delivery, shall bear interest (based on a 360-day year consisting of twelve 30-day months) from that date at the rates set forth on the inside cover page hereof, payable semiannually on each April 1 and October 1 commencing October 1, 2015 and shall mature, subject to the right of prior redemption as described below, on the dates set forth on the inside cover page hereof. The 2014 Bonds will be available in book-entry-only form. See “APPENDIX G - BOOK-ENTRY SYSTEM” hereto.

The 2014 Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

The 2014 Bonds are exchangeable and transfers are registrable at the corporate trust office of The Bank of New York Mellon, the Trustee as follows: The Bank of New York Mellon, 101 Barclay Street, Floor 7W, New York, New York 10286, Attention: New York Municipal Finance Unit, and for every such exchange or registration of transfer, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

The principal or Redemption Price of and interest on the 2014 Bonds shall be payable in legal tender of the United States of America at the corporate trust office of The Bank of New York Mellon, the Trustee at the same address as above.

Optional Redemption

Each 2014A Bond maturing on and after October 1, 2025 is subject to redemption on or after October 1, 2024, at the option of the Authority, in whole or in part by lot on any date, at a Redemption Price of 100% of the principal amount of such 2014A Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

The 2014B Bonds are not subject to redemption prior to maturity.

Redemption Provisions Relating to Optional Redemption

In the case of the application of monies to the redemption, in part, of the 2014A Bonds, as described under “Optional Redemption,” the principal amount and maturities of such 2014A Bonds to be redeemed shall be specified by the Authority in its sole discretion, provided, however, that the application of such monies to the principal amount of such 2014A Bonds so specified by the Authority to be redeemed shall not have an adverse effect on the ability of the Authority to pay the principal of and interest on such 2014A Bonds remaining Outstanding.

Notice of Redemption

In the event any 2014 Bonds are to be redeemed, notice of redemption shall be mailed, postage prepaid, not less than ten (10) days before the redemption date to the owners of any such 2014 Bonds or portions of such 2014 Bonds to be redeemed, as the case may be, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of any such 2014 Bonds. Failure to receive any such notice or any defect in any such notice to the owners of any such 2014 Bonds or portions thereof to be redeemed shall not affect the validity of such proceedings for redemption of such 2014 Bonds or portions thereof. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2014 Bonds, notice of redemption shall be sent to DTC at least twenty (20) days before the redemption date or such shorter period as may be provided by DTC. No assurance can be given by the Authority that DTC and DTC participants will promptly transmit notices of redemption to owners. Notice of redemption having been given as aforesaid, but subject to the provisions of the Resolution, such 2014 Bonds or portions thereof so called for redemption, as the case may be, shall become and be due and payable at the applicable Redemption Price provided in the Resolution, and from and after the date of redemption if monies for the payment of the Redemption Price and interest accrued on such 2014 Bonds to such redemption date are held by the Trustee, interest on such 2014 Bonds or portions thereof so called for redemption, as the case may be, shall cease to accrue.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all the 2014 Bonds called for redemption and the Trustee shall not otherwise hold such money for such purpose, such notice may state that it is conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

THE AUTHORITY

The State Legislature determined the creation of the Authority to be an effective mechanism to achieve substantial savings to the County for past and prospective sewer and storm water capital investments. The Authority has been established for the limited objectives of refinancing outstanding sewer and storm water debt issued by or on behalf of the County and financing future County sewer and storm water projects. The Act does not alter the County’s administration or delivery of sewer and storm water services to County residents. The Authority was created to consolidate existing sewer districts, refinance debt, provide a means for financing new debt and prepare for potential federal storm water regulatory requirements and is intended to aid the County’s fiscal recovery and benefit County taxpayers. The District Act created the District and established a rate stabilization program through 2007 which required that, subject to agreements with bondholders, (i) District ratepayers be charged for Sewerage Services at the 2003 level for their respective Prior Districts and (ii) no separate Assessments for Storm Water Resources Services could be assessed until after 2007 (the “Rate Stabilization Program”). The Authority has complied with these requirements. The District Act required the County to transition to three zones of assessment by 2014: one zone of assessment for areas of the District receiving Storm Water Resources Services, one zone of assessment for areas of the District receiving sewage collection and disposal services, and one zone of assessment for areas of the District receiving sewage disposal, but not sewage collection, services. Such transition has taken place.

The District Act also provided for the then-existing 27 County sewage collection districts and three sewage disposal districts (the “Prior Districts”) to be abolished, dissolved and merged into one district (the “Nassau County Sewer and Storm Water Resources District” or the “District”). The Prior Districts were abolished, dissolved and merged into the District upon the vote of the County Legislature in December 2003. At that time, all of the rights, privileges, duties, responsibilities and obligations of the Prior Districts became the rights, privileges, duties,

responsibilities and obligations of the District. The County budget adopted for each fiscal year contains a separate section for the District and is thus subject to the approval of the County Legislature. See “SECURITY FOR THE 2014 BONDS – Levying of Assessments” herein.

The Authority acquired all of the sewer and storm water resources facilities, buildings, equipment and related assets (as further described in the following paragraph, the “System”) of the County, pursuant to a Financing and Acquisition Agreement dated as of March 1, 2004 by and between the Authority and the County (the “Original Financing Agreement”). Under a new Financing Agreement dated as of October 1, 2014 between the Authority and the County (the “Financing Agreement”), the System is being transferred back to the County. For a description of the Financing Agreement, see “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT”.

The System consists of facilities for the collection, treatment and disposal of sewage and for the collection, treatment and disposal of storm water and contaminated surface water or ground water. Approximately 300,000 service connections for properties receiving sewer service in the County are assessed for all or a portion of such services, although properties which are generally exempt from the payment of ad valorem property taxes are also exempt from the levy and collection of Assessments. For a more complete description of the components of the System and the services provided through the System, see “THE SYSTEM” herein.

Purpose and Powers

The State has established the Authority for the purpose of refinancing outstanding sewer and storm water debt issued by or on behalf of the County and financing future County sewer and storm water resources projects. The Authority may issue debt in an amount up to \$350,000,000 for such purposes (exclusive of debt issued to refund or otherwise repay Authority debt). The Authority has previously issued its 2004A Bonds, the 2004B Bonds, and 2008A Bonds to, in part, refinance County Bonds. Pursuant to the Financing Agreement, the Authority has agreed to refinance County Bonds and finance new system projects as so requested by the County. The County continues to cause the System to be operated and provide Services, in accordance with the Act and the Financing Agreement. See “INTRODUCTORY STATEMENT” and “SECURITY FOR THE 2014 BONDS – Levying of Assessments” herein. The Authority may also issue Bonds to refund its own outstanding Bonds.

The County continues to have the ability to issue County debt to finance System projects, either on its own or as part of an EFC financing. See “SECURITY FOR THE 2014 BONDS – “The Financing Agreement” and “NASSAU COUNTY INTERIM FINANCE AUTHORITY” herein.

By its terms, the Act is not intended to alter or modify the County’s responsibility to provide Services. The County continues to cause all Facilities to be operated and maintained. Pursuant to the Act, the Authority is not authorized to hire employees. On July 18, 2014, the Nassau County Legislature approved an Agreement for the Operation and Maintenance of the Nassau County Sewer System by and between United Water Long Island Inc. (“United Water”) and the County (the “O&M Agreement”). The O&M Agreement provides for the operation and maintenance of the sewer system by United Water, with an initial term of twenty years (projected to begin in January 2015), which may be renewed for an additional term as permitted by applicable law by mutual agreement of the parties. The County’s rights and obligations with respect to the Authority under the Financing Agreement have not been assigned to United Water.

Governing Body

The Authority’s governing body (the “Governing Body”) consists of seven members who must be residents of the County, and be appointed by the County Executive and confirmed by the County Legislature, two upon recommendation of the Presiding Officer of the County Legislature, two upon the recommendation of the Minority Leader of the County Legislature and one upon the recommendation of the County Comptroller. No more than four members of the Governing Body may be members of the same political party. The Governing Body may from time to time contract for professional services. Any County employee’s membership is terminated if such person is no longer employed by the County. Currently, there are six members appointed to and serving on the Governing Body.

Officers

The Governing Body appoints a Chairperson, a Vice Chairperson and a Treasurer from its own members and a Secretary who need not be a member. Such officers serve in their capacities at the pleasure of the Governing Body.

Chairperson. The Chairperson presides at all meetings of the Authority. Except as otherwise authorized by resolution of the Authority, the Chairperson executes all agreements, contracts, deeds, and any other instruments of the Authority. At each meeting, the Chairperson submits such recommendations and information as the Chairperson may consider proper concerning the business, affairs and policies of the Authority.

Vice Chairperson. The Vice Chairperson, in the absence or disability of the Chairperson, performs all the duties and responsibilities of the Chairperson.

Secretary. The Secretary maintains the records of the Authority, acts as secretary of the meetings of the Authority, records all votes, keeps a record of the proceedings of the Authority in a journal of proceedings to be kept for such purpose, and performs all duties incident to the office.

Treasurer. The Treasurer has the care and custody of all funds of the Authority and deposits or causes the same to be deposited in the name of the Authority in such bank or banks as the Authority may select. Except as otherwise authorized by resolution of the Authority, the Treasurer signs all instruments of indebtedness, all orders, and all checks for the payment of money; and pays out and disburses such moneys under the direction of the Authority. Except as otherwise authorized by resolution of the Authority, all such instruments of indebtedness, orders and checks are countersigned by the Chairperson. The Treasurer keeps or causes to be kept regular books of accounts showing receipts and expenditures, and renders to the Authority at each regular meeting an account of the Treasurer's transactions and also of the financial condition of the Authority. The Authority has also authorized the County Treasurer and his or her staff to perform treasury duties on behalf of the Authority in accordance with the Financing Agreement.

Members of the Governing Body and Officers of the Authority

The following are the six current members of the Governing Body and officers of the Authority:

Cristina Brennan, *Governing Body Member and Vice-Chairperson.*

Peter J. Clines, *Governing Body Member.*

William J. Muller III, *Governing Body Member.*

Shila Shah-Gavnoudias, *Governing Body Member and Treasurer.*

Christopher L. Troisi, *Governing Body Member and Secretary.*

Richard R. Walker, *Governing Body Member and Chairperson.*

THE SYSTEM

General

The System consists of facilities providing for the collection, treatment and disposal of sewage (each a "Sewerage Facility" and collectively "Sewerage Facilities", and the services provided thereby, "Sewerage Services"), as well as facilities providing for the collection, treatment and disposal of storm water and contaminated surface water or ground water (each a "Storm Water Resources Facility" and collectively "Storm Water Resources Facilities", and the services provided thereby, "Storm Water Resources Services"). A Sewerage Facility or Sewerage

Facilities, together with a Storm Water Resources Facility or Storm Water Resources Facilities, are defined herein as a “Facility” or collectively “Facilities”. Sewerage Services, together with Storm Water Resources Services, are defined herein as “Services”.

Location

The County is located on Long Island and has a population of approximately 1.3 million. For a discussion of the economic and demographic profile of the County, see Appendix C hereto.

Sewerage Facilities

General. The County’s Department of Public Works (“Department” or “DPW”), is responsible for the management, maintenance, operation, repair and replacement of the Sewerage Facilities, which include three major wastewater treatment plants in the County (Bay Park Sewage Treatment Plant (“Bay Park”), Cedar Creek Water Pollution Control Plant (“Cedar Creek”) and Glen Cove Wastewater Treatment Plant (“Glen Cove”), 54 sewage pump stations and approximately 3,000 miles of sewers. See “THE AUTHORITY – Purpose and Powers” herein for a description of the County’s agreement with United Water Inc. for the management and operation of the sewer system.

In addition to the sewage collection systems operated by the County, there are six village-owned and operated collection systems in the County that discharge to the County’s sewage disposal system. The villages are: Freeport, Garden City, Hempstead, Mineola, Rockville Centre and Roslyn. The residents within these areas (with the exception of Roslyn) pay Assessments for County sewage disposal services. Roslyn residents pay a user fee based upon the volume of sewage discharged. The County has no operation or maintenance responsibilities for these six collection systems.

The wastewater treatment plants’ operations are regulated by the Clean Water Act under the direction of the United States Environmental Protection Agency (the “EPA”). The EPA has delegated permitting authority to the State Department of Environmental Conservation, which administers the State Pollution Discharge Elimination System (“SPDES”).

Wastewater Treatment Plants. Bay Park was originally constructed in the late 1940s, and was placed into operation in 1950. It was initially capable of processing 27 million gallons per day (“MGD”) of municipal sanitary waste and meeting secondary treatment levels through the utilization of an activated sludge process. The plant was first expanded in 1960 to provide secondary treatment and increase its capacity to 60 MGD. Beginning in the mid-1980s, the plant was expanded again to increase its capacity to achieve secondary treatment of an average daily flow of 70 MGD. The plant discharges its treated effluent into Reynolds Channel via an 84-inch diameter outfall pipe, which is approximately 2.3 miles long.

Cedar Creek was originally constructed in the early 1970s, and was placed into operation in 1974. It was capable of processing 56 MGD of municipal sanitary waste and meeting secondary treatment levels through the utilization of an activated sludge process. The plant was expanded as part of a capital improvements program in the mid-1980s through the early 1990s to achieve secondary treatment of an average daily flow of 72 MGD. The plant discharges its treated effluent into the Atlantic Ocean via an 84-inch diameter outfall pipe approximately 2.5 miles off the shore of Jones Beach.

Effective March 1, 2008, the County assumed responsibility for the operation and maintenance of Glen Cove, including sewage pumping stations, and the collection system piping. Glen Cove was originally constructed in the 1920s with only primary treatment and chlorine disinfection. Beginning in 1950, the plant was upgraded to secondary treatment with the addition of trickling filters and secondary clarifiers. In 1980 a new plant was constructed that utilized the activated sludge process for secondary treatment. The old trickling filter plant was decommissioned and demolished. In 2002, the plant was upgraded to include processes for nitrogen removal from the wastewater. The plant is currently permitted for an average daily flow of 5.5 MGD. The plant actually treats approximately 3 MGD of wastewater. The plant discharges its treated effluent into Glen Cove Creek.

Improvements to Bay Park, Cedar Creek and Glen Cove are ongoing with plans for additional projects being developed. As a result of Superstorm Sandy, Bay Park and 31 pump stations were significantly damaged. Permanent repair and mitigation projects for those facilities are in progress. See “Superstorm Sandy” within this section.

Sewage Pump Stations. The County operates and maintains 54 sewage pump stations, which transport sanitary wastes where gravity is not a viable transport option. There are 22 pump stations that serve the collection system delivering sanitary wastes to Bay Park, 15 pump stations that help deliver sanitary wastes to Cedar Creek and 17 pump stations that serve the collection system tributary to Glen Cove. A dedicated pump station maintenance group operates and maintains the pump station structures and equipment.

Sewage Collection System. The wastewater collection system operated by the County comprises 3,000 miles of sanitary sewers (ranging in size from 8 to 108 inches in diameter), 64,000 manholes and 300,000 individual service connections. Each year, the Department implements a sewer maintenance program designed to inspect and clean the sewers and manholes within its jurisdiction. This program includes visual inspection, remote video inspection, power flushing, biological treatments (grease control) and herbicide treatments (root control). The sewer maintenance activities are scheduled, monitored and logged using a computerized sewer maintenance program. The use of the computerized sewer maintenance program provides the Department with historical maintenance information for a pipe segment or manhole, generates work orders for scheduled routine maintenance, and generates work orders for repetitive maintenance of known problem areas.

Superstorm Sandy. On October 29, 2012, Superstorm Sandy hit the New York metropolitan region. The storm caused widespread damage to the region, including substantial damage in the County to private homes, schools and County and local government infrastructure. The County continues to work with the private sector, utility companies, and other governmental units, including federal, State and local governments, to ensure a full recovery. The County expects to secure substantial federal assistance, including reimbursement of certain storm-related costs and losses, from FEMA and other federal agencies. On January 29, 2013, President Obama signed legislation providing supplemental appropriations of approximately \$50.5 billion to fund Superstorm Sandy recovery efforts. In accordance with President Obama’s May 23, 2013 order, eligible Superstorm Sandy expenses will qualify for 90% federal reimbursement.

The County and its municipal governments are continuing to incur costs related to the damage sustained by the storm. Principally, these costs are related to the ongoing permanent repairs. The County is working with FEMA and the State to tabulate the associated costs of these repairs as well as finalize the eligible costs of the storm preparation, evacuation and other emergency response and clean-up activities. To date, the County has received approvals from FEMA totaling \$191 million for disaster related activities and projects. The federal commitment will continue to grow as FEMA is still reviewing costs related to the storm. The County expects the 10% non-federal share will be funded from New York State’s Community Development Block Grant Disaster Recovery (“CDBG-DR”) Program allocation, as noted in the New York State Action Plan, dated April 2013, and reaffirmed by Governor Cuomo this past July.

In addition to the activities noted above, the single largest disaster-related project involves the restoration, repair and mitigation of the Bay Park Sewage Treatment Plant and related systems. Storm-related damages shut down the plant for several days. While the plant operations were quickly restored and waste treatment was within permitted levels in less than two months, the long-term repairs including hardening of the facility and other mitigation measures will take several years to complete. On September 18, 2014, FEMA awarded \$729.7 million (90%) toward the total cost of \$810.7 million for the permanent repairs and mitigation measures. The remaining \$81.1 million (10%) will be provided through the State’s CDBG-DR Program allocation, along with an additional \$20 million for needed electrical upgrades to the plant.

Storm Water Resources Facilities

General. Storm water within the County is discharged to surface waters and recharged into the groundwater through storm water basins. Storm Water Resources Facilities include the following: (i) 555 storm water basins; (ii) two groundwater remediation installations – the Fireman’s Training Center Groundwater Remediation Facility and the Purex Groundwater Remediation Facility; (iii) a network of wells for sampling and

monitoring of groundwater; (iv) three weather recording stations reporting precipitation and temperature; (v) 60 miles of open drainage channels; (vi) 85 miles of streams and several ponds; and (vii) other storm water related facilities.

The Department is generally responsible to ensure the operation, maintenance and management of all Storm Water Resources Facilities and performs activities related to storm water management, ground water quality and remediation, drainage maintenance and mosquito control. Other DPW divisions also contribute to the County's storm water resources management.

In March 2003, the County submitted its Notice of Intent on the discharge of storm water runoff into surface waters of the United States in accordance with the SPDES Phase II permit program, which is applicable to the County and other municipalities discharging storm water into surface water.

Fireman's Training Center Groundwater Remediation Facility. The Fireman's Training Center Groundwater Remediation Facility ("FTCGRF") is located on the Fireman's Training Center, a 12-acre site, on Winding Hill Road in Old Bethpage, New York.

The FTCGRF was designed to (i) extract groundwater, contaminated with solvents, oil and gasoline, from three on-site and seven off-site recovery wells; (ii) treat the water to State mandated standards; and (iii) discharge the treated effluent to a County recharge basin or three groundwater re-injection wells.

Purex Groundwater Remediation Facility. The Purex Groundwater Remediation Facility ("PGRF"), located in Garden City, New York was constructed after contaminated soil and groundwater were discovered on County property formerly owned by Purex Industries. In 1985, a federal consent judgment mandated that the County and Purex remediate the site. Purex was responsible for the design, construction and initial operation of PGRF. As of January 1, 2003, the operation and maintenance of PGRF became a County obligation.

Groundwater Monitoring Wells and Computerized Groundwater Model. Storm Water Resources Facilities operated by the Department include storm water basins and open channels. The Department is also responsible for: maintenance of, and improvements to, streams and ponds for flood and erosion control; review of development plans as they relate to drainage requirements; implementation of underground injection control measures; hazardous waste response; and environmental assessments as part of property acquisitions.

Other Storm Water Resources Facilities. The Department maintains and causes to be operated a number of other facilities throughout the County, including five weather recording stations where precipitation and temperature information is collected, analyzed and distributed to various governmental agencies and other professionals. Two of these weather stations are certified by the National Oceanic and Atmospheric Administration. The remaining weather stations are used by the Highway and Bridge Maintenance Division of DPW to assess road conditions.

The Department is also responsible for fuel tank improvements at approximately 500 County-operated tanks in accordance with regulatory requirements, as well as operation and maintenance of small petroleum remediation facilities.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

Since enactment in 2000 of the Nassau County Interim Finance Authority Act, codified as Title I of Article 10-D of the State Public Authorities Law (the "NIFA Act"), creating the Nassau County Interim Finance Authority ("NIFA"), the County's finances have been subject to oversight by NIFA, a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. Under the NIFA Act, NIFA has both limited authority to oversee the County's finances, including covered organizations as defined in the NIFA Act ("Covered Organizations") and discussed further below, and upon the declaration of a control period (described below), additional oversight authority. Pursuant to the Act, the Authority is a Covered Organization.

Pursuant to the NIFA Act, NIFA performs ongoing monitoring and review of the County's financial operations, including, but not limited to: recommending to the County and the Covered Organizations measures

related to their operation, management, efficiency and productivity; consulting with the County in preparation of the County's budget; reviewing and commenting on proposed borrowings by the County (in the absence of a control period, as more fully described below); determining whether to make transitional State aid available; and performing audits and reviews of the County, any of its agencies and any Covered Organization.

NIFA is further empowered to impose a control period, as defined in the NIFA Act, upon its determination that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (1) the County shall have failed to pay the principal of or interest on any of its bonds when due or payable; (2) the County shall have incurred a major operating funds deficit of 1% or more in the aggregate in the results of operations during its fiscal year assuming all revenues and expenditures are reported in accordance with GAAP; (3) the County shall have otherwise violated any provision of the NIFA Act and such violation substantially impairs the marketability of the County's bonds; or (4) the County Treasurer certifies at any time, at the request of NIFA or on the County Treasurer's initiative, that on the basis of facts existing at such time, the County Treasurer cannot certify that securities sold by or for the benefit of the County in the general public market during the fiscal year immediately preceding such date and the then current fiscal year are satisfying the financing requirements of the County during such period and that there is a substantial likelihood of a similar result from such date through the end of the next succeeding fiscal year.

On January 26, 2011, NIFA adopted a resolution declaring a control period upon its determination that there existed a substantial likelihood and imminence of the County incurring a major operating funds deficit of one percent or more in the aggregate results of operations during its fiscal year 2011 assuming all revenues and expenditures were reported in accordance with GAAP. In its determination, NIFA stated, among other things, that the County under GAAP, and thus the NIFA Act, could not count as revenues in fiscal year 2011 the proceeds of borrowings to pay property tax refunds, nor fund balance, despite having done so in prior years.

During a control period, NIFA is required to withhold transitional State aid and is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and Covered Organizations; approve, disapprove or modify the County's multi-year financial plan; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period.

NIFA has approved the issuance of the 2014 Bonds, as required by the NIFA Act during the control period declared by NIFA on January 26, 2011. It is not, however, within NIFA's powers to restrict the Authority's obligation to pay debt service on the 2014 Bonds.

Under the NIFA Act, the County, the Authority and other Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller, and no such petition may be filed while NIFA bonds remain outstanding. NIFA bonds are outstanding through November 15, 2025. The term Covered Organizations includes the Authority and any other governmental agency, public authority or public benefit corporation which receives or may receive monies directly, indirectly or contingently from the County, with certain statutory exceptions.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2014 Bonds, or in any way contesting or affecting the validity of the 2014 Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the 2014 Bonds or the due existence or powers of the Authority.

LEGALITY OF THE 2014 BONDS FOR INVESTMENT

Under the provisions of the Act, bonds of the Authority are made securities in which all public officials and public bodies of the State and all municipalities in the State, all insurance companies and associations and other

persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, investment companies and other persons carrying on a banking business, and administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them.

CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12

At the time of the issuance and delivery of the 2014 Bonds, the Authority will covenant for the benefit of the Beneficial Owners of the 2014 Bonds, in accordance with the requirements of Rule 15c2-12 (as the same may be amended or officially interpreted from time to time) (the “Rule”) promulgated by the Securities and Exchange Commission (the “Commission”), to provide during any fiscal year in which the 2014 Bonds are outstanding, to the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board (“MSRB”) or other entity authorized or designated by the Commission, (i) certain annual financial information and operating data for the preceding fiscal year, in substantially the form set forth under the caption “AUTHORITY HISTORICAL FINANCIAL RESULTS” and “AUTHORITY PROJECTED FINANCIAL INFORMATION” and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of the audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to August 1 of each such fiscal year, but in no event, not later than the last business day of each succeeding fiscal year and (ii) in a timely manner not later than ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the 2014 Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties. It shall be noted that there is no debt service reserve fund securing debt service payments on the 2014 Bonds;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2014 Bonds, or other material events affecting the tax status of the 2014 Bonds;
7. Modifications to rights of Beneficial Owners or holders of the 2014 Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the 2014 Bonds, if material. It should be noted that the 2014 Bonds are not secured by any collateral;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Authority;*

* For the purposes of the event identified in this subparagraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in

13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Authority will also undertake to provide, in a timely manner, notice of a failure to provide the required annual financial information, operating data and audited financial statement described above on or before the date specified above.

The sole remedy of a Beneficial Owner of the 2014 Bonds under this covenant will be to bring an action to compel specific performance in a court in the State having appropriate jurisdiction. A default by the Authority of its obligations under the covenant shall not be deemed a default on the 2014 Bonds.

The Authority may amend its obligations under the provisions of the covenant without the consent of any holder of the 2014 Bonds or Beneficial Owner of the 2014 Bonds provided that the Authority shall first obtain an opinion of nationally recognized bond counsel to the effect that the proposed amendment would not in and of itself cause the covenant to violate the requirements of the Rule if such amendment had been effective at the time of issuance of the Bonds, but taking into account any subsequent change in or official interpretation of the Rule.

On July 16, 2014, the Authority filed with EMMA its audited financial statements for the fiscal year ending December 31, 2012. Under prior continuing disclosure agreements, this audit was required to be filed with EMMA prior to December 31, 2013. The Authority did not timely file a notice of its failure to provide such audit by December 31, 2013. The Authority did, however, file its annual information statement and unaudited financial statements for the year ended December 31, 2012 timely on July 29, 2013.

Copies of the Continuing Disclosure Agreement will be on file at the offices of the Authority and the Trustee.

BONDS AS SECURITY FOR DEPOSIT

Under the provisions of the Act, bonds and notes of the Authority are made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities in the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

RATINGS

Standard & Poor's Ratings Services (a division of The McGraw-Hill Companies, Inc.) ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "AAA" and "Aa3", respectively, to the 2014 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, New York, New York 10041 or Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2014 Bonds.

possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

TAX MATTERS

General

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the 2014A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the 2014 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

2014A Bonds (herein the 2014 Federally Tax-Exempt Bonds)

To the extent the issue price of any maturity of the 2014 Federally Tax-Exempt Bonds is less than the amount to be paid at maturity of such 2014 Federally Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2014 Federally Tax-Exempt Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2014 Federally Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2014 Federally Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the 2014 Federally Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2014 Federally Tax-Exempt Bonds accrues daily over the term to maturity of such 2014 Federally Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2014 Federally Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2014 Federally Tax-Exempt Bonds. Beneficial Owners of the 2014 Federally Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Federally Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2014 Federally Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such 2014 Federally Tax-Exempt Bonds is sold to the public.

2014 Federally Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2014 Federally Tax-Exempt Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2014 Federally Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2014 Federally Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2014 Federally Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events

occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2014 Federally Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the 2014 Federally Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2014 Federally Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Federally Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2014 Federally Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee, released draft legislation that would subject interest on the 2014 Federally Tax-Exempt Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the 2014 Federally Tax-Exempt Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2014 Federally Tax-Exempt Bonds. Prospective purchasers of the 2014 Federally Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2014 Federally Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the Authority, the County or the Beneficial Owners regarding the tax-exempt status of the 2014 Federally Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2014 Federally Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2014 Federally Tax-Exempt Bonds, and may cause the Authority, the County or the Beneficial Owners to incur significant expense.

2014B Bonds (herein the Federally Taxable Series 2014B Bonds)

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to Beneficial Owners of the Federally Taxable Series 2014B Bonds that acquire their Federally Taxable Series 2014B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect, and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Further, the following discussion does not deal with all U.S. tax considerations applicable to Beneficial Owners of the Federally Taxable Series 2014B Bonds or to categories of Beneficial Owners some of which may be subject to special taxing rules, such as certain U.S. expatriates, banks, real estate investment trusts (REITs), regulated investment companies (RICs), insurance companies, tax-exempt organizations, dealers or traders in securities or

currencies, partnerships, S corporations, estates and trusts, Beneficial Owners that hold their Federally Taxable Series 2014B Bonds (x) as part of a hedge, straddle or an integrated or conversion transaction or (y) through a non-U.S. entity, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the taxes imposed under Section 1411 of the Code or (iii) the indirect effects on persons who hold equity interests in a Beneficial Owner. In addition, this summary generally is limited to Beneficial Owners that acquire their Federally Taxable Series 2014B Bonds pursuant to this offering for the issue price that is applicable to such Federally Taxable Series 2014B Bonds (i.e., the price at which a substantial amount of the Federally Taxable Series 2014B Bonds are sold to the public) and who will hold their Federally Taxable Series 2014B Bonds as “capital assets” within the meaning of Section 1221 of the Code. This summary does not address tax considerations applicable to Beneficial Owners of the Federally Taxable Series 2014B Bonds that are not U.S. persons for U.S. federal income tax purposes.

Interest on the Federally Taxable Series 2014B Bonds generally will be taxable as ordinary interest income at the time such amounts are accrued or received, in accordance with the Beneficial Owner’s method of accounting for U.S. federal income tax purposes.

The Federally Taxable Series 2014B Bonds may be issued with original issue discount (“OID”). OID is the excess of the stated redemption price at maturity of a bond over the initial public offering price of the bond at which a substantial amount of such maturity of the bonds is sold to the public. The OID with respect to any maturity of the Federally Taxable Series 2014B Bonds accrues daily over the term to maturity of such Bond on the basis of a constant interest rate compounded semiannually. The amount of accrued OID that is properly allocable to each Beneficial Owner of such Federally Taxable Series 2014B Bond is treated as interest on such Bond and is added to the adjusted basis of such Bond for purposes of determining gain or loss upon disposition. Interest that is payable at least annually over the term of such Federally Taxable Series 2014B Bonds is not added to the adjusted basis of the Federally Taxable Series 2014B Bonds for purposes of determining gain or loss upon disposition. Beneficial owners of Federally Taxable Series 2014B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Federally Tax-Exempt Bonds having OID.

Federally Taxable Series 2014B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. A Beneficial Owner of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such Beneficial Owner, to amortize such premium, using a constant yield method over the term of such Bond. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2014 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. The form of the approving opinions of Bond Counsel is annexed hereto as Appendix G. Certain legal matters will be passed upon for the Underwriters by their counsel, Hiscock & Barclay, LLP, Albany, New York.

FINANCIAL ADVISOR

Public Financial Management, Inc., New York, New York, served as Financial Advisor to the Authority with respect to the issuance of the 2014 Bonds.

UNDERWRITING

The 2014 Bonds are being purchased for reoffering by the Underwriters pursuant to a bond purchase agreement between the Authority and Samuel A. Ramirez & Co., Inc., as representative of the Underwriters (the “Bond Purchase Agreement”). The Underwriters have agreed to purchase the 2014 Bonds at an aggregate purchase price of \$184,793,502.53. The Bond Purchase Agreement with respect to the 2014 Bonds provides that the Underwriters will purchase all the Bonds if any are purchased. The initial yields or public offering prices are set

forth on the inside cover pages of this Official Statement. The Underwriters may offer and sell the 2014 Bonds to certain dealers (including depositing the 2014 Bonds into investment trusts) and others at prices lower than the initial public offering price stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2014 Bonds, has entered into a negotiated dealer agreement (the “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the 2014 Bonds, at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase 2014 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2014 Bonds that CS&Co. sells.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, will deliver to the Authority and the Underwriters on or before the date of delivery of the 2014 Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of certain computations showing the Underwriters’ assertions of the adequacy of the cash and the maturing principal of and interest on the Government Obligations held in the Escrow Fund to provide for the payment of the principal of and interest on the Refunded Bonds.

The verification performed by Samuel Klein and Company will be solely based upon data, information and documents provided to Samuel Klein and Company by the Underwriters and the Authority. The report of its verification will state that Samuel Klein and Company has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

FINANCIAL AND OTHER INFORMATION

The Authority has furnished all information contained herein other than information specifically attributed herein to other sources.

All financial forecasts contained herein have been prepared by the County on behalf of the Authority.

The information in Appendix C hereto has been obtained from the County, and the information on the inside cover hereof relating to the initial offering price of the 2014 Bonds has been furnished by the Underwriters of the 2014 Bonds.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the 2014 Bonds, the security for the payment of the 2014 Bonds, and the rights of the owners thereof.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

**NASSAU COUNTY SEWER AND STORM WATER
FINANCE AUTHORITY**

By: /s/ Richard R. Walker
 Chairperson

Dated: November 7, 2014

APPENDIX A

SUMMARY OF CERTAIN TERMS USED IN THIS OFFICIAL STATEMENT

Unless the context shall otherwise require, capitalized terms in the Official Statement shall have the meanings given to them as follows:

“Act” shall mean Title 10-D of Article 5 of the Public Authorities Law of the State, as it may be amended from time to time.

“Assessments” shall mean any assessments for Sewerage Services and/or Storm Water Resources Services levied by the County.

“Authority” shall mean the Nassau County Sewer and Storm Water Finance Authority.

“Bay Park” shall mean the Bay Park Sewage Treatment Plant.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP.

“Bond Purchase Agreement” shall mean the bond purchase agreement between the Authority and the Underwriters.

“Cedar Creek” shall mean the Cedar Creek Water Pollution Control Plant.

“Charges” means any rates or charges imposed by the County or the Authority, other than Assessments, for Sewerage Services or Storm Water Resources Services.

“Code” shall mean the Internal Revenue Code of 1986.

“Consultant” shall mean the consultant engaged by the Authority to perform certain studies.

“Continuing Disclosure Agreement” shall mean the agreement between the Authority and the Trustee, undertaken for the benefit of the owners of the 2014 Bonds, to provide to EMMA, annual operating and financial data, audits and notices of any of certain events with respect to the Bonds.

“County” shall mean the County of Nassau, New York.

“Covered Organization” shall mean the Nassau Health Care Corporation, and any other governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the County, but excluding NIFA and (i) any governmental agency, public authority or public benefit corporation specifically exempted from the provisions of the NIFA enabling legislation by order of NIFA upon application of such agency, public authority, or corporation to NIFA or at NIFA’s own motion upon a finding by NIFA that such exemption does not materially affect the ability of the County to adopt and maintain a budget pursuant to the provisions of the NIFA enabling legislation, and provided that at the time of such exemption, there shall have been and during the period of such exemption there shall be an annual audit by a nationally recognized independent certified public accounting firm or consortium of firms, one of which shall be a nationally recognized firm, of the Covered Organization’s financial statements performed in accordance with generally accepted auditing standards and report by such auditor thereon which includes an opinion that the financial statements so audited have been prepared in accordance with generally accepted accounting principles and such other information as such auditors deem appropriate, (ii) any State public authority as defined in section two hundred one of the civil service law, unless specifically named above, or (iii) any governmental agency, authority, commission or instrumentality created by compact or agreement between the State of New York and another state or states; provided, however, that NIFA may terminate any exemption granted by order of NIFA pursuant to the NIFA enabling legislation upon a

determination that the circumstances upon which such exemption was granted are no longer applicable. Pursuant to the Act, the Authority is a Covered Organization.

“District” or “Nassau County Sewer and Storm Water Resources District” shall mean the district established pursuant to the District Act.

“District Act” shall mean Section 4 of Chapter 685 of the Laws of New York for 2003 which, among other things, provided for the creation of the District that the Prior Districts were merged into.

“DPW” shall mean the County’s Department of Public Works.

“DTC” shall mean The Depository Trust Company, New York, New York.

“EFC” shall mean the New York State Environmental Facilities Corporation.

“EPA” shall mean the United States Environmental Protection Agency.

“Facilities” shall mean, collectively, Sewerage Facilities and Storm Water Resources Facilities.

“Financing Agreement” shall mean the Financing Agreement dated as of October 1, 2014 by and between the Authority and the County.

“First Supplemental Resolution” shall mean the First Supplemental Resolution dated as of October 1, 2014.

“FTCGRF” shall mean the Fireman’s Training Center Groundwater Remediation Facility.

“Governing Body” shall mean the Authority’s governing body, established pursuant to the Act.

“General Resolution” shall mean the Authority’s General Revenue Bond Resolution dated as of October 1, 2014.

“Glen Cove” shall mean the Glen Cove Wastewater Treatment Plant.

“Interest Payment Date” shall mean each April 1 and October 1, commencing October 1, 2015.

“IRS” shall mean the Internal Revenue Service.

“MGD” shall mean million gallons per day.

“Moody’s” shall mean Moody’s Investors Service, Inc. and all successors and assigns.

“NIFA” shall mean the Nassau County Interim Finance Authority.

“PGRF” shall mean the Purex Groundwater Remediation Facility.

“Preference” shall mean avoidable preference within the meaning of any applicable bankruptcy law.

“Premium Bonds” shall mean 2014A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date).

“Prior Districts” shall mean the former 27 County sewage collection districts and three County sewage disposal districts.

“Resolution” shall mean, collectively, the General Resolution and the First Supplemental Resolution.

“Revenue Fund” shall mean that fund created and maintained by the Authority, pursuant to the Resolution, held separate and apart from other funds and accounts of the Authority. The Authority shall cause all Revenues, whether received from the County pursuant to the Financing Agreement or otherwise, to be transferred to the Trustee for deposit into the Revenue Fund promptly upon receipt. Amounts held in the Revenue Fund shall be invested solely as directed in writing by an Authorized Representative of the Authority in Investment Securities, subject to the limitations imposed thereon by the Act.

“Revenues” shall mean Assessments and Charges.

“Rule 15c2-12” shall mean Rule 15c2-12 promulgated by the SEC.

“S&P” shall mean Standard & Poor’s Ratings Services (a division of The McGraw-Hill Companies, Inc.) and all successors and assigns.

“SEC” shall mean the U.S. Securities and Exchange Commission.

“Services” shall mean, collectively, Sewerage Services and Storm Water Resources Services.

“Sewerage Facilities” shall mean facilities providing for the collection, treatment and disposal of sewage for the System.

“Sewerage Services” shall mean the services provided by the Sewerage Facilities.

“SPDES” shall mean the New York’s State Pollution Discharge Elimination System.

“State” shall mean the State of New York.

“Storm Water Resources Facilities” shall mean facilities providing for the collection, treatment and disposal of storm water and contaminated surface water or ground water.

“System” shall mean the County’s sewer and storm water resources facilities, buildings, equipment and related assets.

“Trustee” shall mean The Bank of New York Mellon.

“2004A Bonds” shall mean the Authority’s System Revenue Bonds, 2004 Series A.

“2004B Bonds” shall mean the Authority’s System Revenue Bonds, 2004 Series B.

“2008A Bonds” shall mean the Authority’s System Revenue Bonds, 2008 Series A.

“Underwriters” shall mean Samuel A. Ramirez & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and J.P. Morgan Securities LLC.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2013

The Authority's financial statements, including the report of Deloitte & Touche LLP, the Authority's independent auditor, for the fiscal year ended December 31, 2013, are included by reference in this Official Statement as APPENDIX B. Deloitte & Touche LLP has not reviewed, commented on or approved, and is not associated with, this Official Statement. Deloitte & Touche LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to provide written consent to the inclusion of its report in this Official Statement. The Authority's financial statements for the fiscal year ended December 31, 2013 have been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("EMMA"). Copies of the Authority's financial statements for the fiscal year ended December 31, 2013 are available on EMMA (<http://emma.msrb.org>) or on the Authority's website (<http://www.nassaucountyny.gov/agencies/Treasurer/documents/SSWFA/NCSSWFA-12-31-13-FS.pdf>).

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APPENDIX C

COUNTY ECONOMIC AND DEMOGRAPHIC PROFILE

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ECONOMIC AND DEMOGRAPHIC PROFILE

Overview

Established in 1899, Nassau County (the “County”) is the site of some of New York State’s (the “State”) earliest colonial settlements, some of which date to the 1640s. With a total land area of 287 square miles and a population of over 1.3 million, the County borders the New York City borough of Queens to the west, Suffolk County to the east, Long Island Sound to the north, and the Atlantic Ocean to the south. Together, the northern and southern boundaries of the County comprise nearly 188 miles of scenic coastline. The County includes 3 towns, 2 cities, 64 incorporated villages, 56 school districts and various special districts that provide fire protection, water supply and other services. Land uses within the County are predominantly single-family residential, commercial and industrial.

Population

Table 1 shows the County’s population from 1970 to 2010. The County’s population has experienced two major growth periods over the past 100 years, reaching a peak of 1,428,080 residents in 1970. Between 1970 and 1990, the County’s population decreased 9.9% to 1,287,348 residents. By 2010, the U.S. Census Bureau estimated the County’s population had increased by 4.1% (from 1990) to 1,339,532 residents.

TABLE 1

COUNTY POPULATION

2010	1,339,532
2000	1,336,073
1990	1,287,348
1980	1,321,582
1970	1,428,080

SOURCE: U.S. Census Decennial

Economic Indicators

Median Household Income

As shown in Table 2, the County's estimated median household income for 2013 was \$96,193, up from \$93,214 in 2012, and significantly higher than that of the State (\$57,369) and the United States (\$52,250). Moreover, the County has a smaller percentage of families below the poverty level (4.4%) than the State (12.1%) and the United States (11.6%).

TABLE 2
MEDIAN HOUSEHOLD INCOME IN THE COUNTY
IN COMPARISON TO THE STATE AND THE U.S., 2013 AND 2012

<u>Area</u>	<u>2013</u>		<u>2012</u>	
	<u>Median Household Income</u>	<u>Families Below Poverty (%)</u>	<u>Median Household Income</u>	<u>Families Below Poverty (%)</u>
County	\$96,193	4.4	\$93,214	4.6
State	\$57,369	12.1	\$56,448	12.2
United States	\$52,250	11.6	\$51,371	11.8

U.S. Census, 2012 and 2013 American Community Survey, 1-Year Estimates

Consumer Price Index

The Consumer Price Index ("CPI") represents changes in prices of a typical market basket of goods and services that households purchase over time, which analysts use to gauge the level of inflation. The CPI includes user fees such as for water and sewer services and sales and excise taxes paid by consumers, but does not include income taxes and investments such as stocks, bonds and life insurance. Table 3 shows annual totals and increases in the CPI for both the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA Consolidated Metropolitan Statistical Area ("CMSA") and U.S. cities between the years 2004 and 2013.

In 2013, the CPI in the CMSA rose by 1.50%, slightly less than the 2013 U.S. city average CPI increase of 1.70%. CPI rose less than the 2011-2012 period for both the U.S. city average and the CMSA.

TABLE 3
CONSUMER PRICE INDEX

Year	U.S. City Average (1,000s)	Percentage Change	NY-NJ-CT-PA CMSA (1,000s)	Percentage Change
2013	233.0	1.50%	256.8	1.70%
2012	229.6	2.09	252.6	1.98
2011	224.9	3.12	247.7	2.82
2010	218.1	1.68	240.9	1.73
2009	214.5	-0.37	236.8	0.41
2008	215.3	3.86	235.8	3.94
2007	207.3	2.83	226.9	2.81
2006	201.6	3.23	220.7	3.76
2005	195.3	3.39	212.7	3.86
2004	188.9	2.66	204.8	3.54

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

Retail Sales and Business Activity

Seven major regional shopping centers serve the County. The Gallery at Westbury Plaza is a new 330,000 square foot, LEED-certified, open-air shopping center located on the grounds of the former Avis corporate headquarters. The other major retail centers are the Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres Mall in Valley Stream, Americana Manhasset in Manhasset, Sunrise Mall in Massapequa and the Source in Westbury. According to the International Council of Shopping Centers, a global trade association of the shopping center industry, these regional malls have a total of 7.6 million square feet of gross leasable area.

The County boasts a wide range of nationally recognized retailers that provide goods and services, including home furnishing stores, supermarkets, gourmet food markets, electronic stores, and bookstores. Major retailers in the County include: Wal-Mart, Saks Fifth Avenue, Bloomingdales, Lord & Taylor, Nordstrom's, Macy's, Sears, JC Penney, Marshalls, Old Navy, Kohl's and Target. Commercial outlet stores in the County include, but are not limited to, Costco, Bed, Bath & Beyond, B.J.'s, and Best Buy. In addition, there are designer boutique shops and specialty department stores such as Brooks Brothers, Giorgio Armani, Ralph Lauren, Prada and Neiman Marcus at Roosevelt Field Mall (currently under construction), and jewelers such as Tiffany & Co., Cartier, and Van Cleef & Arpels.

Based on a report released by the New York State Department of Taxation and Finance, the County ranked third in the State with taxable sales and purchases totaling \$24 billion for the most recent reporting year (2011/2012), an increase of 3.52% from the prior year.

TABLE 4

**RETAIL SALES ACTIVITY RANKED BY COUNTY IN THE STATE
(in thousands)**

<u>County</u>	<u>Rank (2010/2011)</u>	<u>Taxable Sales (2010/2011)</u>	<u>Rank (2011/2012)</u>	<u>Taxable Sales (2011/2012)</u>	<u>Change</u>
New York City*	1	\$116,441,133	1	\$126,202,322	8.41%
Suffolk	2	26,887,884	2	26,795,521	-0.34
Nassau	3	23,253,374	3	24,071,033	3.52
Westchester	4	17,160,780	4	17,649,376	2.85
Erie	5	13,631,573	5	14,275,617	4.72
Monroe	6	10,046,342	6	10,620,517	5.72
Onondaga	7	7,238,410	7	7,656,159	5.77
Orange	8	5,943,780	8	6,385,968	7.44
Albany	9	5,470,622	9	5,743,991	5.00
Dutchess	10	4,058,251	11	4,203,806	3.59

SOURCE: New York State Department of Taxation and Finance, Office of Tax Policy Analysis Annual Statistical Report: Taxable Sales and Purchases (September 2014). Represents sales reported from March through February.

* Includes the five counties of the Bronx, Kings, New York (Manhattan), Queens and Richmond.

Employment

Table 5 compares employment totals and unemployment rates in the County to adjoining municipalities, the State, and the United States. The County had an employed labor force of approximately 655,200 in 2013. The unemployment rate in the County decreased from 7.1% in 2012 to 5.9% in 2013. Nassau County's unemployment rate continues to be less than that of Suffolk County, New York City, the State, and the United States.

TABLE 5
ANNUAL AVERAGE
EMPLOYMENT (in thousands)
AND UNEMPLOYMENT RATE (%)

Year	Nassau County		Suffolk County		New York City		New York State		United States	
	Employment	Unemployment-Rate	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate
2013	655.2	5.9	792.8	6.4	3,702	8.7	8,898	7.7	143,929	7.4
2012	642.5	7.1	728.8	7.6	3,632	9.2	8,773	8.5	142,469	8.1
2011	635.9	6.7	721.3	7.4	3,592	9.0	8,683	8.2	139,869	8.9
2010	638.4	7.1	726.7	7.6	3,625	9.3	8,553	8.6	148,250	9.6
2009	642.4	7.1	731.2	7.4	3,633	9.5	8,556	8.4	139,877	9.3
2008	665.7	4.7	757.9	5.0	3,719	5.4	8,793	5.3	145,362	5.8
2007	670.0	3.7	758.2	3.9	3,684	4.9	8,734	4.5	146,047	4.6
2006	668.3	3.8	753.9	4.0	3,630	5.0	8,618	4.6	144,427	4.6
2005	662.1	4.1	745.9	4.2	3,540	5.8	8,537	5.0	141,730	5.1
2004	655.1	4.5	734.8	4.7	3,469	7.1	8,465	5.8	139,252	5.5

SOURCES: Compiled by the County from: New York State Department of Labor and U.S. Department of Labor, Bureau of Labor Statistics.

Key Employment Trends

Table 6 shows the annual average employment in non-farm jobs by industry for the years 2004 to 2013 in the Nassau-Suffolk Primary Metropolitan Statistical Area (“PMSA”).

TABLE 6
ANNUAL AVERAGE
NASSAU-SUFFOLK EMPLOYMENT,
NON-FARM, BY BUSINESS SECTOR
(in thousands)

Business Sector/ Industry	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Goods Producing										
Natural Resources, Construction & Mining	66.4	66.7	69.8	72.0	73.1	65.0	60.8	60.3	61.4	67.0
Manufacturing	<u>88.2</u>	<u>86.9</u>	<u>85.9</u>	<u>83.8</u>	<u>81.3</u>	<u>75.1</u>	<u>73.0</u>	<u>72.8</u>	<u>74.0</u>	<u>73.8</u>
Total – Goods Producing	154.6	153.6	155.7	155.8	154.4	140.1	133.8	133.1	135.4	140.8
Service Producing										
Trade, Transportation & Utilities	271.3	270.9	270.7	273.7	272.4	257.2	256.2	258.7	264.0	267.0
Financial Activities	83.4	81.6	80.4	79.2	75.0	70.8	69.8	70.5	72.4	72.6
Information	28.9	29.4	29.2	27.9	27.1	27.3	25.4	24.3	24.0	23.9
Educational & Health Services	200.7	203.0	206.2	210.8	215.7	220.6	225.8	230.8	237.1	238.4
Leisure & Hospitality	95.7	95.8	97.5	99.2	99.4	98.4	100.9	102.9	110.6	115.3
Other Services	51.4	51.9	51.9	52.7	53.6	52.7	52.9	54.4	54.9	56.0
Professional & Business Services	159.7	159.8	158.6	164.2	163.1	153.6	152.8	159.3	163.3	167.4
Government	<u>196.9</u>	<u>198.7</u>	<u>198.7</u>	<u>202.1</u>	<u>203.2</u>	<u>206.7</u>	<u>208.9</u>	<u>205.3</u>	<u>199.9</u>	<u>195.1</u>
Total - Service Producing	1,087.9	1,091.0	1,093.2	1,109.6	1,109.5	1,087.2	1,092.6	1,106.2	1,126.1	1,135.7
Total Non-Farm	1,242.6	1,244.6	1,248.9	1,265.6	1,264.0	1,227.4	1,226.5	1,239.3	1,261.5	1,243.6

SOURCE: New York State Department of Labor

Note: Totals may not equal the sum of the entries due to rounding.

Table 7 compares the employment shares by business sector and industry in the PMSA to the United States. The percentage of jobs within each category is consistent with national figures.

TABLE 7
PERCENTAGE OF NON-FARM EMPLOYMENT
BY BUSINESS SECTOR, 2013

BUSINESS SECTOR	Nassau- Suffolk PMSA (%)	United States (%)
GOODS PRODUCING		
Natural Resources*, Construction & Mining	5	5
Manufacturing	<u>6</u>	<u>9</u>
Total Goods Producing	11	14
SERVICE PROVIDING** OR SERVICE PRODUCING*		
Trade, Transportation & Utilities	21	19
Financial Activities* or Finance, Insurance & Real Estate**	6	5
Assorted Services	48	45
Government	<u>16</u>	<u>16</u>
Total Service Providing / Producing	89	85

Note: Totals may not equal 100% due to rounding.

SOURCES: Compiled by the County from: New York State Department of Labor (Nassau-Suffolk PMSA) and the U.S. Department of Labor, Bureau of Labor Statistics (United States).

*PMSA

**United States

Major County Employers

Table 8 shows a sampling of the major commercial and industrial employers headquartered in the County.

TABLE 8
MAJOR COUNTY COMMERCIAL AND INDUSTRIAL EMPLOYERS, 2012

Company	Type of Business	Employees
North Shore – LIJ Health System	Health care	48,000*
Cablevision Systems Corp.	Cable and pay television	17,815
Pall Corporation	Industrial equipment	10,900
Broadridge Financial Solutions	Data processing	6,200
Griffon Corp.	Specialty building products	5,900
Systemax, Inc.	Computers & related products	5,500
Winthrop Healthcare Systems	Health care	5,100
Alcott Group	Professional employers organization	4,900

SOURCES: Compiled by the County from Crain's Book of Lists. Selected data updated using Hoovers.com.

* North Shore – At a Glance, 2014 (note: not all employees of North Shore-LIJ Health System work in Nassau County).

Construction Activity

Table 9 is a composite list of construction activity in the County for residential, business, industrial and public buildings for the years 2004 through 2013. Overall construction activity has varied considerably over the last decade. During the 2004-2013 period, residential construction (Single-Family and Other Units) activity reached its high point in 2008 with 1,868 permits, and fell to its lowest point the following year (2009) with 378 permits. During 2013, Single-Family Dwelling permits increased, while permits for Other Housing Units continued to fall from its recent high experienced in 2011. The increase in Single-Family Dwelling permits from 2012-2013 may be due to homeowners filing for building permits to rebuild Superstorm Sandy-damaged properties as there have been no large single-family residential subdivisions created over the past few years. Data on non-residential building permits for 2009 through 2013 are not available.

TABLE 9
COUNTY CONSTRUCTION ACTIVITY

Year	Single Family Dwellings	Other Housing Units*	Commercial Buildings	Industrial Buildings	Public Buildings	Total
2013	630	164	N/A	N/A	N/A	794
2012	375	276	N/A	N/A	N/A	651
2011	311	542	N/A	N/A	N/A	853
2010	400	123	N/A	N/A	N/A	523
2009	365	13	N/A	N/A	N/A	378
2008	822	1,046	18	0	4	1,890
2007	737	85	20	3	4	849
2006	1,291	161	30	4	4	1,490
2005	1,197	238	37	1	3	1,476
2004	735	442	23	4	8	1,212

SOURCES: 2004-2013 U.S. Bureau of the Census, Privately-owned Building Permit Estimates; 2004-2008 Nassau County Planning Commission Building Permits Reports.

*Other Housing Units includes two-family dwelling units, multi-family dwelling units and conversions.

Table 10 shows the number of building permits with an estimated dollar value greater than or equal to \$1,000,000 that were issued for Class 4 properties for the years 2004 through 2013. Class 4 property includes commercial, industrial and institutional buildings, and vacant land. Table 10 indicates municipalities issued 44 building permits for Class 4 properties in 2013. While the number of high-value building permits decreased from 2012, the cumulative value of these permits is significantly greater than previous years.

TABLE 10

HIGH VALUE BUILDING PERMITS* FOR CLASS 4 PROPERTIES

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Permits</u>
2013	44	\$830,689,700
2012	56	154,210,056
2011	88	262,515,969
2010	57	211,534,203
2009	38	151,318,375
2008	39	91,992,908
2007	47	134,548,252
2006	47	161,235,223
2005	23	86,556,378
2004	30	148,570,968

SOURCE: Nassau County Department of Assessment

*Includes only those permits for work with an estimated value greater than or equal to \$1 million.

Housing

As shown in Table 11, the value of new residential construction activity in the County declined between 2008 and 2010, consistent with the national economic downturn. However, activity reported from 2011 through 2013 indicates a steady increase in new construction value from the recent low in 2010.

TABLE 11
COUNTY NEW RESIDENTIAL CONSTRUCTION ACTIVITY

Year	Value of New Residential Construction (in thousands)	No. of New Dwelling Units By Building Permit
2013	\$291,260	794
2012	222,851	651
2011	207,482	853
2010	169,369	523
2009	178,307	378
2008	374,000	1,868
2007	284,404	822
2006	368,875	1,452
2005	373,879	1,435
2004	293,642	1,177

SOURCE: 2004 – 2013 U.S. Census Bureau, Construction Statistics Division-Building Permit Branch based on estimate and imputation.

Table 12 shows the breakdown of new housing units by type and size.

TABLE 12
NUMBER OF COUNTY NEW RESIDENTIAL HOUSING UNITS AUTHORIZED BY BUILDING PERMIT BY SIZE CATEGORY

Year	1 Family	2 Family	3-4 Family	5 or more Family	Total
2013	630	10	0	154	794
2012	375	2	0	274	651
2011	281	2	0	540	823
2010	357	28	63	32	480
2009	334	8	3	0	345
2008	801	6	0	1,040	1,847
2007	692	10	4	63	769
2006	1,259	18	4	114	1,395
2005	1,184	12	7	187	1,390
2004	717	46	0	367	1,130

SOURCE: 2004 – 2013 U.S. Census Bureau New Privately-owned Building Permits – reported units only.

Table 13 shows County existing home sales. In 2013, the median sales price rose 1.2% from 2012; however, the number of homes sold decreased by nearly 2%.

TABLE 13
COUNTY EXISTING HOME SALES

Year	Median Sales Price	No. of Homes Sold
2013	\$420,000	7,341
2012	415,000	7,472
2011	432,250	7,262
2010	445,000	7,626
2009	435,000	7,472
2008	455,000	7,410
2007	490,000	8,778
2006	490,000	9,435
2005	489,000	10,343
2004	440,000	10,111

SOURCES: Compiled by the County from: Multiple Listing Service of Long Island Inc., 2004-2005; New York State Association of Realtors, 2006-2008; New York State Department of Taxation and Finance, 2009-2013

Transportation

On January 1, 2012, the Nassau Inter-County Express (“NICE”) Bus commenced service as the exclusive transit operator of the County-owned bus system replacing the former operator MTA Long Island Bus, a subsidiary of the Metropolitan Transportation Authority (“MTA”). The MTA ceased operations as the County’s bus system pursuant to a mutual agreement between the parties. NICE, a subsidiary of Transdev Services, Inc. (formerly Veolia Transportation Services, Inc.), represents the County’s first transit public-private partnership. NICE is the third largest suburban bus system in the United States. Operating a network of 49 routes as well as para-transit service, NICE provides surface transit service for most of the County as well as parts of eastern Queens and western Suffolk County. This includes service across the Queens-Nassau border to subway and bus stations in Flushing, Far Rockaway, and Jamaica. The density of the NICE route network conforms to the development pattern of the County. It operates and maintains a fleet of approximately 297 fixed route buses and 93 para-transit vehicles. NICE has an average ridership of 103,000 passengers each weekday and serves 96 communities, 46 Long Island Rail Road (“LIRR”) stations, most area colleges and universities, as well as employment centers, shopping malls, and Nassau County government offices, including the Department of Social Services.

The LIRR, the second largest commuter railroad in the United States, carried approximately 81.7 million passengers in 2012. On an average weekday, the LIRR carries about 287,000 passengers.

The LIRR provides train service for the entire County. Its infrastructure includes 381 route miles of track, 296 at-grade-crossings, and 124 stations on 11 branch lines. These branches provide service through the County to eastern destinations in Suffolk County and western destinations of Penn Station in Manhattan, Flatbush Avenue in Brooklyn, as well as Jamaica and Hunters Point/Long Island City in Queens. Completion of the East Side Access project, which began tunneling work in 2007, will add a new hub in Grand Central Terminal, bringing LIRR customers directly to Manhattan’s East Side. On

weekdays, about 80% of the system's passenger trips occur during peak morning and evening travel periods.

The Jamaica LIRR station (Queens) provides access to the subway and the AirTrain, a light-rail system, to John F. Kennedy International Airport ("JFK").

The Mineola Intermodal Center provides easy access to parking and seamless transfers to seven NICE bus lines. It has more than 700 parking spaces in a four-level garage, two elevators that connect to the Mineola LIRR station platforms and a pedestrian overpass that connects the north and south sides of the station.

The LIRR maintains tracks, ties, and switches and renovates its facilities as needed on an ongoing basis. The LIRR also is currently installing a fiber-optic communications system for greater safety and is consolidating antiquated control towers into one modern center at Jamaica Station. Traditionally serving a Manhattan-bound market, the LIRR has undertaken extensive efforts to augment its reverse-commute and off-peak service to meet the needs of businesses in Nassau and Suffolk Counties.

The County highway system consists of over 4,000 miles of paved roads that include parkways, highways, major arteries, collector streets and local streets. Different levels of government operate and maintain these routes. The eight major east-west roadways that provide direct through service to New York City and Suffolk County are Northern Boulevard, Long Island Expressway, Northern State Parkway, Jericho Turnpike, Hempstead Turnpike, Southern State Parkway, Sunrise Highway, and Merrick Road.

The County is located within close proximity to JFK and LaGuardia Airport ("LaGuardia"), both located in Queens County, and to Islip Long Island MacArthur Airport ("Islip MacArthur"), located in Suffolk County. JFK and LaGuardia are easily accessible to County residents by all major east-west roadways as well as airport shuttle service. Islip MacArthur is accessible by the Long Island Expressway and Sunrise Highway, as well as the LIRR.

To help eliminate delays, congestion and trouble spots on its highway network, the County receives Federal and State funding through the Federal Transportation Improvement Program ("TIP"), and is a voting member of the Nassau-Suffolk Transportation Coordinating Committee. The TIP is a compilation of transportation improvement projects, such as preserving and upgrading bridges and highways and making system-wide capacity and safety improvements scheduled to take place during a five-year period. The current TIP, adopted in October 2013, covers the years 2014-2018.

Utility Services

The Long Island Power Authority ("LIPA") provides electrical service to the County. Effective January 1, 2014, Public Service Electric & Gas of New Jersey ("PSE&G") will operate LIPA's electric system, which serves 1.1 million customers. National Grid, which is the largest distributor of natural gas in the northeast United States, provides gas distribution in the County. The incorporated villages of Freeport and Rockville Centre operate their own electrical generation plants. Numerous private companies in the County provide telephone service.

Health and Hospital Facilities

Rated among the best health and hospital facilities in the country, twelve hospitals are located in the County. The North Shore-LIJ Health System is the County's largest health care and overall employer

(approximately 48,000 employees). The North Shore University Hospital is the recipient of the Joint Commission on Accreditation of Healthcare Organizations (“JCAHO”) Codman Award; the first health system to attain this distinction. The Codman Award recognizes excellence in performance measurement.

Other hospitals of note in the County include: the Nassau University Medical Center in East Meadow, St. Francis Hospital in Roslyn, the Winthrop-University Hospital in Mineola, Mercy Medical Center in Rockville Centre, and South Nassau Communities Hospital in Oceanside.

Media

The daily newspaper Newsday circulates in Nassau, Suffolk, and Queens counties. Dozens of weekly newspapers cover news and events in the County. Some focus on events in specific towns, villages, and communities, and others focus on niche industries, such as Long Island Business News, a publication that covers both Nassau and Suffolk counties.

The County is home to two broadcast television stations, Channels 21 and 57, and receives nine additional VHF and UHF stations. Cable programming is available throughout the County via Cablevision Systems Corp., which includes access to channels with a local focus. Satellite programming and service by Verizon is also available in the County. In addition, Cablevision’s News 12 provides local news coverage on cable, as does Verizon’s FiOS1.

Because of its proximity to New York City, events in the County attract regular coverage in New York City newspapers such as the New York Times, the Daily News, and the New York Post. Radio coverage includes nine County-based stations and 52 regional and neighboring stations that consider the County a part of their listening area.

Educational Facilities

There are 56 public school districts in the County, with a total 2012-2013 enrollment of approximately 196,000 students according to the State Education Department. Individual school boards and the Board of Cooperative Educational Services (“BOCES”) are the primary managers of these school districts and provide services such as career training for high-school students and adults, special education, alternative schools, technology education, and teacher training. Various public and private organizations manage the County’s other educational facilities. The County’s non-public schools, which are located in a number of municipalities, provide education in the State Regents program as well as in special and technical programs.

Many County public schools have received national recognition. A 2010 Newsweek magazine article cited five County high schools among the top 100 public high schools in the nation.

The County is home to many colleges and universities, some of which are highly specialized and have garnered nationwide attention for their programs. These institutions include: Long Island University/LIU Post College, Adelphi University, Hofstra University, New York Institute of Technology, U.S. Merchant Marine Academy, Nassau Community College, Webb Institute, Molloy College, and the State University of New York/Old Westbury. In June 2014, Money Magazine ranked the Webb Institute as the second best four-year college or university “for your money” in the United States.

Colleges and universities in the County promote cross-disciplinary research, technology development, and integrated curricula to prepare students for the growing bioscience industry. Undergraduate and graduate level programs available throughout the County’s institutions of higher

learning are in fields such as law, biology, chemistry, biochemistry, engineering, and physical sciences in courses such as bioengineering, biotechnology and pharmacology. In 2010, Hofstra, in partnership with North Shore-LIJ Health System, opened the Hofstra North Shore-LIJ School of Medicine.

Recreational and Cultural Facilities

The County has numerous recreational and cultural facilities. One of the most popular destinations among the County's parks and beaches is the 2,413-acre Jones Beach State Park in Wantagh. With approximately three million visitors annually, Jones Beach State Park features a six-mile ocean beachfront, a two-mile boardwalk, and the 11,200-seat Jones Beach Theater performing arts center, which attracts world-class musical acts. In March 2014, the State announced a five year \$65 million project to restore the 85-year old facility to its original grandeur in one of the largest State park rehabilitation projects in the system's history. There are dozens of other public beaches located along both the Atlantic Ocean and the Long Island Sound shorelines. In addition, the County is home to the County-owned 930-acre Eisenhower Park in the Town of Hempstead, Bethpage State Park in Farmingdale, and numerous County and other municipal small local parks and campgrounds that offer a broad spectrum of recreational opportunities.

On a national level, the County is home to many high profile professional sporting events and teams. The Bethpage Black Golf Course, located in Bethpage State Park, hosted the U.S. Open in 2002 and 2009 and the 2012 Barclay's Tournament. Belmont Racetrack, located in Elmont, is home to the Belmont Stakes, the third race in horse racing's prestigious Triple Crown. Eisenhower Park's 80,000 square foot Aquatic Center is one of the largest pools in the Northern Hemisphere. The Nassau Veterans Memorial Coliseum (the "Coliseum") in Uniondale is home to the four-time Stanley Cup Champion New York Islanders of the National Hockey League. In October 2012, the Islanders announced that the team would no longer play its home games in the County following the expiration of its lease in July 2015. In March 2013, the County issued a Request for Proposals for the renovation or reconstruction of the Coliseum to transform the venue into a state-of-the-art destination for sports and entertainment. In August 2013, the County announced Bruce Ratner and his Nassau Events Center team as the winning developer for the renovation and operation of the Coliseum. In September 2013, the County Legislature approved the lease between the County and Nassau Events Center.

In terms of cultural and historic resources, the County boasts numerous museums, some of which are County-owned or operated, including the County-owned Cradle of Aviation Museum and the Long Island Children's Museum both in Garden City. Historical sites include two County-owned facilities, Old Bethpage Village Restoration, a recreated mid-19th-century American village, and Cedarmere, home of 19th-century poet, newspaper editor, abolitionist, and civic leader William Cullen Bryant and a designated part of the New York State Underground Railroad Heritage Trail. The County is also the home of Theodore Roosevelt's estate in Cove Neck, Sagamore Hill, which is a National Historic Site operated by the National Park Service.

With a focus on preserving open space and natural and scenic resources for current and future generations of Nassau residents, voters overwhelmingly approved two Environmental Bond Acts (collectively known as the "EBA") in 2004 and 2006. The EBA committed \$150 million for the preservation of open space, the improvement of existing parkland and water quality, and the provision of matching funding for brownfield property remediation projects. In addition to the EBA, 5% of the proceeds from County land sales is set aside for the purpose of open space land acquisition and other environmental quality improvement projects.

Sewer Service and Water Service

The County Department of Public Works maintains and operates the County's sewerage and storm water resources facilities. In 2003, upon the approval of the County Legislature, State legislation created a single, Countywide sewer and storm water resources district, replacing the County's prior three sewage disposal districts and 27 sewage collection districts.

Most sewage collected in the County's sewer system is treated at either the Bay Park Sewage Treatment Plant ("Bay Park") in East Rockaway or the Cedar Creek Water Pollution Control Plant ("Cedar Creek") located in Wantagh. The City of Long Beach's sewage treatment plant processes sewage collected within the area corresponding to the former County sewage collection district of Lido Beach. Bay Park and the City of Long Beach's sewage treatment plants each sustained substantial damage from Superstorm Sandy on October 29, 2012. For more information about Superstorm Sandy, see "THE SYSTEM – Sewage Facilities – Superstorm Sandy" in the Official Statement to which this Appendix is attached.

In 2008, the County assumed responsibility for the operation and maintenance of the Glen Cove Water Pollution Control Facility, sewage pumping stations, and the collection system piping. In 2008, the County executed inter-municipal agreements with the Village of Lawrence and the Village of Cedarhurst to consolidate each village's sewer system into the County's sewer system.

On July 18, 2014, the Nassau County Legislature approved a 20-year agreement with United Water for the operation and management of the County's three treatment plants and sewage collection system: Bay Park in East Rockaway that serves some 532,000 residents; Cedar Creek in Wantagh that serves 600,000 residents; and Glen Cove that serves 27,000 residents. Nassau County will maintain full ownership of the facilities while providing far greater environmental leadership and operational transparency. United Water is responsible for the plants around the clock with attention paid to not only managing their internal operations in a manner that protects the ecology of the surrounding wetlands and estuaries but that also meets or surpasses the strict Federal and State regulations for treatment of sanitary sewage.

Six villages in the County (Freeport, Garden City, Hempstead, Mineola, Rockville Centre and Roslyn) and the City of Long Beach own and operate their own sewage collection systems, which discharge sewage to the County's disposal system. One of the County-operated sewage treatment plants, either Bay Park or Cedar Creek, processes the sewage collected by these systems. In addition, there are several sewage collection systems and treatment plants within the County, operated by other governmental agencies or special districts.

Forty-eight public water suppliers in the County provide water service to nearly 100% of the County's residents. Public water supply wells pump all water from the County's groundwater system. A small number of residents in the less densely populated northern sections of the County obtain their water from private wells.

The groundwater system is comprised of three major aquifers that overlay bedrock: the Upper Glacial, Magothy, and Lloyd aquifers. Precipitation continuously recharges these aquifers, which are part of the County's subsurface geology.

The County's population has increased by approximately 4% from 1990 to the present. This increase in population has had a negligible effect on water demand in the County. However, annual water demand has shown an upward trend over these years and has exhibited sizable seasonal fluctuations, both

of which can be attributed to increased water use during the peak demand months (April, May, June, July, August, September, and October) that generally are subject to hot and dry weather patterns.

Since 2000, public water demand during the base demand months (January, February, March, November, and December) remained rather consistent at approximately 140 million gallons per day (mgd). During peak demand months, pumping can increase considerably (to well over 250 mgd) and is quite variable in response to weather conditions. Annual water demand since 2000 has fluctuated between 184 mgd to 204 mgd.

Recharge to the groundwater system normally would amount to about half of the precipitation falling upon the County's land surface. This equates to 332 million gallons of recharge to the groundwater system each day. The amount has increased slightly to 341 mgd because of the effectiveness of the County's recharge basins in capturing additional storm water runoff for aquifer recharge.

Since the amount of recharge to the groundwater system exceeds the amount of water withdrawn from the system, the quantity of groundwater available for public water supply is more than adequate, both presently and into the future. Furthermore, any new developments within the County are required to retain all storm water on site. This requirement will ensure that storm water runoff emanating from such developments will go into the groundwater system as recharge.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. Summaries of certain definitions contained in the Resolution are set forth below. Other terms defined in the Resolution for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Resolution may be obtained from the Authority.

Authority for the Resolution (Section 1.1)

The Resolution is entered into by virtue of the Act and pursuant to its provisions, and the Authority has ascertained and thereby determined that each and every matter and thing as to which provision is made in the Resolution is necessary, convenient or desirable in order to further secure the payment of the Secured Obligations and to carry out and effectuate the purposes of the Authority in accordance with the Act.

Resolution to Constitute Contract (Section 1.2)

In consideration of the purchase and acceptance of the Bonds by the Beneficial Owners in the case of Bonds issued pursuant to the Book-Entry System and Registered Owners in the case of Bonds issued in certificated form from time to time, and of the Secured Obligations issued from time to time, and the issuance of any Credit Facilities or Exchange Agreements, the provisions of the Resolution shall be deemed to be and shall constitute a contract between the Authority, the Trustee and Owners of the Secured Obligations, and, without limitation, the Registered Owners from time to time of the Bonds, any Credit Facility Providers and the parties to any Exchange Agreements and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the 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 the Bonds over any other thereof except as expressly provided therein.

Scope of Resolution (Section 1.3)

Nothing in the Resolution shall limit the power of the Authority to issue obligations of the Authority outside the Resolution for any lawful purpose of the Authority or from granting liens on the Pledged Revenues which are expressly subordinate to the Lien of the Resolution or from granting liens of any priority on revenues of the Authority which are not Revenues as defined therein.

Definitions (Section 1.5)

The following terms whenever used in the Resolution shall have the meanings set forth below except as otherwise expressly provided or unless the context clearly requires otherwise:

“Accountant” means such independent certified public accountant or accounting firm as shall at the time be employed by the Authority for the purpose of performing the functions and duties of the independent certified public accountant under the Resolution or the Act.

“Accreted Amount” means at any particular time, the then current amount of any Capital Appreciation Indebtedness used for the purpose of determining any required principal amount for Bondowners’ consents or approvals, the amount of Bonds Outstanding, the redemption price of such Indebtedness or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default, all as provided in the Supplemental Resolution authorizing the issuance of any such Capital Appreciation Indebtedness.

“Accrued Debt Service” means for any calendar month, the sum of Accrued Interest and Accrued Principal for that month for all Outstanding Bonds.

“Accrued Interest” means for any calendar month, the interest component of Debt Service Requirements which has accrued or will accrue on any particular series of Outstanding Bonds during that month less (i) any interest component which accrues during such period, which is to be paid from money or Investment Securities or the earnings thereon, which money or Investment Securities are on deposit in a separate fund or account, such as a capitalized interest sub-account, or are otherwise segregated for such purpose, and (ii) any interest which has accrued but is not due and payable within the twelve (12) month period immediately following such accrual. For purposes of this definition the interest component which has accrued but is not due and payable within the twelve (12) month period immediately following such accrual shall be included as Accrued Interest in twelve (12) equal consecutive monthly installments commencing on the twelfth month preceding the payment date. A Supplemental Resolution authorizing the issuance of Additional Parity Indebtedness, with the consent of each Credit Facility Provider, may modify or amend this definition of Accrued Interest for such Additional Parity Indebtedness.

“Accrued Principal” means for any calendar month, the principal component of Debt Service Requirements which has “accrued” or will “accrue” on a particular series of Outstanding Bonds during that month less any principal component which accrues during such period but is to be paid from money or Investment Securities or the earnings thereon which money or Investment Securities are on deposit in a separate fund or account or are otherwise segregated for such purpose. For purposes of this definition, it shall be assumed that the principal component accrues in twelve (12) equal monthly installments commencing on the twelfth month preceding the date on which payment is due, except that (i) with respect to the principal component of a series of Bonds which is payable more frequently than annually, the principal component shall accrue in equal monthly installments from one payment date to the next; (ii) if the first principal payment date on a series of Bonds is less than twelve (12) months after the issuance of such series of Bonds, the principal component due on such first payment date shall accrue in equal monthly installments from the date of issuance to the first payment date, and (iii) with respect to Balloon Indebtedness, the principal component maturing or payable on one date shall be deemed to accrue in the month in which such component matures or is payable and not in monthly installments prior to such date. In all events, principal shall be determined to accrue in monthly amounts sufficient to ensure the full amount due on any principal payment date and to be paid from the Debt Service and Sinking Fund will be on deposit in the Debt Service and Sinking Fund on the payment date. If an Event of Default occurs and Bonds have been declared to be due and payable as provided in the Resolution, then, in each calendar month, the entire unpaid principal of all Bonds which have been accelerated shall be deemed to have accrued in that calendar month. A Supplemental Resolution authorizing the issuance of Additional Parity Indebtedness, with the consent of each Credit Facility Provider, may modify or amend this definition of Accrued Principal with respect to such Additional Parity Indebtedness.

“Act” means the Nassau County Sewer and Storm Water Finance Authority Act, being Title 10 D of Article 5 of the Public Authorities Law as enacted by Chapter 685 of the Laws of 2003 of the State, as it may from time to time be amended.

“Act of Bankruptcy” means with respect to any Person the occurrence of one of the following events: (a) the Person shall become insolvent or shall fail to pay its debts generally as they become due, or shall admit in writing its inability to pay any of its indebtedness; (b) the Person shall file a case under the Federal Bankruptcy Code to be declared a bankrupt or for reorganization; (c) the Person shall consent to, or petition or apply to any authority for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any part of its properties; (d) any such receiver, liquidator, trustee or similar official shall otherwise have been appointed and shall not have been removed, dismissed or stayed within sixty (60) days of such appointment; or (e) insolvency, reorganization, arrangement, or liquidation proceedings (or similar proceedings) shall have been instituted by or against the Person, and if instituted against the Person, shall not have been dismissed within sixty (60) days of being instituted.

“Additional Indebtedness” means any Indebtedness incurred by the Authority and issued under the Resolution subsequent to the issuance of the 2014A and 2014B Bonds. Additional Indebtedness may constitute Additional Parity Indebtedness, Subordinated Indebtedness, Credit Notes or any combination thereof.

“Additional Parity Indebtedness” means any Indebtedness of the Authority incurred pursuant to Article III of the Resolution secured by a Lien on the Trust Estate on a parity basis with Outstanding Bonds, if any.

“Advance-Refunded Municipal Bonds” means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations described in subparagraphs (a), (b) or (n) of the definition of Investment Securities held in trust for the payment thereof, which Advance-Refunded Municipal Bonds are rated in the highest rating category by each Rating Agency that maintains a credit rating with respect to such Advance-Refunded Municipal Bonds.

“Assessments” means any assessments for Sewerage Services and/or Storm Water Resources Services levied by the County.

“Authority” means the Nassau County Sewer and Storm Water Finance Authority, a body corporate and politic constituting a public benefit corporation created and existing under and by virtue of the Act.

“Authority Budget” shall mean the annual budget of the Authority, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in Section 9.7 of the Resolution.

“Authorized Denominations” means (i) with respect to the 2014 Bonds, a minimum denomination of \$5,000 and integral multiples thereof and (ii) with respect to any Additional Indebtedness, a minimum denomination specified in the Supplemental Resolution under which such Additional Indebtedness is issued.

“Authorized Newspaper” means a newspaper selected by the Trustee printed in the English language and customarily published at least five (5) days each week and generally circulated within the Borough of Manhattan, City and State of New York, and when successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

“Authorized Representative” or “Authorized Officer” means, with respect to the Authority, the Chairperson, Vice Chairperson, Treasurer or Secretary thereof, or any other officer or person authorized to perform specific acts or duties by resolution duly adopted by the Governing Board of the Authority and in the case of any Credit Facility Provider, the President or any Vice President of the Credit Facility Provider, or any other officer authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors, or relevant committee thereof, of the Credit Facility Provider and with respect to the County, means the Treasurer.

“Balloon Indebtedness” shall mean Indebtedness fifty percent (50%) or more of the initial principal amount of which matures or is payable at the option of the owners thereof on the same date, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date. In calculating the Debt Service Requirement for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Indebtedness.

“Beneficial Owners” means purchasers of Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository.

“Bond” or “Bonds” means the 2014 Bonds and any Additional Parity Indebtedness issued pursuant to the Resolution.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or any other nationally recognized counsel experienced in matters of municipal law and the tax-exempt status of obligations under the Code, acceptable to the Authority.

“Bondowner,” “Owner,” “owner” and “Registered Owner” means the Depository or its nominee, if the Book-Entry System maintained by the Depository pursuant to Section 2.6 of the Resolution is in effect, or the person in whose name any Bond is registered in the Bond Register System maintained by the Trustee pursuant to Section 2.7 of the Resolution.

“Bond Register System” means a system of Ownership and transfer of Bonds registered on the registration books of the Authority kept for that purpose by the Trustee, as Bond register.

“Book-Entry System” means a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds.

“Business Day” or “business day” means any day (other than Saturday or Sunday) during which (i) commercial banks located in the State or in any of the cities in which the Principal Office of the Trustee or the office of any then current Credit Facility Provider at which a draw or claim on the Credit Facility is to be made are located are not required or authorized by law to close; and (ii) The New York Stock Exchange, Inc. is not closed.

“Capital Appreciation Indebtedness” means any Additional Indebtedness with a stated amount due at maturity, the interest on which is not payable until maturity or earlier redemption. In calculating the Debt Service Requirement in any Fiscal Year for Capital Appreciation Indebtedness for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Capital Appreciation Indebtedness.

“Charges” means any rates or charges imposed by the County or the Authority, other than Assessments, for Sewerage Services or Storm Water Resources Services.

“Code” means the Internal Revenue Code of 1986 and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations promulgated under such section, (ii) any successor provision of similar import enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, (iv) the regulations prescribed under the provisions described in (ii) and (iii), and (v) any published revenue rulings applicable thereto.

“Cost” or “Costs” or “Costs of the Project” means “Cost” as defined in the Act.

“Costs of Issuance” means any costs relating to the issuance of any series of Bonds, including, without limitation, costs pertaining to credit enhancement, underwriting or placement fees, expenses and discounts, attorneys’ fees and expenses, printing and advertising expenses, fees and expenses of consultants and governmental or administrative fees and expenses.

“Counsel” means an attorney at law or law firm (who may be counsel for the Authority, the County, the Trustee or a Credit Facility Provider).

“County” means the County of Nassau, New York, a municipal corporation of the State of New York, or its successors or assigns.

“County Bonds” means those obligations issued by the County (including, but not limited to, obligations issued to the New York State Environmental Facilities Corporation) or the Nassau County Interim Finance Authority for sewerage system or storm water resources purposes and with respect to which the County is able to levy Assessments and/or impose Charges has agreed in the Financing Agreement to set Assessments and/or impose Charges in amounts sufficient for the timely payment of debt service thereon.

“Credit Agreement” means any agreement pursuant to which a Credit Facility is issued or provided for.

“Credit Facility” or “Credit Facilities” means any credit enhancement, guaranty, letter of credit, insurance policy, surety bond, standby bond purchase agreement or other credit facility or liquidity facility, and any extension or renewal thereof which is delivered to the Trustee as security or liquidity for the payment of the principal or purchase price of or interest on any series of Bonds or any portion thereof, and includes any Reserve Fund Credit Facility.

“Credit Facility Bonds” means those Bonds which are purchased from funds drawn under a Credit Facility by the Trustee during the period of time that such Bonds are not remarketed and are held by or for the account of any Credit Facility Provider.

“Credit Facility Default” means either (i) failure by the Credit Facility Provider to pay any claim or draw under the Credit Facility when due in accordance with its terms or (ii) Act of Bankruptcy of the Credit Facility Provider.

“Credit Facility Provider” means the provider of any Credit Facility, and includes any Reserve Fund Credit Facility Provider.

“Credit Note” means the promissory note or other instrument or agreement evidencing or setting forth the Authority’s obligations to a Credit Facility Provider pursuant to a Credit Agreement.

“Debt Service and Sinking Fund” means the fund so designated which is established pursuant to the Resolution.

“Debt Service Requirements” means, with reference to any specified period, the amounts required to be paid by the Authority to the Trustee (or the County in the case of Purchase Payments) for the owners of Indebtedness (or any trustee or paying agent for such owners) in respect of the principal of Indebtedness (including mandatory redemptions or prepayments) and the interest thereon, and the amounts required to be paid by the Authority as lease rentals in respect of Indebtedness in the form of capitalized leases, provided that, for the purposes of the foregoing:

(a) The amount deemed payable by the Authority in respect of interest on any Indebtedness shall not include interest funded and available from the proceeds thereof, any interest subsidy or corpus allocation percentage reasonably anticipated by the Authority to be available under any Project Finance Agreement, or similar agreement, executed with the New York State Environmental Facilities Corporation, or any successor thereof or any similar State agency or instrumentality, or, upon initial issuance, any accrued interest; and

(b) The amount deemed payable by the Authority in respect of the principal of and interest on any Balloon Indebtedness, Capital Appreciation Indebtedness, or Variable Rate Indebtedness shall be calculated and, to the extent required, recalculated as provided in the Resolution.

“Debt Service Reserve Fund” means the fund so designated which is established pursuant to the Resolution.

“Debt Service Reserve Requirement” means with respect to a particular date and with respect to a series or series of Bonds, but only if the Supplemental Resolution relating to the particular series or series of Bonds, so requires, the lesser of: (a) the maximum annual Debt Service Requirements (excluding Purchase Payments) with respect to the Outstanding Bonds of such series in the then current and all future Fiscal Years (for the purposes of which calculation any Variable Rate Indebtedness shall be calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued); (b) 125% of the average annual Debt Service Requirements (excluding Purchase Payments) with respect to the Outstanding Bonds of such series in the then current and all future Fiscal Years (for the purposes of which calculation any Variable Rate Indebtedness shall be calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued); and (c) the maximum amount that may be held in the Debt Service Reserve Fund, in the opinion of Bond Counsel to the Authority, with respect to a series of Bonds intended to be tax-exempt without adversely affecting the Tax-Exempt status of such Bonds. The Debt Service Reserve Requirement may be satisfied in whole or in part by a Reserve Fund Credit Facility. For purposes of calculating the Debt Service Reserve Requirement, the cost of any applicable Credit Facility shall be included as if it were interest on the Bonds of the related series of Bonds.

“Depository” means The Depository Trust Company, New York, New York, or any other entity performing substantially the same function under a Book-Entry System, and any successor depository designated pursuant to the Resolution.

“Eastern Time” means the prevailing local time in the City of New York, New York.

“Event of Default” means any of the events described in Section 10.1 of the Resolution.

“Exchange Agreement” means any agreement by and among the Authority, the Trustee and the counterparty thereto providing for the exchange of payments as set forth in such agreement and shall include instruments such as “interest rate exchange agreements”, “swaps”, “collars”, “caps”, “floors”, or “hedged” which may be secured on a parity with Bonds or Subordinated Indebtedness as so designated by the Authority.

“Federal Bankruptcy Code” means Title 11 of the United States Code.

“Financing Agreement” means the Financing and Acquisition Agreement dated as of October 1, 2014 by and between the Authority and the County.

“First Supplemental Resolution” means the Supplemental Resolution, dated as of October 1, 2014, and adopted by the Authority that is supplemental to the Resolution and relates to the 2014 Bonds.

“Fiscal Year” means the period of twelve months coinciding with the fiscal year of the County.

“Fitch” means Fitch Ratings, New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or any Remarketing Agent.

“Generally Accepted Accounting Principles” shall mean those accounting principles applicable in the preparation of financial statements of municipalities, authorities, or corporations as appropriate, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

“Governing Board” means the members of the Authority constituting and acting as the governing body of the Authority as provided in the Act.

“Government Obligations” means United States Treasury bills or other interest-bearing direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the principal and interest of which are unconditionally guaranteed as to full and timely payment by, the United States of America, but not mutual funds (including unit investment trusts) investing in such obligations other than money market funds that are rated in the highest category by Moody’s, S&P and Fitch.

“Indebtedness” means, as to the Authority, at a particular time, all items which would, in conformity with Generally Accepted Accounting Principles, be classified as liabilities on a balance sheet of the Authority at such time, but in any event including without limitation (a) indebtedness arising under acceptance facilities or in respect of all letters of credit issued for the account of the Authority and, without duplication, all drafts drawn thereunder, (b) obligations under leases which have been, or under Generally Accepted Accounting Principles are required to be, capitalized and (c) all indebtedness secured by (or for which the owner of such indebtedness has the right to be secured by) any mortgage, deed of trust, pledge, security interest or other lien, charge or encumbrance upon property owned or acquired subject to such mortgage, deed of trust, pledge, security interest, lien, charge or encumbrance, whether or not the liabilities secured thereby have been assumed. Indebtedness shall not in any event include (a) current obligations payable from current revenue, including current payments for the funding of pension or other employee benefit plans (which shall be considered Operating Expenses) but shall include the current portion of Indebtedness classified as a current obligation under Generally Accepted Accounting Principles; (b) obligations under contracts for supplies, services and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pension benefits paid (which shall be considered Operating Expenses in such future years); and (c) rentals payable in future years under leases, other than leases

properly capitalized under Generally Accepted Accounting Principles (which shall be considered operating Expenses in such future years).

“Independent” means a Person who is not an officer, director or employee of a Credit Facility Provider or a member, officer or employee of the Authority or the County; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority, the County or the Credit Facility Provider shall not make such Person an employee within the meaning of this definition.

“Interest Payment Date” means for any Bonds the date on which interest on such Bonds is payable according to the Supplemental Resolution pursuant to which such Bonds were issued.

“Investment Securities” means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from either Government Obligations or obligations of the Resolution Trust Company, which interest coupons are obligations of or guaranteed by the United States of America;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following: Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Export-Import Bank of the United States, or Federal Land Banks, or the Resolution Trust Company;
- (d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;
- (e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity or (ii) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution which either (A) has an unsecured, uninsured and unguaranteed obligation rated “Prime-1” or “A3” or better by Moody’s and “A-1” or “A-” or better by S&P or (B) is the lead bank of a parent bank holding company with an unsecured, uninsured and unguaranteed obligation meeting the rating requirements in (e)(ii)(A) above, and provided further that with respect to (i) and (ii) any such obligations are held by the Trustee or a bank, trust company or national banking association other than the issuer of such obligations (unless the issuer is the Trustee);
- (f) Repurchase agreements or investment agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above or (1) or (m) below, to the extent that any municipal bonds are rated in the highest rate category of one or more Rating Agencies with any registered broker/dealer subject to the Securities Investors’ Protection Corporation or that is an approved Federal Reserve Bank primary dealer or with any commercial bank (including the Trustee), provided that (1) a specific written repurchase agreement or investment agreement governs the transaction, (2) the securities, free and clear of any lien, are held by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350. et seq., in such securities is created for the benefit of the Trustee, (4) the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in

the required collateral percentage is not restored within two (2) Business Days of such valuation, or, in the case of a repurchase agreement, the agreement has a term of thirty (30) days or less, (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligation or the payment obligation, depending on whether it is a repurchase agreement or an investment agreement, including principal and interest, is equal to at least 100% and (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement;

(g) Uncollateralized investment agreements issued or guaranteed by entities with debt obligations of comparable or longer maturity that are rated “Aa3” or better by Moody’s and “AA-” or better by S&P;

(h) Money market funds rated “Am” or “Am-G” or better by Moody’s and S&P;

(i) Commercial paper rated “Prime-1” or better by Moody’s and “A-1” or better by S&P;

(j) Obligations rated “A3” or better by Moody’s and “A-” or better by S&P;

(k) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c) and (d) above; provided, however, that investment in obligations described in this clause (k) shall not exceed \$500,000;

(l) Advance-Refunded Municipal Bonds;

(m) Tax-Exempt Obligations that are rated “A-3” or better or V-MIG 1 by Moody’s and “A-” or better or A-1 by S&P, or shares of investment companies that invest only in such obligations;

(n) Certificates that evidence ownership of the right to payments of principal of or interest on Government Obligations, provided that (1) such obligations shall be held in trust by a bank or trust company or national banking association meeting the requirements for a successor Trustee under this agreement, (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations, and (3) the underlying Government Obligations are held in a special account separate from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated; and

(o) The Trustee’s “cash sweep account” or other short term investment fund of the Trustee, the assets of which consist of other Investment Securities defined above.

“Lien” means any sale, transfer, assignment, disposition, mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, excluding Permitted Encumbrances.

“Moody’s” means Moody’s Investors Service, Inc., New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or any Remarketing Agent.

“Municipality” means any county, city, town, village, or improvement district under the Town Law of the State, any other such instrumentality, including any agency, or public corporation of the State, or any of the foregoing or any combination thereof.

“1986 Code” means the Code.

“Non-Purpose Obligations” shall have the meaning given such term under Section 1.148-1(b) of the Income Tax Regulations of the United States Department of the Treasury.

“Officer’s Certificate” means a certificate or statement signed by an Authorized Representative or Authorized Officer of the Authority, or, as the context may require, of the Credit Facility Provider.

“Operating Fund” means the fund by that name established by Section 5.3 of the Resolution.

“Outstanding” (i) when used with reference to a series of Bonds, shall, subject to the provisions of the Resolution, mean as of any particular time all of the Bonds authenticated and delivered by the Trustee under the Resolution, except:

(p) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(q) Bonds for the payment or redemption of which money in the necessary amount shall have been deposited with the Trustee, and with respect to Bonds to be redeemed prior to maturity, notice of such redemption shall have been given or provided for as provided in the Resolution;

(r) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of the Resolution; and

(s) Bonds which are deemed to have been paid pursuant to the provisions of Article XIV of the Resolution.

(ii) when used with reference to Purchase Payments shall mean at any particular time the amount remaining payable to the County pursuant to Section 5.02 of the Financing Agreement.

“Paying Agent” shall mean the Trustee or any other or successor Paying Agent appointed in accordance with any Supplemental Resolution.

“Payment Date” or “payment date” means, (a) with respect to payments of principal of or interest on the Bonds or any Additional Indebtedness, including upon the redemption of any of the same, such dates as may be specified in the applicable Supplemental Resolution and (b) in the case of payments to Bondowners after the occurrence of an Event of Default, such other date or dates as the Trustee shall establish for the payment of principal or interest.

“Payment Obligations” means all amounts due and owing to a Credit Facility Provider under a Credit Agreement.

“Permitted Encumbrances” means, as of any particular time, (i) leases, encumbrances, mortgages, easements or rights of way with respect to real estate of the Authority which the Authority has determined by resolution to be necessary or desirable in connection with the development of Projects, (ii) liens for ad valorem taxes, assessments or other governmental charges, permitted to exist as provided in the Resolution or not then delinquent, (iii) any mortgage or security agreement securing any Credit Facility Provider as permitted in the Resolution, (iv) any Lien created under the Resolution, (v) existing utility, access and other easements and rights of way, restrictions and exceptions and future encumbrances of like nature not arising out of the borrowing of money or the securing of advances of credit which will not interfere with or impair the operation of the property for its intended purpose, (vi) liens arising in connection with workers’ compensation, unemployment insurance, old age pensions and social security benefits and liens securing appeal and release bonds, provided that adequate provision for the payment of all such obligations has been made by the Authority, (vii) attachment and judgment liens, so long as the same are being contested in good faith and by appropriate legal proceedings, (viii) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right or purchase money security interest in respect thereof if payment is not yet due and payable under the contract in question or which is being contested in accordance with the provisions of the Resolution and which is bonded if and to the extent required by law, including without limitation the General Municipal Law of the State, (ix) those matters which were in existence at the time of the issuance of the Bonds, and (x) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the property and as do not, in the opinion of Counsel, have a materially adverse effect on the use of the property for the purposes intended.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, political subdivision, municipality or authority or any other group or entity.

“Pledged Revenues” means all Revenues which have been pledged to the Trustee under the Resolution by its Granting Clauses, whether or not they are held by the Trustee or its agent.

“Prime Rate” means the rate of interest publicly announced from time to time in The Wall Street Journal as the “prime rate” for major commercial banks, with the Prime Rate for any given calendar month being calculated by using the Prime Rate in effect as of the first day of such month.

“Principal Office,” when referring to the Trustee or any Paying Agent, means the office where any such institution maintains its principal corporate trust office, and when referring to a Credit Facility Provider means the office at which a demand for payment must be made.

“Principal Payment Date” means with respect to Bonds either the first day of April or October or as otherwise provided in the Supplemental Resolution providing for the issuance of such Bonds.

“Project” means any project as such term is defined in the Act.

“Rating Agencies” means S&P, Moody’s, Fitch, or any other nationally recognized credit rating agency, to the extent that such entity was initially requested by the Authority to rate its obligations and then maintains a credit rating with respect to the relevant security.

“Rebate Amount” means all interest income and profits earned on the investment of the proceeds of Tax-Exempt Bonds which is required to be paid to the United States under Section 148 (f) of the Code, calculated and determined in accordance with the Regulations in effect from time to time under that Section.

“Rebate Fund” means the separate fund created under Section 5.8 of the Resolution.

“Record Date” means, as the case may be, (i) the Record Date for payment of the purchase price, principal of or interest on a series of Bonds as provided in the Supplemental Resolution pertaining to such series of Bonds or (ii) the record date established by the Authority in accordance with Section 13.2 of the Resolution for obtaining consents from bondowners.

“Registered Owner” means the Depository or its nominee, if the Book-Entry System maintained by the Depository pursuant to Section 2.6 of the Resolution is in effect, or the person in whose name any Bond is registered, if the Bond Register System maintained by the Trustee pursuant to Section 2.7 of the Resolution is in effect.

“Remarketing Agent” means the person or entity appointed as such under any Supplemental Resolution with respect to the Bonds of the series of Bonds authorized thereunder.

“Reserve Fund Credit Facility” means the letter of credit, insurance policy or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of Section 5.6 of the Resolution, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

“Reserve Fund Credit Facility Provider” means any provider of a Reserve Fund Credit Facility.

“Resolution” means the General Revenue Bond Resolution dated as of October 1, 2014, together with all modifications thereof and amendments and supplements thereto.

“Revenues” means Assessments and Charges.

“Revenue Fund” means the fund so designated which is described in Section 5.2 of the Resolution.

“Secured Obligations” means the various obligations secured by the Resolution as described in the granting clauses to the Resolution.

“Services” means any sewerage or storm water resource service or services with respect to the System required or permitted by the Act.

“S&P” means Standard & Poor’s Corporation, New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or the remarketing agent, if any.

“Sinking Fund Installments” means for any Fiscal Year and any series of Bonds, the principal amount thereof subject to mandatory redemption pursuant to Section 5.4 of the Resolution and the applicable Supplemental Resolution.

“State” means the State of New York.

“Stated Amount” means the amount set forth in any Credit Facility as the maximum amount the Trustee is permitted to draw from said Credit Facility, in respect of both principal and interest, as such amount is reduced and reinstated from time to time in accordance with the terms of the Credit Facility.

“Subordinated Indebtedness” means any Indebtedness of the Authority secured by a Lien on the Pledged Revenues that is by its terms expressly subordinated to the Lien on the Pledged Revenues securing the Bonds.

“Supplemental Resolution” means any Resolution amending, modifying or supplementing the Resolution made, signed and becoming effective in accordance with the terms of the Resolution.

“System” means the System as defined in the Financing Agreement.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government or public instrumentality, including Bonds, that such interest is excluded from gross income for federal tax purposes (other than for an owner who is a “substantial user” of the project being financed or a “related person” within the meaning of Section 147(a) of the Code), whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code. The Trustee may conclusively rely on an opinion of Independent Counsel experienced in the field of Tax-Exempt obligations to the effect that a particular series of Bonds is Tax-Exempt.

“Tender Agent” means the person or entity designated as such in a Supplemental Resolution.

“Trust Estate” means the revenue, receipts, property, and rights and interest of the Authority which are subject to the Lien of the Resolution.

“Trustee” means The Bank of New York Mellon, in its capacity as trustee under the Resolution, or its successors in the trust.

“Variable Rate Indebtedness” means any Bond, the rate of interest on which is subject to change prior to maturity and which cannot be determined in advance of such change, including but not limited to Bonds in a commercial paper mode. In calculating the Debt Service Requirement for purposes of compliance with Additional Parity Indebtedness requirements, such Variable Rate Indebtedness shall be deemed to be Indebtedness bearing interest calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued. Any ongoing liquidity activity charges and remarketing agent fees imposed in connection with such Variable Rate Indebtedness shall be deemed to be Authority Expenses.

Authorization of 2014 Bonds (Section 2.1)

(a) There shall be issued under the Resolution \$155,765,000 System Revenue Bonds, 2014 Series A and \$1,435,000 System Revenue Bonds, 2014 Series B (Federally Taxable), as more particularly described in the First Supplemental Resolution. The 2014A and 2014B Bonds (or any amendment, modification, replacement, reissuance or refunding of the 2014A and 2014B Bonds) shall each be issued for such purposes, shall be in such form and denomination, shall bear such dates, shall be numbered, shall mature and bear interest and shall have such other terms and provisions (including the application of any Credit Facility) permitted under the Act and not contrary to the terms of the Resolution as shall be provided in the First Supplemental Resolution.

(b) Additional Parity Indebtedness may also be issued under the Resolution pursuant to and subject to the terms and conditions of Article III of the Resolution. The Additional Parity Indebtedness shall be issued in such aggregate principal amounts, for such purposes, shall be in such form and denomination, shall bear such dates, shall be numbered, shall mature and bear interest and shall have such other terms and provisions (including the application of any Credit Facility) permitted under the Act and not contrary to the terms of the Resolution (including particularly but without limitation Article II and Article III of the Resolution) as shall be provided in the Supplemental Resolution executed in connection with the issuance thereof.

(c) Bonds may also be issued under the Resolution pursuant to Section 2.10 of the Resolution in lieu of Bonds theretofore issued which have been mutilated, lost, destroyed or stolen.

Bonds Are Negotiable Instruments (Section 2.5)

The Bonds shall have the qualities of negotiable instruments under the merchant law and the negotiable instruments law of the State, as well as the Uniform Commercial Code as adopted by the State, subject to the provisions for registration and transfer contained in Section 2.6 of the Resolution and in the Bonds.

Purposes of Additional Parity Indebtedness (Section 3.1)

The Authority may issue from time to time, and the Trustee shall authenticate, Additional Parity Indebtedness for any lawful corporate purpose, including but not limited to providing all or part of the funds necessary (i) to refinance, restructure or refund all or any portion of any Indebtedness of the Authority or any County Bonds, including accrued and unpaid interest and redemption premium, if any; (ii) to plan, develop, construct, acquire, complete, restore or replace any Project or any portion thereof (as requested by the Authority pursuant to the Act), including studies, planning and design and other preliminary costs and expenses in connection therewith; (iii) to pay costs and expenses, any increase in the Debt Service Reserve Requirement incidental thereto and the funding of any reserves or (iv) for any other purpose permitted under the Act.

Conditions Precedent to the Issuance of Additional Parity Indebtedness (Section 3.2)

The Trustee shall not authenticate or deliver to the Authority on its order any Additional Parity Indebtedness pursuant to the Resolution unless theretofore or simultaneously therewith there shall have been delivered or paid to the Trustee the following:

(a) a certified copy of the request of the County with respect to such Additional Parity Indebtedness;

(b) a certified copy of a resolution or resolutions of the Governing Board of the Authority authorizing the issuance of such Additional Parity Indebtedness, stating the purpose or purposes for the issuance of such Additional Parity Indebtedness, describing in brief and general terms the Bonds or County Bonds to be refinanced, restructured or refunded and/or the Projects to be financed by the issuance of such Additional Parity Indebtedness, if any, authorizing the execution and delivery of the Supplemental Resolution, and fixing the terms of such Additional Parity Indebtedness;

(c) a Supplemental Resolution executed by the Authority providing for the issuance of the Additional Parity Indebtedness, and containing such other necessary or proper terms, requirements and provisions which shall

not be inconsistent with the Resolution or any previous Supplemental Resolution, unless all Bonds, the Registered Owners of which are entitled to the protection of the provision or provisions with which the Supplemental Resolution is inconsistent, have been paid or redeemed or provision therefor duly made. The provisions of the Resolution shall apply to any Additional Parity Indebtedness unless the relevant Supplemental Resolution explicitly provides otherwise;

(d) a written opinion or opinions of Bond Counsel to the effect that: (i) all conditions precedent to the issuance of the Additional Parity Indebtedness pursuant to the Act, the Financing Agreement, the Resolution and any relevant Supplemental Resolution have been satisfied; (ii) the Additional Parity Indebtedness, when issued, will be valid and binding obligations of the Authority in accordance with their terms; (iii) it is proper for the Trustee to authenticate the Additional Parity Indebtedness; and (iv) if the Additional Parity Indebtedness is intended to be Tax-Exempt, an opinion to the effect that interest on the Additional Parity Indebtedness is Tax-Exempt;

(e) the written order of the Authority, signed by the Chairperson or Vice Chairperson of the Authority, ordering the Trustee to authenticate and deliver such Additional Parity Indebtedness, stating the amount of the proceeds of sale thereof and directing the application of such proceeds;

(f) the proceeds of the Additional Parity Indebtedness in the amounts stated in the order of the Authority described above, to be applied as described in such order;

(g) any additional deposit to the Debt Service Reserve Fund required with respect to the Additional Parity Indebtedness;

(h) with respect to any Additional Parity Indebtedness, a certificate duly executed by the Accountant (or an Authorized Representative of the Authority, to the extent permitted by Section 3.3 of Resolution) stating that, based upon a review of the books and records of the Authority, for any twelve (12) consecutive month period of the eighteen (18) calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued (or during such lesser period if less time has expired) all amounts required to be paid into the Debt Service and Sinking Fund were so paid and the Debt Service Reserve Fund Requirement was maintained in accordance with the Resolution and Revenues from Assessments and Charges during such period is no less than 200% of the debt service on Bonds and proposed Additional Parity Indebtedness on an annual basis for the Fiscal Year immediately preceding the issuance of the Additional Parity Indebtedness;

(i) if the Additional Parity Indebtedness is being issued to finance a refunding (1) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, specifically, an escrow deposit agreement providing for the deposit and application of funds for the refunding, (2) unless all refunded Indebtedness is to be redeemed or otherwise retired on the date of settlement for the refunding Bonds, such schedules, verified as to their mathematical accuracy by an Accountant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded Indebtedness, and (3) evidence satisfactory to the Trustee that notice of any necessary redemption has been properly given, or that provisions satisfactory to the Trustee have been made therefor, or that sufficient waivers of such notice have been duly filed with the Trustee;

(j) a representation by an Authorized Representative of the Authority to the effect that the issuance of such Additional Parity Indebtedness conforms in all material respects to the request of the County referenced in (a) above;

(k) a confirmation from Fitch, S&P and Moody's (if still rating the Bonds) that the issuance of such Additional Parity Indebtedness would not cause the Bonds to be rated less than investment grade; and

(l) a representation by an Authorized Representative of each of the Authority and the County to the effect that there is then existing no material default under the Financing Agreement.

The opinion(s) of Bond Counsel described in paragraph (d) above may be accepted by the Trustee as conclusive evidence that the requirements listed above have been complied with, and the Trustee shall thereupon be

authorized to execute said Supplemental Resolution, to authenticate the Additional Parity Indebtedness and to deliver the same to or upon the order of the Chairperson or Vice Chairperson of the Authority.

Exceptions for Certain Additional Parity Indebtedness (Section 3.3)

(a) Notwithstanding anything to the contrary in paragraph (h) of Section 3.2 of the Resolution, the Authority may issue Additional Parity Indebtedness without satisfying paragraph (h) of Section 3.2 of the Resolution in any authorized amount if (i) all Outstanding Bonds are secured as to the payment of the principal of and interest due on such Bonds by a Credit Facility or Credit Facilities and issued concurrently with the delivery of each series of Bonds and being security for each series of Bonds, or any replacement thereof permitted in accordance with any Supplemental Resolution pursuant to which the applicable Bonds were issued and no such Credit Facility Provider has wrongfully dishonored a draw request for payment under such Credit Facility, which wrongful dishonor remains uncured, and (ii) the Credit Facility Provider or Credit Facility Providers, as the case may be, of each series of such Bonds consents to the issuance of the Additional Parity Indebtedness without satisfaction of such paragraph or (iii) if the proceeds of such Additional Parity Indebtedness will be expended on a Project required to be constructed by the County to comply with any State or federal law, rule or regulation.

Application of Proceeds of Additional Parity Indebtedness (Section 3.4)

The proceeds of the Additional Parity Indebtedness issued for the purpose of acquiring, constructing, completing, restoring or replacing Projects, after paying the costs and expenses of the financing and making any other payments and setting aside any reserves authorized by the Governing Board of the Authority, shall be transferred to the County. Any capitalized interest funded from the proceeds of such Additional Parity Indebtedness shall be deposited with the Trustee as directed in a certificate of an Authorized Officer of the Authority.

The proceeds of Additional Parity Indebtedness issued for refunding purposes shall, after paying all costs and expenses incidental to the redemption and to the financing, be directly or indirectly applied by the Trustee to the payment or redemption of the Indebtedness to be refunded pursuant to the written order of the Authority described in Section 3.2 (d) of the Resolution.

Additional Parity Indebtedness on Parity (Section 3.5)

All Additional Parity Indebtedness issued from time to time under the Resolution shall be on a parity with Outstanding Bonds and with all other Additional Parity Indebtedness issued under the Resolution, except as expressly provided or permitted by the Resolution.

Subordinated Indebtedness (Section 3.6)

The Authority may issue from time to time one or more series of Subordinated Indebtedness pursuant to the terms of a Supplemental Resolution for any lawful purpose of the Authority (including the provision of working capital of the Authority), such Subordinated Indebtedness to be in substantially such form as may be approved by the Authority and specified in the Supplemental Resolution authorizing the same. The priority of payments of principal or redemption price and interest on such Subordinated Indebtedness and the security therefor shall be as provided in the applicable Supplemental Resolution, which shall make such provisions for payment of the Debt Service Requirements of the Subordinated Indebtedness from Revenues held in the Revenue Fund in a manner consistent with Article V of the Resolution.

Credit Notes (Section 3.7)

The Authority may issue from time to time one or more Credit Notes pursuant to the provisions of a Supplemental Resolution. Any Credit Note that secures a Credit Facility with respect to any series of Bonds shall be subordinate only to the Bonds of the series of Bonds to which the Credit Facility relates. Therefore, a Credit Facility Provider shall be entitled to share in the Trust Estate under and according to Section 10.10 of the Resolution only when all amounts due and payable on the Bonds of the series of Bonds to which the Credit Facility it has issued relates have been fully paid. Any Credit Note that secures a Credit Facility with respect to Subordinated

Indebtedness shall be likewise subordinated to such Subordinated Indebtedness. Furthermore, notwithstanding anything to the contrary contained in the Resolution, the Authority shall not be obligated to establish or fund a Debt Service Reserve Requirement with respect to any Credit Note, nor include any contingent payments under any Credit Note as part of any calculation of Debt Service Requirements.

Costs of Issuance Fund (Section 4.1)

The Trustee shall create, at a minimum, one separate fund, entitled the “Costs of Issuance Fund,” to be held separate from all other funds and accounts of the Trustee.

The Authority shall transfer to the Trustee for deposit in the Costs of Issuance Fund any proceeds of Bonds or other amounts designated by the Authority. The Trustee shall apply the amounts on deposit in the Costs of Issuance Fund to the payment of Costs of Issuance of Bonds of the related series of Bonds. Any amounts on deposit therein that are not so applied within one year of deposit shall be applied to any fund created or established under the Resolution in which there is a deficiency, and, to the extent not so required, transferred to the Debt Service and Sinking Fund. Costs of Issuance, including without limitation the Cost of any Credit Facility, shall be paid by the Trustee from the Costs of Issuance Fund without need of prior invoice from the Credit Facility Provider.

Amounts held in the Costs of Issuance Fund shall be invested by the Trustee solely in Investment Securities, subject to the limitations imposed thereon by the Act.

Pledge of Revenues; Security Interest (Section 5.1)

As security for its obligation to make payments required under the Resolution and to secure the performance and observance of all the covenants and conditions contained in the Resolution, and in confirmation of and subject to the Granting Clauses of the Resolution, the Authority pledges and grants to the Trustee, subject to the uses and applications authorized or required by the Resolution, a Lien on and security interest in the Trust Estate. The pledge made by the Resolution shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth in the Resolution to be performed by or on behalf of the Authority shall be for the benefit, protection and security of the Registered Owners of the Bonds and Subordinated Indebtedness with priority and distinction as expressly provided in the Resolution or permitted by the Resolution. The Trust Estate shall immediately be subject to the Lien of the pledge without any physical delivery thereof or further act, and, except as otherwise provided in the Resolution, shall be held by the Trustee until disbursed as authorized by the Resolution in trust for the benefit of the Registered Owners from time to time of the Bonds, and Subordinated Indebtedness issued and Outstanding under the Resolution.

Notwithstanding the above pledge, money from time to time deposited and held in the Debt Service and Sinking Fund for the payment of particular Bonds shall be held in trust by the Trustee for payment to the respective Registered Owners from time to time of the particular Bonds for the payment of which said money has been deposited in said Fund, and whenever Bonds shall be selected for redemption out of money held under the Resolution, the money so held to the amount necessary to pay principal, redemption premium, if any, and interest to the date fixed for redemption on the Bonds selected for redemption, shall be held by the Trustee in trust for the payment to the respective Registered Owners of the particular Bonds so selected for redemption.

Revenue Fund; Application of Revenues (Section 5.2)

(a) There is established under the Resolution a special fund, designated as the “Revenue Fund”, to be held by the Trustee in trust separate and apart from the other funds and accounts of the Trustee.

(b) The Authority shall cause all Revenues received from the County pursuant to the Financing Agreement or otherwise to be transferred to the Trustee for deposit into the Revenue Fund promptly upon receipt. Amounts held in the Revenue Fund shall be invested solely as directed in writing by an Authorized Representative of the Authority in Investment Securities, subject to the limitations imposed thereon by the Act.

(c) Commencing on the first day of each calendar month (or more often as may be directed in writing by an Authorized Officer of the Authority) succeeding the issuance of the Bonds, the Trustee shall make the following payments from the Revenue Fund in the following order of priority:

FIRST: Such amount to the Debt Service and Sinking Fund as is necessary so that the balance in the Debt Service and Sinking Fund equals for the period (i) from each February 1st through the following July 31st such amount as shall be sufficient to pay Accrued Debt Service estimated to be due and payable from October 1st through the following March 31st on Bonds and (ii) from each August 1st through the following January 31st such amount as shall be sufficient to pay Accrued Debt Service estimated to be due and payable from the following April 1st through the following September 30th on Bonds;

SECOND: From the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, an amount to the Debt Service Reserve Fund as is necessary so that the balance in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement;

THIRD: From the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, such amount as is necessary to make all required payments for or in connection with Subordinated Indebtedness as provided in and in accordance with the provisions of any Supplemental Resolution or similar document pertaining to such Subordinated Indebtedness;

FOURTH: From the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, such amount as is necessary to make six months of funding of expected expenditures of the Operating Fund;

FIFTH: From the balance, if any, in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, such amount as is necessary to make all required payments in any fund or account as the Authority or the Trustee at the direction of the Authority may from time to time create pursuant to Section 5.11 of the Resolution in such amount as is required by said direction; and

SIXTH: From the balance, if any in the Revenue Fund after making the deposits or retainage required by the preceding paragraphs, all remaining amounts of Assessments and/or Charges to the County.

Any other provision of Section 5.2 of the Resolution notwithstanding, the Authority may, to the extent permitted by law, enter into an Exchange Agreement with a financial institution pursuant to which the Authority shall agree to make payments from amounts held in the Revenue Fund in exchange for the financial institution agreeing to make payments to be deposited under the Resolution as Revenues, provided that prior to entering any such Exchange Agreement (i) the Authority shall give adequate notice to the Rating Agencies of its intention to enter into any such Exchange Agreement, (ii) the Authority shall deliver to the Trustee evidence satisfactory to the Trustee from the Rating Agencies to the effect that the entering of and conformance to such Exchange Agreement would not adversely affect the existing rating on the outstanding Indebtedness of the Authority and (iii) the Trustee shall deliver to the Trustee an opinion of Bond Counsel to the effect that the entering of and conformance to such Exchange Agreement would not affect any exclusion from gross income of interest on the Indebtedness for federal income tax purposes.

Operating Fund (Section 5.3)

There shall be created under the Resolution a special fund known as the "Operating Fund" which shall be held in trust by the Trustee until applied as provided in the Resolution. Amounts held in the Operating Fund shall be applied as directed in the request of an Authorized Representative of the Authority to pay operating expenses of the Authority and pending such application shall be invested solely by the Trustee as directed in writing by an Authorized Representative of the Authority in Investment Securities.

The Authority may also withdraw upon written requisition filed with the Trustee identifying the purpose thereof from the Operating Fund amounts needed to pay the costs and fees of any Credit Facility or any auction or remarketing service in effect with respect to Bonds.

Debt Service and Sinking Fund (Section 5.4)

There shall be created under the Resolution a special fund known as the “Debt Service and Sinking Fund” which shall be held in trust by the Trustee until applied as provided in the Resolution. The Debt Service and Sinking Fund shall include a separate account for each series of Bonds issued under the Resolution.

The Authority shall pay to the Trustee from available Revenues (after the deposit required by Section 5.5 of the Resolution, if any) for deposit in the relevant account of the Debt Service and Sinking Fund on or before the first Business Day of each calendar month an amount equal, in the aggregate, to Accrued Debt Service for all Bonds issued under the Resolution. In the event moneys are not sufficient for the payment of Debt Service on a payment Date, the Trustee shall, without instruction or further direction from the Authority, promptly transfer the requisite amounts from the Debt Service Reserve Fund to the relevant accounts of the Debt Service and Sinking Fund to make good any such deficiency.

The money held from time to time in the Debt Service and Sinking Fund shall be applied by the Trustee without further direction from the Authority to the payment of the Debt Service Requirements on the Bonds as and when the same shall become due and payable; provided that if the same shall have been paid under a Credit Facility (other than municipal bond insurance) relating to the series of Bonds on which the payments were due, including in those instances where Debt Service Requirements on a series of Bonds has been paid in the first instance from the proceeds of a Credit Facility, amounts equal to such payments on deposit in the account of the Debt Service and Sinking Fund established with respect to Bonds of such series of Bonds shall be paid to the Credit Facility Provider as reimbursement. If a Supplemental Resolution provides that Debt Service Requirements on Bonds of a series of Bonds issued thereunder are to be paid in the first instance from the proceeds of a Credit Facility, the Trustee shall comply with the terms of such Supplemental Resolution in that regard and draw upon the Credit Facility to pay Debt Service Requirements on Bonds of such series of Bonds.

Debt Service Reserve Fund (Section 5.5)

There shall be created under the Resolution a special fund known as the “Debt Service Reserve Fund” which shall be held in trust by the Trustee until applied as provided under the Resolution. The Debt Service Reserve Fund shall include a separate account for each series of Bonds issued under the Resolution.

The Trustee shall be authorized, without further direction from the Authority, to apply the money in the Debt Service Reserve Fund toward the payment of the Debt Service Requirements from time to time becoming due and payable upon a series of Bonds, to the extent that, the Debt Service and Sinking Fund shall at any time be insufficient with respect to such series of Bonds. The Trustee shall, for any particular series of Bonds, initially draw funds from the Debt Service Reserve Fund.

In the event of any deficiency in the Debt Service Reserve Fund, the Authority shall thereafter make monthly transfers from the Revenue Fund, (after the deposits required by Section 5.4 of the Resolution, if any), until the amount in the Debt Service Reserve Fund in cash or investments shall equal the Debt Service Reserve Requirement. Amounts held in the Debt Service Reserve Fund shall be restored to their respective Debt Service Reserve Requirement within twelve (12) months after the occurrence of any deficiency therein. The investments of each account of the Debt Service Reserve Fund made pursuant to Section 6.2 of the Resolution shall, for the purpose of determining the amount from time to time in the Debt Service Reserve Fund, be valued annually by the Trustee at amortized cost. The investments of the accounts of the Debt Service Reserve Fund shall include (i) investments that at the time of acquisition would constitute Investment Securities if the stated level of required ratings, if any, for Investment Securities were at least the second highest whole rating category (without regard to pluses or minuses) for the type of rating in question (e.g. short-term or long-term) and (ii) investments which can be liquidated by or on behalf of the Trustee not later than ten (10) years from the date of their acquisition for an amount at least equal to the principal thereof and all accrued interest (or amortized discount) thereon to the liquidation date, whether by maturity, redemption, tender or otherwise.

Upon written instructions of an Authorized Officer of the Authority during the twelve (12) month period prior to the final maturity date of any series of Bonds, money held in the Debt Service Reserve Fund shall be credited against the amount otherwise transferable from the Revenue Fund to the Debt Service and Sinking Fund in

respect of Debt Service Requirements for such Bonds and shall be transferred to the Debt Service and Sinking Fund for the payment of such Debt Service Requirements; provided, however, that no such credit shall be given and no such transfer shall be made if, immediately prior to such crediting and transfer, the amount on deposit in the Debt Service Reserve Fund is not at least equal to the Debt Service Reserve Requirement.

Except to the extent that a Supplemental Resolution shall provide otherwise, the amount then held in the Debt Service Reserve Fund pursuant to Section 5.5 of the Resolution in excess of the Debt Service Reserve Requirement shall, upon the written instructions of the Chairperson or Vice-Chairperson of the Authority, be transferred from the Debt Service Reserve Fund and deposited in the Revenue Fund or applied by the Trustee pursuant to such instructions to the prompt purchase or redemption of Bonds.

Monies and securities held for the credit of the Debt Service Reserve Fund may, at the direction of the Authority, be withdrawn from the Debt Service Reserve Fund and applied to the purchase, redemption or payment of the principal of and interest on Bonds at any time provided that after giving effect to such purchase, redemption or payment the amount credited to the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Requirement.

Reserve Fund Credit Facility (Section 5.6)

The Authority may elect to satisfy in whole or in part the Debt Service Reserve Requirement by means of a letter of credit, insurance policy or surety bond (together with any substitute or replacement therefor, the "Reserve Fund Credit Facility"), subject to the following requirements:

(B) The Reserve Fund Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the then current rating on the related series of Bonds and in any event equal to one of the Rating Agency's three highest long-term rating categories;

(C) The Authority shall not secure any obligation to the Reserve Fund Credit Facility Provider by a Lien on the Trust Estate superior to the Lien on the Trust Estate granted to the Bondowners;

(D) Each Reserve Fund Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Bonds) and shall entitle the Trustee to draw upon or demand payment at such times and for such purposes as the Trustee would be entitled to claim the funds and investments that would be on deposit in the Debt Service Reserve Fund were there no such Reserve Fund Credit Facility and receive the amount so requested in immediately available funds not later than five (5) Business Days after such draw or demand. To assure a timely draw on any Reserve Fund Credit Facility and timely payment of funds in the Debt Service and Sinking Fund, any Supplemental Resolution providing for a Reserve Fund Credit Facility shall provide that the date for deposit in the applicable account of the Debt Service and Sinking Fund for a series of Bonds for which a Reserve Fund Credit Facility has been provided shall be no later than five days prior to the first Business Day of each calendar month in which an Accrued Debt Service payment is due;

(E) The Reserve Fund Credit Facility shall permit a drawing by the Trustee for the full Stated Amount in the event (i) the Reserve Fund Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Bonds, and (ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the delivery to the Trustee of cash, obligations, a substitute Reserve Fund Credit Facility, or any combination thereof, for deposit in the related account in the Debt Service Reserve Fund on or before the date of such expiration or termination;

(F) If the rating issued by the Rating Agencies to the Reserve Fund Credit Facility Provider is withdrawn or reduced below the rating assigned to that of the related series of Bonds immediately prior to such action by the Rating Agencies, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days after said rating change, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than forty-eight (48) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period; and

(G) If the Reserve Fund Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than forty-eight (48) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period.

If the events described in either (E) or (F) above occur, the Trustee shall not relinquish the Reserve Fund Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Fund Credit Facility or any combination thereof. In the event a Reserve Fund Credit Facility is delivered to the Trustee, the Trustee shall transfer the money and securities held in the related account of the Debt Service Reserve Fund, to the extent not needed to comply with the Debt Service Reserve Requirement, to the Bond Redemption and Accumulated Surplus Fund. The Trustee is authorized under the Resolution and directed to draw upon or demand payment from any such Reserve Fund Credit Facility in accordance with its terms in the event funds are needed from the Debt Service Reserve Fund in accordance with Section 5.8 of the Resolution. Any amount received from the Reserve Fund Credit Facility shall be deposited directly into the Debt Service and Sinking Fund and such deposit shall constitute the application of amounts in the Debt Service Reserve Fund. If amounts held in an account of the Debt Service Reserve Fund containing a Reserve Fund Credit Facility are less than the related Debt Service Reserve Requirement because the Reserve Fund Credit Facility has been drawn upon and has not been reinstated, the Authority shall transfer from the Revenue Fund, (after the deposits in Section 5.4, if any, and 5.5 of the Resolution, in amounts sufficient to reinstate said Reserve Fund Credit Facility, and the Trustee shall pay such amounts to the Reserve Fund Credit Facility Provider. Upon the reinstatement of the Reserve Fund Credit Facility, said payment shall constitute the replenishment of said account.

Rebate Fund (Section 5.7)

(a) There is created and established with the Trustee under the Resolution a special fund to be known as the Rebate Fund which shall be used for the deposit of the Rebate Amount, and shall not be subject to the lien of the Resolution.

(b) The Authority covenants to determine the Rebate Amount or cause the same to be determined in the manner provided in Section 148 (f) of the Code, the Treasury Regulations promulgated thereunder and any other rules which may be promulgated thereafter by the Treasury Department or Internal Revenue Service (the "Rules") and to transfer or cause to be transferred to Trustee such determination for purposes of paragraph (c) of Section 5.7 of the Resolution.

(c) Records of each of the determinations required to be made pursuant to Section 5.7 (b) of the Resolution and the Rules shall be retained by the Trustee until a date which is six (6) years after the retirement of the last Bond.

(d) The Trustee shall deposit in the Rebate Fund the Rebate Amount which may be from deposits by the Authority or from available investment earnings on amounts held in the Debt Service Reserve Fund, the Operating Fund or the Bond Redemption and Accumulated Surplus Fund, as directed in writing by the Authority. If the Authority fails to make any payment to the Trustee, the Trustee may, but shall not be required to, transfer money without requisition first from the Construction Fund and then from the Bond Redemption and Accumulated Surplus Fund to the Rebate Fund so that such payment can be made.

(e) If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in accordance with the Rules, such amount shall be deposited in the Bond Redemption and Accumulated Surplus Fund.

(f) Any money held as a part of the Rebate Fund shall be invested or reinvested by the Trustee, as directed in writing by the Authority, in Investment Securities, subject to the restrictions set forth in the Rules. The Trustee may make any and all such investments through its own investment department. In making investments, the Trustee may rely upon the directions of the Authority as to the investments purchased and is relieved of all liability with respect to making, holding, redeeming or selling such investments in accordance with the foregoing.

(g) Any and all money held as part of the Rebate Fund shall be considered proceeds of the Bonds for all purposes including, but not limited to, the limitations on investments in Non-purpose Obligations.

(h) The Rebate Amount shall be paid to the United States by the Trustee on behalf of and at the written direction of the Authority in installments as provided in the Rules. Each payment of an installment of the amount required to be paid to the United States shall be paid at the time and in the manner provided in the Rules. The duty of the Trustee to make payments to the United States pursuant to Section 5.7 (h) of the Resolution and the Rules shall be expressly limited to funds available in the Rebate Fund at the times such payments are required to be made (including all investment earnings on funds theretofore deposited by the Trustee in the Rebate Fund), and any other funds actually provided to the Trustee by the Authority for such payments. The Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund, if any, or actually provided to it by the Authority. The Trustee shall not have any duty to determine the Rebate Amount or expend its own funds with respect to the determination that any amounts are rebatable or the calculation thereof.

Transfer to Revenue Fund (Section 5.8)

The Trustee shall on the last business day of each Fiscal Year, so long as any Bond is outstanding, transfer to the Revenue Fund (a) any funds remaining in the Debt Service and Sinking Fund not required to pay or provide for the payment of Debt Service Requirements for the Bonds, and (b) any funds remaining in the Debt Service Reserve Fund not required to maintain the Debt Service Reserve Requirement. The Trustee shall also deposit in the Revenue Fund any amounts otherwise directed or required to be transferred thereto pursuant to the terms of the Resolution and the Financing Agreement. The Trustee shall account for deposits into and transfers out of any account or fund on a first-in, first-out accounting basis.

Additional Funds or Accounts (Section 5.10)

(a) The Authority or the Trustee at the direction of the Authority may create such additional funds or accounts (or additional accounts or sub-accounts within existing funds or accounts) as the Authority deems necessary or desirable, including, without limitation, such funds or accounts relating to Subordinated Indebtedness. Any Supplemental Resolution may provide for additional amounts to be paid into any of the funds or accounts established under the Resolution and the manner of making payments into and disbursements from such funds or accounts not materially inconsistent with the provisions of the Resolution.

(b) The Authority may create, outside of the Trust Estate, additional funds or accounts funded solely with moneys not subject to the Lien of the Resolution.

Deposits and Security Therefor (Section 6.1)

All money received by the Trustee under the Resolution for deposit in any fund established under the Resolution shall, except as provided under the Resolution, be deposited in interest bearing accounts in the commercial or trust department of the Trustee, until or unless invested or deposited as provided in Section 6.2 of the Resolution. All deposits in the commercial department of the Trustee (whether original deposits under Section 6.1 of the Resolution or deposits or redeposits in time accounts under Section 6.2 of the Resolution) in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation, shall be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited, or secured as required by applicable law. If at any time the commercial or trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such money with any other depository which is authorized to receive them and is subject to supervision by public authorities. All deposits in any other depository (whether under Section 6.1 or Section 6.2 of the Resolution as aforesaid) in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation shall to the extent permitted by law, be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank or with a bank or trust company having a combined capital and surplus of not less than \$50,000,000.

Notwithstanding the foregoing, or anything else to the contrary in the Resolution, the proceeds of any payments under a Credit Facility and the proceeds of any remarketing of Bonds pursuant to a Supplemental Resolution shall be held by the Trustee or a Tender Agent, as the case may be, separate and apart from any other funds of the Authority, the Trustee or the Tender Agent and from any other funds held under the Resolution for the exclusive benefit of the parties to be paid therefrom and may be invested only in Government Obligations maturing coming due by the earlier of thirty (30) days following investment on the date needed for the purposes of the Resolution.

Investment of Funds (Section 6.2)

(a) The Trustee shall, pursuant to written or oral (promptly confirmed in writing) investment instructions from an Authorized Representative of the County, invest and reinvest money held in any fund or account held by the Trustee under the Resolution in Investment Securities. Such instructions may authorize specific transactions with respect to the deposits to be made or the Investment Securities to be purchased and the prices to be paid, and may include general instructions for future reinvestments of cash as and when such obligations are paid or redeemed. The scope of such general instructions shall be satisfactory to the Trustee which may, if it deems it advisable, from time to time require specific instructions or general instructions within defined limits. All investments made pursuant to Section 6.2 of the Resolution shall mature or be subject to redemption at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal, not later than the date when the amounts will foreseeably be needed for purposes of the Resolution.

(b) The interest and income received upon such investments and any interest paid by the Trustee or any other depository of any fund or account and any profit or loss resulting from the sale of any investment shall be added or charged to the fund or account in question, provided, however, that the Trustee shall credit any investment income or loss with respect to any fund or account established under the Resolution to any other fund or account, as directed in writing by the Authority. Subject to the requirements of Section 5.5 of the Resolution, investment earnings on amounts held in the Debt Service Reserve Fund shall be transferred to the Revenue Fund unless the Authority otherwise directs in writing.

(c) Upon request of the Authority, whenever a payment is to be made out of any fund or account the Trustee shall sell such Investment Securities as may be requested or required to make the payment and restore the proceeds to the fund or account in which the Investment Securities were held. The Trustee shall not be accountable for any depreciation in the value of any such Investment Security or for any loss resulting from the sale thereof.

(d) To the extent permitted by law, the Trustee may commingle any amounts on deposit in the Funds held under the Resolution for the purpose of purchasing Investment Securities. However, the trust shall maintain and keep separate account of such Funds at all times.

Valuation of Funds (Section 6.3)

To the extent the Trustee holds amounts in any fund or account established under the Resolution, and at the direction of the Authority, the Trustee shall compute the value of the assets of each such fund or account after taking into account any payments required to be made to Bondowners on such dates and any transfers required to be made under the Resolution. In computing the value of any fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the owner, provided, however, that the value of investments with respect to the Debt Service Reserve Fund shall be calculated in accordance with Section 5.5 of the Resolution.

Notice of Redemption (Section 7.2)

Whenever the Authority shall, by Resolution of the Authority, determine to redeem Outstanding Bonds in accordance with the right reserved to do so, the Authority shall give the Trustee not more than ten (10) days' and at least five (5) days' notice of the date fixed for redemption. When Bonds are called for redemption, whether at the

option of the Authority or pursuant to mandatory redemption, the Trustee shall cause a notice to be deposited in the United States mail first class, postage prepaid, not more than thirty (30) days and at least ten (10) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Trustee. Such Notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers) shall specify the redemption date, the redemption price, and the Trustee's name and address and shall state that on the redemption date the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that from the date of redemption interest will cease to accrue provided, however, that the Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of the Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give such notice with respect to any particular Bond or Bonds shall not affect the validity of any such redemption of other Bonds.

So long as Cede & Co., as nominee of the Depository, is the registered owner of Bonds, notice of redemption shall be sent to the Depository at least twenty (20) days before the redemption date or such shorter period as may be provided by the Depository.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all the Bonds called for redemption and the Trustee shall not otherwise hold such money for such purpose, such notice may state that it is conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Payment of Redemption Price (Section 7.3)

Notice having been given in the manner provided under the Resolution, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the Bonds so called for redemption shall become due and payable on the redemption date so designated and, if an amount sufficient to pay the redemption price thereof is on deposit with the Trustee for such purpose on such date, interest on such Bonds shall cease to accrue from the redemption date whether or not the Bonds shall be presented for payment. The principal amount of all Bonds or portions thereof so called for redemption, together with the accrued and unpaid interest thereon to the date of redemption shall be paid by the Trustee or the Paying Agent, if any, mentioned in the Bond called for redemption, upon presentation and surrender thereof in negotiable form. If any Outstanding Bond is redeemed in part, the Trustee shall authenticate and deliver to the Registered Owner thereof, a new Bond or Bonds of any authorized denomination as requested by such Registered Owner in an aggregate principal amount equal to the principal amount of the Outstanding Bond not called for redemption.

Payment of Bonds and Other Indebtedness (Section 9.1)

The Authority covenants that it will promptly pay from the Trust Estate the Debt Service Requirements for every Bond issued and to be issued under the Resolution and secured thereby, and all other Indebtedness secured thereby, including without limitation Credit Notes at the place and on the dates and in the manner specified in the Resolution and in said Bonds, or therein, according to the true intent and meaning thereof. The Authority further covenants that it will pay as and when due from sources legally available therefor the Debt Service Requirements on all other Indebtedness. In furtherance of this covenant, the Authority covenants to take such actions as may be necessary to ensure the receipt of Revenues pursuant to the Financing Agreement.

No Impairment of Bondowners' Rights (Section 9.2)

The Authority covenants and agrees that so long as any of the Bonds secured under the Resolution are Outstanding, none of the Pledged Revenues shall be used for any purpose other than as provided in the Resolution, and that no contract or contracts shall be entered into or amended or any action taken by which the rights or security of the Trustee or of the Bondowners may be impaired or diminished.

Creation of Liens on Pledged Revenues (Section 9.4)

Except as provided in Article III of the Resolution and the next ensuing sentence, the Authority shall not incur any Indebtedness which is secured by a pledge of or other Lien on the Secured Obligations and shall not create or cause to be created any Lien on the Pledged Revenues or any other part of the Trust Estate or on any amounts which are held by the Trustee or by any Paying Agent under the terms of the Resolution, other than Permitted Encumbrances or Liens which are expressly made subordinate to the lien of the Resolution.

No Extension of Time for Payment of Interest (Section 9.5)

In order to prevent any accumulation of claims for interest after maturity, the Authority covenants and agrees that it will not directly or indirectly extend or assent to the extension of time of payment of any claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, such claim for interest shall not be entitled in case of any default under the Resolution, to the benefit or security of the Resolution except subject to the prior payment in full of the principal of all Bonds issued and Outstanding under the Resolution, and of all claims for interest which shall not have been so extended or funded.

Accounts and Periodical Reports and Certificates (Section 9.6)

The Authority shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions under the Resolution and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to the inspection of the Trustee or the representative, duly authorized in writing, of the owner or owners of not less than 25% in principal amount of the Bonds then Outstanding.

Authority Budget (Section 9.7)

The Authority covenants that it will adopt by resolution and file with the Trustee for each Fiscal Year, an Authority Budget or Budgets setting forth the estimated monthly Debt Service Requirements, and other expenses, if any. Any Authority Budget may be amended or supplemented at any time, but such amended or supplemented Authority Budget shall not supersede any prior Authority Budget until it shall have been authorized by a certified resolution of the Authority. The Authority Budget may authorize certain variances for various line items at the discretion of Authority officers, as the Governing Board of the Authority deems prudent, and amounts expended within such authorized variances shall be deemed to be within the amount provided for in the Authority Budget.

Federal Tax Covenants (Section 9.9)

The Authority covenants under the Resolution not to take or omit to take any action so as to cause interest on any Tax-Exempt Bonds to be no longer excluded from gross income for the purposes of federal income taxation and to otherwise comply with the requirements of Section 103 and Sections 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of such Tax-Exempt Bonds. The Authority further covenants that it will make no investments or other use of the proceeds of any Tax-Exempt Bonds which would cause such Tax-Exempt Bonds to be "arbitrage bonds" as defined in Section 148 of the Code. The Authority further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in Section 148 (f) of the Code and any regulations promulgated thereunder, including the payment of any Rebate Amount, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable.

Issuance of Obligations (Section 9.10)

The Authority covenants not to issue any Indebtedness, or other obligations of any type with a maturity maturing on a date, or permit the same to remain outstanding beyond a date, that would cause the term of the Indebtedness to exceed the term allowed by law.

Institution of Charges (Section 9.11)

If it shall be determined to impose Charges (other than Charges that are to be charged and collected in addition to Assessments) which are expected to exceed on an annual basis 15% of the Revenues expected to be collected during any fiscal year during which Bonds are expected to be Outstanding, prior to the implementation of such Charges the Authority shall give adequate written notice in a timely fashion to the Rating Agencies and shall not implement such Charges until such time as the Authority and the Trustee have received a confirmation from Fitch and Moody's to the effect that the implementation of such Charges would not cause the Bonds to be rated less than investment grade.

Events of Default Defined (Section 10.1)

Each of the following shall be an "Event of Default" under the Resolution:

(a) Payment of the principal of any Bond is not made when it becomes due and payable at maturity or upon redemption, or otherwise or if payment of any installment of interest on any Bond is not made when it becomes due and payable; or

(b) If the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in the Resolution, and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority by the Trustee; provided that if any such default cannot be cured within thirty (30) days the period shall be extended for such period as is reasonable to cure the same with due diligence if the Authority commences the cure within thirty (30) days and proceeds diligently; or

(c) A default under the Financing Agreement by the Authority or the County shall have occurred and be continuing after any permitted period of cure therein provided for a period of forty-five days after written notice thereof stating that such notice is a "Notice of Default" to the Authority and the County by the Trustee, or to the Authority, the County and the Trustee by the owners of not less than twenty-five percent (25%) in principal amount of Bonds Outstanding; or

(d) The occurrence of any Act of Bankruptcy with respect to the Authority; or

(e) The failure of timely payment of the purchase price of any tendered Bond required to be paid according to the Supplemental Resolution authorizing such Bond; or

(f) Such additional Events of Default as may be set forth in a Supplemental Resolution duly executed in connection with the issuance of any Bonds.

The Trustee shall give written or telephonic (promptly confirmed in writing or by confirmed telecopy) notice of any Event of Default, as defined under the Resolution, to the Authority and any Credit Facility Provider as soon as practicable after the occurrence of such Event of Default becomes known to the Trustee.

Notwithstanding the foregoing provisions, Additional Parity Indebtedness in the form of capitalized leases may provide for grace periods of up to twelve (12) months before the occurrence of a default under the lease shall constitute an Event of Default as defined under the Resolution.

Bonds Declared Due and Payable (Section 10.2)

Upon the happening and continuance of any Event of Default specified in Section 10.1 of the Resolution, then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding shall (but in all events only after giving thirty (30) days' notice in writing to the Authority), declare the principal of all the Bonds Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, money shall have accumulated in the Debt Service and Sinking Fund sufficient to pay the principal of all Bonds which have matured and which should have been called for redemption from money in the Debt Service and Sinking Fund and all matured Bonds, if any, and all arrears of interest, if any, upon all the Bonds Outstanding (except the principal of any Bonds not then due by their terms except as provided above and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by the Authority under the Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Resolution (other than a default in the payment of the principal of such Bonds) then due only because of a declaration under Section 10.02 of the Resolution shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds not then due by their terms and then outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Enforcement of Remedies by Trustee (Section 10.3)

Upon the happening and continuance of any Event of Default specified in Section 10.1 of the Resolution, then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding under the Resolution, shall:

- (1) By mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Registered Owners, including the right (i) to require the Authority to collect Revenues adequate to carry out any agreement as to, or pledge of, such Revenues, (ii) to demand all moneys and securities then held by the Authority in any Operating Expense and all Revenues be promptly paid to the Trustee for deposit in the Revenue Fund, and (iii) to require the Authority to carry out any other agreements with the County under the Financing Agreement or the Registered Owners of such Bonds and to perform its duties under the Resolution and the Act; and/or
- (2) Bring suit upon such Bonds; and/or
- (3) By action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Registered Owners of such Bonds; and/or
- (4) Make demand for payment, or draw under, any Credit Facility that may be available for the payment of the Debt Service Requirements of Bonds of any series of Bonds; and/or
- (5) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of such Bonds; and/or
- (6) Enforce the Financing Agreement, as assignee of the Authority; and/or
- (7) Perform the Authority's obligations under the Financing Agreement.

The Trustee, under the Resolution, shall proceed in accordance with the Act, subject to the provisions of Section 10.1 of the Resolution, to protect and enforce its rights and the rights of the Registered Owners under the laws of the State or under the Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Resolution or in aid or execution of any power granted under the Resolution or for the enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. In the enforcement of any remedy under the Resolution the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming and at any time remaining due from the Authority for principal, interest or otherwise under any of the provisions of the Resolution or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Registered Owners, and to recover and enforce any judgment or decree against the Authority, but solely as provided in the Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from money in the Debt Service and Sinking Fund, Debt Service Reserve Fund, and Revenue Fund and any other money available for such purpose) in any manner provided by law, the money adjudged or decreed to be payable.

Any suit, action or proceeding by the Trustee on behalf of Registered Owners shall be heard or maintained in a court of competent jurisdiction. The Trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Registered Owners in the enforcement and protection of their rights as mandated in Section 1232-h of the Act. All rights of action under the Resolution or under any of the Bonds secured under the Resolution, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Registered Owners of such Bonds, subject to the provisions of the Resolution.

Effect of Discontinuance of Action (Section 10.4)

In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Control of Proceedings (Section 10.5)

Anything in the Resolution to the contrary notwithstanding, the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding under the Resolution shall have the right, subject to the provisions of Section 10.6 of the Resolution, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution.

Restriction on Bondowners' Action (Section 10.6)

No Registered Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or for any other remedy under the Resolution unless (i) such Registered Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted which specifically refers to such event as an "Event of Default", (ii) the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the Resolution or to institute such action, suit or proceeding in its or their name; (iii) there shall have been offered to the Trustee reasonable security and indemnity against the

costs, expenses and liabilities to be incurred therein or thereby; (iv) the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared, in every such case at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution. It is understood and intended that no one or more Registered Owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the benefit of all Registered Owners of such Outstanding Bonds.

Nothing contained in Article X of the Resolution, however, shall affect or impair the right of any Registered Owner to enforce the payment of the principal of and interest on his Bonds, or the obligation of the Authority to pay the principal of, interest on and premium, if any, on each Bond issued under the Resolution to the Registered Owners thereof at the time and place expressed in said Bond.

Appointment of Receiver (Section 10.7)

Upon the happening and continuance of any Event of Default specified in Section 10.1 of the Resolution, the Trustee, whether or not the issue of Bonds represented by such Trustee has been declared due and payable, shall be entitled as of right to the appointment of a receiver of any part or parts of the properties the Revenues of which are pledged for the security of the Bonds of such issue and such receiver may enter and take possession of such part or parts of the properties and, subject to any pledge or agreement with Bondowners, shall take possession of all money and other property derived from such part or parts of the properties and proceed with any construction thereon or the acquisition of any property, real or personal, in connection therewith which the Authority is under obligation to do, and to operate, maintain and reconstruct such part or parts of the properties and collect and receive all Revenues thereafter arising therefrom subject to any pledge thereof or agreement with Bondowners relating thereto and perform the public duties and carry out the agreements and obligations of the Authority under the direction of the court. In any suit, action or proceeding by the Trustee the fees, counsel fees and expenses of the Trustee and of the receiver, if any, shall constitute taxable disbursements and all costs and disbursements allowed by the court shall be a first charge on any Revenues from the properties.

Extension of Maturity of Bonds (Section 10.8)

In case the maturity of any of the Bonds or the time for payment of any installments of interest shall be extended by mutual agreement between the Authority and the Registered Owner of any such Bonds, such Bonds or claims for interest shall not be entitled in case of any default to the benefit of the Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust by the Trustee for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, subject to the prior payment of the principal of all Bonds issued and outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

Modifications with Respect to Credit Facilities Pursuant to Supplemental Resolutions (Section 10.9)

If so specified in the Supplemental Resolution relating to a particular series of Bonds, any action that may be taken by and any consent that must be received from the Registered Owners of all or some lesser percentage of the Bonds Outstanding of such series of Bonds under Article X of the Resolution shall instead and in lieu thereof be taken by or received from the Credit Facility Provider of a Credit Facility under which Debt Service Requirements for Bonds of such series of Bonds are payable if and when there does not exist a Credit Facility Default with respect to such Credit Facility. If any such action or consent requires a vote by the Registered Owners of the Bonds of such series of Bonds because there are then Outstanding under the Resolution Bonds of more than one series of Bonds, the Supplemental Resolution may also specify that the Credit Facility Provider shall have the right to vote under the Resolution with respect to the action or consent fully as if it were the Registered Owner of all of the Bonds of the series of Bonds unless there shall then exist a Credit Facility Default with respect to the Credit Facility.

Priority of Payments After Default (Section 10.10)

Notwithstanding any other provisions of the Resolution other than those contained in Section 10.10 of the Resolution, in the event that, subsequent to the occurrence of an Event of Default, the funds held by the Trustee shall be insufficient for the payment of interest and principal then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or installments of interest which have theretofore become due at maturity or otherwise) and any other money received or collected by the Trustee, after making provision for the payment of any expenses necessary in its opinion to preserve the continuity of the Revenues or to provide for the continued operation of the System or otherwise to protect the interests of the Registered Owners of the Bonds, and for the payment of the charges, expenses (including those of its counsel) and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied as follows:

- (a) If the principal of all of the Bonds shall not have become or have been declared due and payable,

First: To the payment to the persons entitled thereto all installments of interest then due on Bonds (with interest on overdue installments of interest then due on such Bonds, to the extent permitted by law, at the rate per annum borne by such Bonds) in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to the difference, if any, in the respective rates of interest specified in the Bonds; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due (with interest on such Bonds at their rate from the respective dates upon which they became due) whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment ratably, according to the amounts of principal and interest due on such dates, to the persons entitled thereto, without any discrimination or preference except as to the difference, if any, in the respective rates of interest on the Bonds.

(b) If the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds with interest on overdue interest and principal as provided above, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for any principal and interest, to the persons entitled thereto without any discrimination or preference, except as to the difference, if any, in the respective rates of interest specified in the Bonds.

(c) Payments of debt service on any Subordinated Indebtedness shall be made in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Subordinated Indebtedness.

Whenever money is to be applied pursuant to the provisions of Section 10.10 of the Resolution, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the earliest practicable date it deems suitable and which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

The Trustee may, in its sole discretion, hire one or more consultants experienced in the operation of water supply, transmission and distribution facilities for the purpose of determining what expenses are necessary to preserve the continuity of the Revenues or to provide for the continued operation of the System. The fees and expenses of any such consultant shall be considered expenses incurred by the Trustee in the performance of its duties for purposes of the Resolution. Subject to Section 11.7 of the Resolution, the Trustee may conclusively rely on any determination made by such consultant.

Notwithstanding anything to the contrary in Section 11.10 of the Resolution, the proceeds of any Credit Facility that are intended to pay the Debt Service Requirements of a particular series of Bonds shall be applied exclusively to the payment of such Debt Service Requirements and for no other purpose. Until the Credit Facility Provider shall have been reimbursed through the Resolution for the payment of such Debt Service Requirements, the Debt Service Requirements shall not be deemed to have been discharged under the Resolution. Furthermore, in the event that the Credit Facility Provider of any such Credit Facility shall have paid all Debt Service Requirements of the applicable series of Bonds as and when due, such Credit Facility Provider shall be surrogated to the Registered Owners of the Bonds of such series of Bonds with respect to all rights such Registered Owners may have under the Resolution, including without limitation the rights to payment under Section 11.10 of the Resolution.

Acceptance of Trust; Abrogation of Right to Appoint Trustee (Section 11.1)

The Trustee accepts and agrees to execute the trust created under the Resolution, but only upon the terms set forth in the Resolution, to all of which the parties to the Resolution and the respective owners of the Bonds agree. The Trustee shall perform only such duties as are specifically set forth in the Resolution, and no implied covenants or obligations shall be read into the Resolution against the Trustee. The right of the owners of Bonds to appoint a trustee under the Act is abrogated under the Resolution as permitted by the Act.

Power to Act Through Agents; Liability Limited (Section 11.3)

The Trustee may execute any of the trusts or powers under the Resolution and perform the duties required by it, by or through attorneys, agents, receivers, or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Resolution, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employees selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Resolution or under any Supplemental Resolution, nor for anything whatever in connection with the trust, except only its own misconduct or negligence.

Obligation to Act on Defaults (Section 11.7)

If any Event of Default of which the Trustee is deemed to have knowledge according to Section 10.1 of the Resolution shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by the Resolution and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that, if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

Supplemental Resolutions Without Bondowners' Consent (Section 13.1)

The Authority and the Trustee from time to time, and at any time, subject to the conditions and restrictions of the Resolution, may enter into Resolutions supplemental the Resolution, which Resolutions thereafter shall form a part of the Resolution, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority under the Resolution or to surrender any right or power reserved under the Resolution or conferred upon the Authority and which shall not adversely affect the interests of the Registered Owners of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained in the Resolution, or in regard to matters or questions arising under the Resolution, or to include provisions relating to the administration of any Credit Facility or the funds and accounts established under the Resolution or under any Supplemental Resolution, as the Authority and the Trustee may deem necessary or desirable and which shall not adversely affect the interests of the Registered Owners of the Bonds, or for other purposes as the Authority and the Trustee may deem desirable but only if and to the extent that such Supplemental Resolution does not in any manner adversely affect or impair the rights of the Bondowners under the Resolution;

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of the Resolution;

(d) to provide for the issuance of the 2014 Bonds or Additional Indebtedness (or any amendment, modification, replacement, reissuance or refunding of the 2014 Bonds or Additional Indebtedness) pursuant to Article III of the Resolution or the issuance of a Credit Facility;

(e) to modify, amend or supplement the Resolution or any Resolution supplemental to the Resolution in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar Federal statute in effect, and if they so determine, to add to the Resolution or any Resolution supplemental to the Resolution such other terms, conditions and provision as may be required by said Trust Indenture Act of 1939, as amended, or similar Federal statute; provided, however, that no such modification shall adversely affect or impair the rights of the Bondowners or permit the creation of any lien prior to or on a parity with the lien of the Resolution (except as expressly permitted under the Resolution) or deprive the Bondowners of the lien created by the Resolution;

(f) to modify, amend or supplement the Resolution in such manner as may be necessary to obtain or maintain from the Rating Agencies a securities rating on the Bonds or any Additional Indebtedness; and

(g) to make any other change to the Resolution that affects one or more particular series of Bonds if notice by registered or certified mail, return receipt requested, of such change, including a copy of the proposed Supplemental Resolution, is given to each Owner of a Bond of such series at least thirty (30) days prior to the effective date of the Supplemental Resolution and if each such Owner shall have had at least one opportunity to require the purchase of such Bond pursuant to the terms of the Supplemental Resolution under which the particular Bonds were issued during a period beginning thirty (30) days after the giving of such notice and ending on the effective date of the Supplemental Resolution.

Any Supplemental Resolution authorized by the provisions of Section 13.1 of the Resolution may be executed by the Authority and the Trustee without the consent of the Registered Owners of any of the Bonds at the time Outstanding, but the Trustee shall not be obligated to enter into any such Supplemental Resolutions which affect the Trustee's rights, duties or immunities under the Resolution or otherwise.

Supplemental Resolutions with Bondowners' Consent (Section 13.2)

With the consent of the Registered Owners of a majority in aggregate principal amount of Bonds as of the relevant Record Date, the Authority and the Trustee, may from time to time and at any time enter into an Resolution or Resolutions supplemental to the Resolution for the purpose of adding any provisions or changing in any manner or eliminating any of the provisions of the Resolution or of any Supplemental Resolution; provided, however, that no such supplemental Resolution shall (a) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected or (b) reduce the aforesaid percentage of Registered Owners of Bonds required to approve any such Supplemental Resolution. Upon receipt by the Trustee of certified resolutions authorizing the execution of any such Supplemental Resolutions, and upon the filing with the Trustee of evidence of the consent of Bondowners, as aforesaid, the Trustee shall join with the Authority in the execution of such Supplemental Resolution unless such Supplemental Resolution will affect the Trustee's own rights, duties and immunities under the Resolution or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such Supplemental Resolution.

The Authority shall in its sole discretion select a Record Date in connection with obtaining the consent of Registered Owners to supplemental Resolutions. Only Registered Owners as of the close of business on said Record Date shall be entitled to consent to any such supplemental Resolution. Any such consent shall be irrevocable and binding on all subsequent transferees, whether or not such supplemental Resolution has been executed or approved by the requisite number of Registered Owners at the time of any such consent or subsequent transfer. For the purpose of determining consents, any Bond in a denomination other than the minimum Authorized Denomination for that series shall be treated as representing such number of separate Bonds of that series as is obtained by dividing the actual principal amount of such Bond by the minimum Authorized Denomination of that series. The Registered

Owner of more than one Bond shall be entitled to consent or disapprove of any supplemental Resolution as owner of any Bond independent of the consent or disapproval given as owner of any other Bonds.

It shall not be necessary for the consent of the Bondowners under Section 13.2 of the Resolution to approve the particular form of any proposed supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Voting Rights of Credit Facility Provider (Section 13.5)

As long as the Credit Facility Provider has not failed to comply with its payment obligations under the Credit Agreement, the Credit Facility Provider shall have all rights and privileges of the Owners of the Credit Facility Bonds to exercise rights of approval, consent, discretionary waiver and make all requests on behalf of and in place of such Owners. For purposes of computing applicable percentages of Bondowners under the Resolution, actions taken by such Credit Facility Provider shall be treated as action taken by the Owner of such Credit Facility Bonds.

Defeasance (Section 14.1)

Subject to provisions of a Supplemental Resolution that may modify Section 14.1 of the Resolution insofar as it governs the Bonds authorized by such Supplemental Resolution, if the Authority shall pay or cause to be paid, in accordance with the provisions of the Resolution, to the Registered Owners of any Bond, the principal and interest and premium, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the Trust Estate and any other money and securities pledged under the Resolution and all other rights granted under the Resolution shall be discharged and satisfied with respect to such Bond. In the event the Authority so provides for all Outstanding Bonds issued under the Resolution, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority, all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver, first to each Credit Facility Provider to the extent of any unreimbursed Payment Obligations, and then to the Authority, all money or securities held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Notwithstanding the release and discharge of the Lien of the Resolution as provided above, those provisions of the Resolution and any applicable Supplemental Resolution relating to the maturity of the Bonds, interest payments and dates thereof, tender and purchase provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, and the duties of the Trustee, Tender Agent and Remarketing Agent in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee, Tender Agent, Remarketing Agent, Issuer and the Bondowners.

Any Bond for the payment or redemption of which funds shall have been set aside and shall be held in trust by the Trustee (through deposit of funds for such payment or redemption or otherwise) whether at or prior to the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the first sentence of Section 14.1 of the Resolution. Subject to provisions of a Supplemental Resolution that may modify Section 14.1 of the Resolution insofar as it governs the Bonds authorized by such Supplemental Resolution, any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the first sentence of Section 14.1 of the Resolution if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the Resolution, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or noncallable Investment Securities of the type listed in subparagraphs (a), (b), or (n) of the definition of Investment Securities, the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days and such Bonds are to be redeemed the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice to the Registered Owners of such Bonds that

the deposit required by (ii) above has been made in accordance with Section 14.1 of the Resolution and stating such maturity or redemption date upon which money is to be available for the payment of the principal and premium, if applicable, on said Bonds. Neither Investment Securities or money deposited with the Trustee pursuant to Section 14.1 of the Resolution, nor principal or interest payable on any such Investment Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or premium, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, at the written direction of the Authority and to the extent practicable, be reinvested in Investment Securities of the type described in this paragraph maturing at times and in amounts sufficient, together with other money available for the purpose, to pay when due the principal, premium, if applicable, and interest to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge, provided, further that any Investment Securities may be sold, transferred, redeemed or otherwise disposed of, and the proceeds thereof applied to the purchase of other Investment Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with money and other Investment Securities then held by the Trustee for such purpose shall be sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be.

Anything in the Resolution to the contrary notwithstanding and except as the escheat laws of the State may otherwise provide, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money were held by the Trustee at such date, or for four years after the date of deposit of such money if deposited with the Trustee after the said date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority, as its or their absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that before being required to make any such payment, the Trustee shall, at the expense of the Authority, cause to be published once in an Authorized Newspaper, notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of first publication of such notice, the balance of such money then unclaimed will be returned to the Authority as provided above.

Surplus Funds (Section 14.2)

Any surplus money held by the Trustee after all obligations arising under the Bonds and the Resolution have been paid or otherwise provided for as provided under the Resolution shall be transferred to the County.

Agreement of the State (Section 15.13)

There is incorporated in the Resolution by reference, fully as if set forth at length, the agreement of the State with the Registered Owners of Bonds and the owners of any Additional Indebtedness set forth in Section 1232 of the Act.

Governing Law (Section 15.14)

The Resolution shall be governed exclusively by the provisions of the Resolution and by the applicable laws of the State without reference to conflict of law provisions.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a summary of certain provisions of the Financing Agreement. Summaries of certain definitions contained in the Financing Agreement are set forth below. Other terms defined in the Financing Agreement for which summary definitions are not set forth are indicated by capitalization. The summary does not purport to be a complete description of the terms of the Financing Agreement and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Financing Agreement may be obtained from the Authority.

Definitions and Interpretation (Section 1.02)

In addition to terms defined in the Act, and elsewhere in the Financing Agreement, the following terms have the following meanings in the Financing Agreement, unless the context otherwise requires:

“Act” means Chapter 685 of the Laws of New York for 2003 which, among other things, provided for Title 10-D of Article 5 of the Public Authorities Law of the State, as it may be amended from time to time.

“Assessments” means any assessments for Sewerage Services and/or Storm Water Resources Services levied by the County.

“Authority” means (i) the Nassau County Sewer and Storm Water Finance Authority and its successors and assigns, and (ii) any political subdivision resulting from or surviving any consolidation or merger to which the Authority or its successors may be a party.

“Authority Operating Expenses” means those expenses incurred or to be incurred by the Authority in accordance with the Act and the Financing Agreement which are not funded from Bond proceeds.

“Authorized Officer” means: in the case of the Authority, the Chairperson, the Vice Chairperson and the Treasurer, and their successors in office; in the case of the County, the County Executive, any Deputy County Executive and their successors in office; and in each case any other person authorized to act under the Financing Agreement by appropriate Written Notice to the party not making such authorization.

“Bondholder” means the person in whose name any Bond is registered.

“Bonds” means, collectively, the 2014 Bonds and any subsequent bonds or notes issued by the Authority pursuant to a Request for Financing.

“Business Day” means any day (other than Saturday or Sunday) during which (i) commercial banks located in the State or in the city in which the principal office of the Trustee are located are not required or authorized by law to close; and (ii) The New York Stock Exchange, Inc. is not closed.

“Charges” means any rates or charges by the County, other than Assessments, for Sewerage Services or Storm Water Resources Services.

“Closing Date” means the date of delivery of the 2014 Bonds.

“Code” means the Internal Revenue Code of 1986 and the applicable Treasury Regulations promulgated thereunder.

“Condemnation” means the lawful taking of the System or any part thereof by a governmental body.

“Cost” means, as applied to any Project, the cost of construction, the cost of the acquisition of all property both real and personal, and improved and unimproved; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated; the cost of all systems, facilities, machinery, apparatus, fixtures and equipment; financing charges, interest prior to, during and after construction to the extent not paid or provided for from other sources; the cost of engineering and architectural surveys, plans and specifications; the cost of consultant and legal services; the cost of lease guarantee or bond insurance; and the cost of other expenses necessary or incidental to the construction of such Project and the financing of the construction thereof, including the amount authorized in the resolution of the Authority providing for the issuance of bonds to be paid into any reserve or other special fund from the proceeds of such bonds and the financing of the placing of any Project in operation, including reimbursement to the County, or any municipality, State agency, the State, the United States Government, or any other person for expenditures that would be costs of the Project under the Financing Agreement had they been made directly by the Authority.

“Counsel” means nationally recognized bond counsel or such other counsel as may be selected by the Authority for a specific purpose under the Financing Agreement.

“County” means the County of Nassau, New York, or its successors or assigns.

“County Bonds” means bonds issued by or on behalf of the County for which debt service may be collected by Assessment and/or Charges.

“Debt Service” means, for any Fiscal Year, all principal, interest and any redemption premium payable with respect to Bonds and County Bonds.

“District” means the Nassau County Sewer and Storm Water Resources District, as created in accordance with the Act.

“Facilities” or “System” means collectively, the Sewerage Facilities and Storm Water Resources Facilities.

“Fiscal Year” means the County’s fiscal year which currently begins January 1 of each year and ends on December 31 of that year.

“Governmental Requirements” means federal, State and local laws, rules, regulations and ordinances applicable at the time to the construction, operation and maintenance of the System.

“Lien” means any sale, transfer, assignment, disposition, mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrances on title.

“Operating Expenses” means fees and expenses reasonably incurred or to be incurred by the County in connection with the provision of Sewerage Services and/or Storm Water Resources Services including those for operation and maintenance of the System and shall include administrative expenses, insurance premiums, accounting, legal, consulting and engineering expenses, any payments to pension, retirement, group life insurance, health and hospitalization funds or other employee benefit funds, workers compensation costs, reimbursements for advances made by the County from other funds, and any other expenses required to be paid by the County or by contract, by law or permitted by standard practices for public utility systems similar to the property and business of the County acting on behalf of the District.

“Project” means any Facilities, including the acquisition, planning, development, financing or construction thereof.

“Request for Financing” means the request from the County to the Authority as described in Section 3.01 of the Financing Agreement.

“Revenues” means Assessments and Charges.

“Services” means Sewerage Services and/or Storm Water Resources Services.

“Sewer Treatment Plants” means the existing Bay Park, Cedar Creek and Glen Cove sewer treatment plants and any subsequently constructed sewer treatment plants made a part of the System.

“Sewerage Facility” of “Sewerage Facilities” means any plants, structures and other real and personal property acquired, rehabilitated or constructed or planned for the purpose of collecting, conveying, pumping, treating, neutralizing, storing and disposing of sewage, including but not limited to main, trunk, intercepting, connecting, lateral, outlet or other sewers, outfalls, pumping stations, treatment and disposal plants, ground water recharge basins, back-flow prevention devices, sludge dewatering or disposal equipment and facilities, clarifiers, filters, phosphorus removal equipment and other plants, works, structures, equipment, vehicles, conveyances, contract rights, franchises, approaches, connections, permits, real or personal property or rights therein and appurtenances thereto necessary or useful and convenient for the collection, conveyance, pumping, treatment, neutralizing, storing and disposing of sewage or to provide any Sewerage Service.

“Sewerage Services” means the collection, treatment and disposal of sewage, any services provided by a Sewerage Facility and any other service related thereto and/or any service designated as a Sewerage Service pursuant to the Act.

“State” means the State of New York.

“State Covenant” means the State’s pledge and agreement set forth in §1232-1 of the Public Authorities Laws of the State.

“Storm Water Resources Facility” or “Storm Water Resources Facilities” means any plants, structures and other real and personal property acquired, rehabilitated or constructed or planned for the purpose of providing water resources services, including but not limited to accumulating, transmitting, or treating surface water, storm water or ground water, including but not limited to surface water, storm water or ground water reservoirs, basins, dams, canals, aqueducts, standpipes, outfalls, conduits, pipelines, mains, pumping stations, pumps, ditches, wells, injection wells, treatment plants and works, contract rights, franchises, approaches, connections, permits, meters, rights of flowage or diversion and other plants, structures, equipment, vehicles, conveyances, real or personal property or rights therein and appurtenances thereto necessary or useful and convenient for the accumulation, transmission, or treatment of surface water or ground water or in providing any Storm Water Resources Services.

“Storm Water Resources Services” means the collection, treatment and disposal of storm water and contaminated surface water or ground water, the development, implementation and monitoring of insect control programs; the monitoring and testing of surface and ground water quality; the development and implementation of hazardous waste testing programs; the development and implementation of hydro-geological studies and reports of the territory encompassing the District; any services provided by a Storm Water Resources Facility, any other service related thereto, or any service so designated pursuant to the Act.

“Supplemental Agreement” means a supplement to the Financing Agreement approved and becoming effective in accordance with the terms of the Financing Agreement and of the Act.

“SWAP payments” means any amounts payable by the Authority pursuant to an interest rate exchange, currency exchange, cap, call, hedge or similar agreement entered into by the Authority.

“2014 Bonds” means the first issuance of bonds by the Authority pursuant to a Request for Financing pursuant to the Financing Agreement.

“Tax Collector” means the receiver of taxes or equivalent officer in each tax collecting jurisdiction within the County responsible for collection and transfer of Assessments.

“Tax-Exempt Bonds” means Bonds the interest on which is excludable from gross income for Federal income tax purposes under Section 103 of the Code.

“Trustee” means the Trustee appointed by the Authority with respect to the 2014 Bonds.

“Written Notice”, “written notice or “notice in writing” means notice in writing which may be delivered by hand or first class mail and also means facsimile transmission, telegram and telex.

Representations and Warranties of the County (Section 2.01)

The County represents and warrants in the Financing Agreement as follows:

(a) The County is a municipal corporation of the State, constituting a political subdivision thereof, duly created and validly existing under the Constitution and laws of the State.

(b) The County has previously directed the Tax Collectors, and will continue to so direct, for as long as the Financing Agreement remains in effect, to forward Assessments immediately upon receipt to the Trustee. If Charges are implemented, the County will so direct the Tax Collectors to forward Charges to the Trustee as well.

(c) The County has the right and lawful authority and power to execute and deliver the Financing Agreement, to perform the obligations and covenants contained in the Financing Agreement and to consummate the transactions contemplated by the Financing Agreement.

(d) The County has duly authorized, by all necessary actions, the execution and delivery of the Financing Agreement and the performance of the obligations and covenants under the Financing Agreement and the consummation of the transactions contemplated by the Financing Agreement .

(e) The Financing Agreement constitutes a legal, valid and binding obligation of the County, enforceable against the County in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors’ rights generally or the availability of any particular remedy.

(f) The Financing Agreement, the execution and delivery of the Financing Agreement and the consummation of the transactions contemplated by the Financing Agreement do not and will not in any material respect conflict with, or constitute on the part of the County a breach of or default under (a) any existing law, administrative regulation, judgment, order, decree or ruling by or to which their revenues, properties or operations are bound or subject or (b) any agreement or other instrument to which the County is a party or by which it or any of its revenues, properties or operations are bound or subject.

(g) All consents, approvals, authorizations or orders of, or filings, registrations or declaration with, any court, governmental authority, legislative body, board, agency or commission which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the County of its obligations under the Financing Agreement or the consummation of the transactions contemplated by the Financing Agreement, have been duly obtained and are in full force and effect.

(h) No action, suit, proceeding or investigation, in equity or at law, before or by any court or governmental agency or body, is pending or, to the best knowledge of the County, threatened, wherein an adverse decision, ruling or finding might adversely affect the transactions contemplated by the Financing Agreement or the validity or enforceability of the Financing Agreement or of any agreement or instrument to which the County is a party or any revenues or properties of the County and which is used or is contemplated for use in the consummation of the transactions contemplated by the Financing Agreement.

Representations and Warranties of the Authority (Section 2.02)

The Authority represents and warrants in the Financing Agreement as follows:

(a) The Authority is a public corporation and a body corporate and politic, constituting a public benefit corporation, duly created and validly existing under the Constitution and laws of the State.

(b) The Authority has the right and lawful authority and power to execute and deliver the Financing Agreement, to perform the obligations and covenants contained in such agreement and to consummate the transactions contemplated by the Financing Agreement.

(c) The Authority has duly authorized, by all necessary actions, the execution and delivery of the Financing Agreement and the performance of its obligations and covenants under the Financing Agreement and the consummation of the transactions contemplated by the Financing Agreement.

(d) The Financing Agreement constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors' rights generally or the availability of any particular remedy.

(e) The Financing Agreement, the execution and delivery of the Financing Agreement and the consummation of the transactions contemplated by the Financing Agreement do not and will not in any material respect conflict with, or constitute on the part of the Authority a breach of or default under (a) any existing law, administrative regulation, judgment, order, decree or ruling by or to which it or its revenues, properties or operations are bound or subject or (b) any agreement or other instrument to which the Authority is a party or by which it or any of its revenues, properties or operations are bound or subject.

(f) All consents, approvals, authorizations or orders of, or filings, registrations or declarations with, any court, governmental authority, legislative body, board, agency or commission which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Financing Agreement or the consummation of the transactions contemplated by the Financing Agreement, have been duly obtained and are in full force and effect.

(g) No action, suit, proceeding or investigation, in equity or at law, before or by any court or governmental agency or body, is pending or, to the best knowledge of the Authority, threatened wherein an adverse decision, ruling or finding might adversely affect the transactions contemplated by the Financing Agreement or the validity or enforceability of the Financing Agreement or of any agreement or instrument to which the Authority is a party or any revenues or properties of the Authority and which is used or is contemplated for use in the consummation of the transactions contemplated by the Financing Agreement.

Agreement to Finance Projects; Description (Section 3.01)

The Authority shall use its best efforts to finance all or a part of the Cost of the Projects by the issuance of Bonds as promptly as practicable as promptly as practicable from time to time in accordance with Requests for Financing provided to the Authority by the County. The Cost of said Projects shall be financed in accordance with the description set forth in the Request for Financing. Any Request for Financing may, from time to time, be amended to add a Project or to delete or change a Project listed thereon or to change the scope or cost of a Project listed thereon, without the need for consent of the Trustee or the Bondholders. The financing by the Authority of any Project added or changed by such amendment shall be governed by the terms and conditions of the Financing Agreement. Furthermore, a Request for Financing may be rescinded by the County and, in such event, the County shall be responsible for all costs incurred by the Authority in reliance on such Request for Financing.

Members, State and County Not Liable on Bonds (Section 3.02)

(a) Neither the Members of the Authority nor any person executing Bonds or other obligations of the Authority shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

(b) The Bonds and other obligations of the Authority shall not be a debt of either the State or the County, and neither the State nor the County shall be liable thereon, nor shall they be payable out of any funds other than those of the Authority; and the Bonds shall contain on the face thereof a statement to such effect.

Agreement of Authority and County as to Projects (Section 3.03)

The Authority and the County agree that (i) any refunding or restructuring of County Bonds shall be done as promptly as practicable after the County files a Request for Financing with the Authority; and (ii) the design, permitting, construction, management, operation, maintenance and repair of any Projects financed in whole or in part pursuant to the Agreement shall be carried out by the County pursuant to the terms of the Act and the Agreement.

Grant of Revenues to Authority (Section 3.04)

In consideration of the promises and agreements of the Authority contained in the Financing Agreement and in consideration of the issuance of Bonds by the Authority to finance Projects, the County, under the Financing Agreement, pledges, gives, grants a security interest in, conveys and transfers to the Authority all of its right, title and interest in the Revenues, including all of its rights to collect and receive the same, subject only to the provisions of the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions in the Financing Agreement and therein set forth.

Agreement of the State (Section 3.05)

Pursuant to Section 1232-1 of the Public Authorities Laws of the State, the State has pledged and agreed that it will not alter or limit the rights vested by the Act in the Authority to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The State has also pledged and agreed that it will not alter or limit the rights of the County to assess, levy and collect Assessments within the District or the County's ability to collect Charges. The Authority and the County for the purpose of effectuating such pledge of the State certify under the Financing Agreement that the Financing Agreement is intended to be for the benefit of the Bondholders.

Assessments (Section 3.06)

The County has directed the Tax Collectors to forward the amount of such Assessments immediately upon receipt to the Trustee. If any Assessments remain unpaid at the time required for their transfer to the Authority, the County has directed the Tax Collectors to pay to the Trustee any other amounts that would otherwise be payable to the County, up to the amount of such unpaid Assessments. Any Assessments received by the County from the Tax Collectors shall immediately be transferred to the Trustee. On December 15 of each year the Authority shall notify the County of the amount of Assessments and other amounts received that year from the Tax Collectors. No later than December 1 of each year, the Authority shall provide the County with its budget for the following Fiscal Year which shall include all estimated debt service requirements on Bonds, as well as all Authority Operating Expenses.

Agreement With Respect to Bonds and Other Matters (Section 3.09)

The Authority is not enter into any agreement which would modify or in any way affect the debt service payable on Bonds without the County's consent. At the request of the County, the Authority is to participate in applications for grants and loans with respect to the System and such other reasonably requested actions in relation thereto. In addition, the Authority agrees to utilize the services of County personnel and/or procurement processes of the County whenever possible to assist the Authority in carrying out its purposes and the County agrees to make such services and procurement processes available therefor. The County may conduct procurement processes on behalf of the Authority, including recommending a vendor after reviewing bids or proposals received, but shall not be authorized to award a contract on behalf of the Authority. In addition, the County may simultaneously solicit proposals or bids for the County and the Authority when there are overlapping contracting needs; provided however,

that awards shall be made by the County based solely on the best interests of the County and awards shall be made by the Authority based solely on the best interests of the Authority.

Disbursements (Section 4.01)

(h) The Trustee shall pay directly to the County the amount set forth in the Request for Financing net of costs of issuance related to the financing and any required reserves.

(i) If a Request for Financing involves refunding outstanding County Bonds, the County shall create or cause to be created a separate escrow account into which the proceeds of the Bonds received by it will be deposited and used to so refund such bonds.

(j) If a Request for Financing involves refunding outstanding Bonds, the Authority shall create or cause to be created a separate escrow account into which the proceeds of the Bonds received will be deposited and used to so refund such refunded Bonds.

Indemnity (Section 4.02)

To the extent permitted by law, the County shall defend and indemnify the Authority and hold it harmless against any claim, demand, action, liability, damages, cost, loss or expense (including, legal fees and disbursements) that the Authority incurs arising out of or in relation to its ownership of the System, any capital project of the County or the financing of any Project Cost by the Authority. Nothing in the Financing Agreement is intended to limit the Authority's ability to hire its own attorney if it determines that the interests of the Authority are not consistent with those of the County in connection with any such claim, demand, action, liability, damages, cost, loss or expense.

Limited Purpose of Agreement (Section 4.03)

The Financing Agreement provides for the Authority's financing of Project Costs. Except as set forth in Section 4.02 of the Financing Agreement, the Authority, the County, and the Trustee shall have no liability to each other for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any Project or arising out of the status of any such Project under the State Environmental Quality Review Act or otherwise.

Transfer of System (Section 5.01)

The Authority, under the Financing Agreement, transfers to the County and the County acquires from the County (i) the Facilities, (ii) any other materials, supplies, plans and property whatsoever and however described, located on, in, or contained in the Facilities, and (iii) all right, title and interest of the Authority in and to all warranties, guarantees, and the permits, licenses and approvals necessary or required by Governmental Requirements in connection with the ownership of the System.

Covenants of the County (Section 6.01)

Under the Financing Agreement the County covenants with the Authority, and consents to the pledge and assignment to the Trustee of any of its covenants, that:

(a) In consideration of the Authority issuing Bonds to finance Projects, the County agrees to levy Assessments and/or impose Charges in amounts sufficient each year to pay (i) the amount of principal of, interest on and redemption premium for, if any, the Bonds becoming due during the Fiscal Year, including coverage and/or reserve requirements, if any, (ii) the amounts of principal of interest on and redemption premium for, if any, County Bonds not refunded by Bonds, becoming due during the Fiscal Year, (iii) the amount, if any, required to be deposited during the Fiscal Year in any mandated reserves, and (iv) the aggregate amount of Operating Expenses, and (v) Authority Operating Expenses payable during the Fiscal Year. At no time, however, shall revenues from Assessments and Charges be less than 200% of the debt service payments on outstanding Bonds.

The County covenants under the Financing Agreement and agrees during the term of the Financing Agreement (i) to notify the Authority of its intent to impose Charges and, (ii) to require all revenues raised through Charges to be paid to the Trustee as promptly as practicable.

When budgeting for Debt Service which involves variable rate obligations, the County will assume an interest rate 100 basis points higher than the rate currently in effect, for each Fiscal Year.

(b) The County covenants that it shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf of cause or permit any circumstances within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income taxes of the interest on any Tax-Exempt Bonds under Section 103 of the Code. The County shall execute and deliver to the Authority a Tax Certificate, as requested by the Authority or Counsel to the Authority. Without limiting the generality of the foregoing, the County covenants that it will comply with the instructions of the County's Tax Certificate, which is incorporated into the Financing Agreement as if fully set forth in the Financing Agreement. This covenant shall survive payment in full or defeasance of the Tax-Exempt Bonds.

(c) The County will at all times do and perform all acts and things permitted by law and necessary or desirable to maintain compliance with its undertakings under the Financing Agreement and in connection with any financing by the Authority, including, cooperating with the Authority, its employees, consultants and underwriters, and in providing certifications and opinions requested by the Authority, and, further, providing all material disclosure for any offering document of the Authority or in connection with any necessary undertaking under Securities and Exchange Commission ("SEC") Rule 15c2-12 to allow the underwriters of Authority financings to meet their obligations thereunder and under SEC Rule 10b-5.

(d) The County will not make any Request for Financing except with respect to Project Costs which, as of the date of such Request for Financing, there being in effect with respect to each capital project constituting such a Project Cost findings or other proceedings meeting the requirements of the State Environmental Quality Review Act and each Request for Financing shall be deemed to be a representation by the County to such effect with respect to the Project Costs that are the subject thereof. The County shall provide to the Authority such documentation and information as requested, and in the form requested, by the Authority from time to time in connection with Project Costs proposed for financing.

(e) If the System shall be damaged or destroyed at any time or title to, or the use of, any part of the System shall be taken by Condemnation, the County shall, from the proceeds of any Condemnation award or insurance received by the County or from moneys received by the Authority from the County or any other person, promptly replace, repair, rebuild or restore the System to substantially the same condition and value as an operating entity as existed prior to such damage or destruction or Condemnation, with such changes, alterations and modifications as may be desired by the County, provided that such changes, alterations or modifications do not change the nature of the System so as to adversely affect the tax-exempt status of the interest payable on the Bonds.

(f) The County shall make improvements to the System as may be required from time to time to meet Governmental Requirements as soon as practicable after any such Governmental Requirements shall arise and, in any event, within the period specified by applicable law or by such Governmental Requirement. Notwithstanding the foregoing, if, to the extent and for so long as (a) any contest with respect to any applicable Governmental Requirement relating to the operation or maintenance of the System shall be prosecuted in good faith by the Authority or the County or (b) compliance with such requirement shall have been excused or exempt by a valid nonconforming use permit, waiver, extension or forbearance believed in good faith by the Authority or the County to exempt it from such requirement, the County shall not be required to comply with such requirement so long as such contest is being prosecuted or so long as such waiver, extension or forbearance from compliance with such requirement shall be in effect but only if such contest shall not, in the reasonable opinion of the County, involve any reasonable likelihood of any foreclosure, sale, forfeiture or loss of, any part of the System or of impairment of the operation of the System. The County shall notify the Authority of Governmental Requirements and actions being taken in regards thereto.

Pledge and Agreement (Section 6.02)

The County pledges and agrees with the Holders of the Bonds that the County will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Bondholders pursuant to the Act, or in any way impair the rights and remedies of such Bondholders or the security for such Bonds until such Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such Bondholders, are fully paid and discharged. Section 6.01 of the Financing Agreement shall not be deemed to restrict any right the County may have to amend, modify or otherwise alter laws, ordinances, resolutions or agreements imposing or relating to taxes or fees or appropriations relating thereto.

Statutory Requirement (Section 6.03)

To the extent required by the Act, the County agrees that it shall require every contract entered into by the County or entered into by any other entity receiving funds from the County for projects or costs to be financed in whole or in part by the Authority to be subject to the provisions of the County Charter and other applicable laws governing contracts of the County or such entity, as the case may be.

The System (Section 7.01)

The County shall promptly notify the Authority of the existence or occurrence of any (a) circumstances of which the County shall have actual knowledge and which could directly and materially adversely affect the ability of the System or the County to provide Service and (b) formal written inquiry with respect to the System or the County's provision of Service by a federal or State authority which could directly and materially affect Costs to be incurred with respect to the System. The Authority shall have the right to assist or participate, at its expense, in any action or proceeding in which the County shall have a right to participate relating thereto.

Minimum Operation and Maintenance Standard for the System (Section 7.02)

(a) The County covenants to maintain, operate, repair and improve or cause to be maintained, operated, repaired and improved, the System so as to be capable of providing Sewerage Service and Storm Water Resources Services in compliance with the Act and with applicable Governmental Requirements.

(b) The County agrees that so long as any Bonds of the Authority remain Outstanding it will operate and maintain, or cause to be operated and maintained, the System and every part and parcel thereof in accordance with good commercial practice and in any event will (i) keep the System in good and safe condition, repair, working order and condition, ordinary wear and tear excepted; (ii) promptly make all necessary repairs, replacements and renewals to the System (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); (iii) maintain the System in a neat and orderly condition, ordinary wear and tear excepted, and in a condition which permits compliance with, and the County will operate the System in compliance with, all applicable Governmental Requirements, including without limitation all federal, State and local laws relating to labor, wages, nondiscrimination, environmental control, safety and other regulatory requirements; (iv) protect the System against deterioration, other than that attributable to ordinary wear and tear; (v) cause the Sewer Treatment Plants to continue to have the capacity and functional ability to perform, on a continuing basis, in normal commercial operation, at design capacity, the functions for which they were specifically designed; (vi) comply with such standards and periodic maintenance inspections as shall be required to enforce warranty and similar claims against contractors employed by the County in the maintenance, operation, repair or improvement of the System and any standards imposed by any insurance policies in effect at any time with respect to the System or any part thereof; (vii) provide all necessary labor, materials and equipment for the proper operation and maintenance of the System; and (viii) maintain the safety of the System at a level consistent with applicable law and the sound operation of such a system. Notwithstanding any of the foregoing (A) the County may provide that the operation of the System may be subject to periodic, scheduled or unscheduled, partial shutdowns of portions of the System for maintenance or repair, (B) compliance with applicable Governmental Requirements is subject to contest in accordance with Section 6.01(f) of the Financing Agreement, and (C) no repair, replacement or maintenance shall be required under the Financing Agreement with respect to portions of the System which the County determines are no longer necessary to the provision of Services.

Authority Disclaimer (Section 9.01)

In connection with the acquisition of the System by the County, the Authority has not made nor shall be deemed to have made to the County any representation or warranty of any kind, express or implied, as to the title, merchantability, compliance with specifications, condition, design, operation, freedom from patent or trademark infringement, absence of latent defects or fitness for use of the System (or any part thereof) or the Services, or any other representation or warranty whatsoever, express or implied, with respect to the System (or any part thereof) or the Services. The provisions of this paragraph have been negotiated, and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representation or warranty by the County, express or implied, with respect to the System or the Services, that may arise pursuant to any law in effect or otherwise.

Assignment (Section 11.01)

In order to secure the obligations of the Authority with respect to Bonds, the Authority is authorized under the Financing Agreement to assign to the Trustee all of its interests in the Financing Agreement subject to the reservations and conditions set forth in the Financing Agreement. The County consents under the Financing Agreement to such assignment and agrees that all of its obligations and liabilities under the Financing Agreement to the benefit of and may be enforced by the Trustee. The County may only assign its rights, interests and obligations in and under the Financing Agreement upon the consent of the Bondholders.

Events of Default – County (Section 12.01)

The following events shall be Events of Default under the Financing Agreement (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body).

(a) the County shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Financing Agreement, and such condition shall impair the ability of the County to perform any obligation under the Financing Agreement and such failure, other than the covenants set forth in Sections 6.01(a) and (b), shall continue unremedied for a period of 60 days after written notice thereof from the Authority; or

(b) any representation or warranty made by the County under the Financing Agreement proves to be false or misleading in any respect, and such condition shall impair the ability of the County to perform any obligation under the Financing Agreement and shall continue unremedied for a period of 60 days after written notice thereof by the Authority; or

(c) the County shall file any petition for dissolution or liquidation of the County, or the County shall commence a case under any applicable bankruptcy, insolvency or other similar law in effect, or the County shall have consented to the entry of an order for relief in a case under any such law, or the County generally shall fail to pay its debts as such debts become due, or the County shall fail promptly to satisfy or discharge any execution, garnishment or attachment of such consequences as may impair its ability to carry out its obligations under the Financing Agreement, or a receiver, custodian or trustee (or other similar official) for the County or any substantial part of its property shall have been appointed or taken possession thereof, or the County shall make a general assignment for the benefit of its creditors, or the County shall enter into an agreement or composition with its creditors, or the County shall take any action in furtherance of any of the foregoing; or there shall be filed against the County a petition in bankruptcy which results in an order for relief being entered or, notwithstanding that an order for relief has not been entered, the petition is not dismissed within 90 days of the date of the filing of the petition, or there shall be filed under any federal or State law relating to bankruptcy, insolvency or relief of debtors of a petition against the County for reorganization, composition, extension or arrangement with creditors which either (i) results in a finding or adjudication of insolvency of the County or (ii) is not dismissed within 90 days of the date of the filing of such petition.

Events of Default – Authority (Section 12.02)

The following events shall be Events of Default under the Financing Agreement (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body).

(a) the Authority shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Financing Agreement, and such condition shall impair the ability of the Authority to perform any material obligation hereunder and such failure other than the payment of debt service payments payable by the Authority on Authority Bonds, shall continue unremedied for a period of 60 days after written notice thereof from the County; or

(b) any representation or warranty made by the Authority herein proves to be false or misleading in any respect, and such condition shall impair the ability of the Authority to perform any obligation under the Financing Agreement and shall continue unremedied for a period of 60 days after written notice thereof by the County; or

(c) the Authority shall file any petition for dissolution or liquidation of the Authority, or the Authority shall commence a case under any applicable bankruptcy, insolvency or other similar law in effect, or the Authority shall have consented to the entry of an order for relief in a case under any such law, or the Authority generally shall fail to pay its debts as such debts become due, or the Authority shall fail promptly to satisfy or discharge any execution, garnishment or attachment of such consequences as may impair its ability to carry out its obligations under the Financing Agreement, or a receiver, custodian or trustee (or other similar official) for the Authority or any substantial part of its property shall have been appointed or taken possession thereof, or the Authority shall make a general assignment for the benefit of its creditors, or the Authority shall enter into an agreement or composition with its creditors, or the Authority shall take any action in furtherance of any of the foregoing; or there shall be filed against the Authority a petition in bankruptcy which results in an order for relief being entered or, notwithstanding that an order for relief has not been entered, the petition is not dismissed within 90 days of the date of the filing of the petition, or there shall be filed under any federal or State law relating to bankruptcy, insolvency or relief of debtors of a petition against the Authority for reorganization, composition, extension or arrangement with creditors which either (i) results in a finding or adjudication of insolvency of the Authority or (ii) is not dismissed within 90 days of the date of the filing of such petition.

Remedies – County (Section 13.01)

If the County shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed, the Authority shall, if such default has not been cured, have the right to institute any action at law or in equity deemed by the Authority to be necessary or desirable to collect any amounts then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the County under the Financing Agreement.

Remedies – Authority (Section 13.02)

If the Authority shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed, the County shall, if such default has not been cured, have the right to institute any action at law or in equity deemed by the County to be necessary or desirable to collect any amounts then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Authority under the Financing Agreement.

Remedies Cumulative (Section 13.03)

The rights and remedies under the Financing Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any of the obligations of the County or the Authority or to exercise any remedy for any

violation thereof shall not be taken as a waiver for the future of the right to insist strict performance by the County or the Authority or of the right to exercise any remedy for the violation.

Amendment (Section 14.01)

(a) The Financing Agreement may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Office of the Authority and executed or approved by the County to the extent required by the Financing Agreement and by the Act, to add to the covenants and agreements of the County or the Authority for the benefit of the Bondholders or surrender or limit for the benefit of the Bondholders any right or power of the County or the Authority; or

(2) Amended by the parties with notice to the Trustee but without Bondholder consent to (a) cure any ambiguity or defect, (b) change any provision of the Financing Agreement that is not pledged to the Trustee, or (c) add provisions that are not prejudicial to Bondholders, including provisions that do not take effect unless and until (i) no Bonds outstanding prior to the adoption of such amendment remain outstanding or (ii) such amendment is consented to by Bondholders in accordance with the further provisions of the Financing Agreement.

(b) Except as provided in the foregoing paragraph, the Financing Agreement may be amended only by the County and the Authority with the written consent of the affected Bondholders as set forth in the resolution of the Authority providing for the issuance of Bonds.

(c) Any amendment of the Financing Agreement shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes.

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

November 18, 2014

Nassau County Sewer and Storm Water Finance Authority
Mineola, New York

Re: Nassau County Sewer and Storm Water Finance Authority
\$155,765,000 System Revenue Bonds, 2014 Series A
\$1,435,000 System Revenue Bonds, 2014 Series B (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the Nassau County Sewer and Storm Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), with respect to the issuance of its \$155,765,000 System Revenue Bonds, 2014 Series A (the "Series A Bonds") and its \$1,435,000 System Revenue Bonds, 2014 Series B (Federally Taxable) the "Series B Bonds" and with the Series A Bonds, the "Bonds". The Bonds are authorized to be issued pursuant to (i) the Nassau County Sewer and Storm Water Finance Authority Act, being Title 10-D of Article 5 of the Public Authorities Law of the State (the "Act"), (ii) the Authority's General Revenue Bond Resolution dated as of October 1, 2014 (the "General Resolution") by and between the Authority and The Bank of New York Mellon, as trustee (the "Trustee"), and the Authority's First Supplemental Resolution (the "First Supplemental Resolution") dated as of October 1, 2014. All capitalized terms used herein and not otherwise defined shall have the respective meanings prescribed thereto in either the General Resolution or in the First Supplemental Resolution.

The Bonds are dated, are to mature and are to bear interest at the respective rates per annum as set forth in the First Supplemental Resolution. The Bonds are issuable initially only in the form of fully registered bonds.

The Series A Bonds are subject to redemption prior to maturity as a whole or in part, at such time or times, under such circumstances, at such redemption prices and in such manner as is set forth in the First Supplemental Resolution.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) a tax certificate and agreement (the "Tax Certificate") executed by the Authority; and
- (3) an executed counterpart of the General Resolution and the First Supplemental Resolution.

We also have examined a certified copy of proceedings of the finance board of the Authority and other proofs authorizing and relating to the issuance of the Bonds, including the form of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. With the delivery of this letter, our engagement with respect to the Bonds has concluded, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to herein. Furthermore, we have assumed compliance with all covenants and agreements

contained in the General Resolution, the First Supplemental Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the General Resolution, the First Supplemental Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Authority in the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (a) The Authority was duly created and is validly existing under the provisions of the Act as a body corporate and politic constituting a public benefit corporation of the State with full power and authority to issue the Bonds and to pledge the Revenues as security for the Bonds under the General Resolution and to perform all its obligations under the General Resolution and the First Supplemental Resolution.
- (b) The Authority has full power and authority to enter into the General Resolution and the First Supplemental Resolution. The General Resolution and the First Supplemental Resolution have each been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the General Resolution and the First Supplemental Resolution by the Trustee and that each is enforceable against the Trustee, are each in full force and effect and are the valid and binding obligations of the Authority and enforceable in accordance with their terms; provided, however, that the enforceability (but not the validity) of the General Resolution and the First Supplemental Resolution may be limited by any applicable bankruptcy, insolvency, moratorium or other law or enactment now or hereafter enacted by the State or federal government affecting the enforcement of creditor's rights and may be subject to judicial discretion and except that equitable remedies lie in the discretion of a court and may not be available.
- (c) The General Resolution creates a valid pledge which it purports to create of the Trust Estate, as defined therein.
- (d) The Bonds have been authorized and issued in accordance with law, including the Act, and in accordance with the General Resolution and the First Supplemental Resolution. The Bonds constitute valid and legally binding special obligations of the Authority enforceable in accordance with their terms, provided, however, that the enforceability (but not the validity) of the Bonds: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (e) Interest on the Series B Bonds is not excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

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APPENDIX G

BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the 2014 Bonds, in the aggregate principal amount of the 2014 Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2014 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such Bond certificates are required, pursuant to the Resolution, to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Information concerning DTC and the Book Entry System contained in this Official Statement has been obtained from sources the Authority believes to be reliable, and is not guaranteed as to accuracy or completion by, and is not to be construed as a representation by, the Underwriter or the Authority. The Authority can make no assurances that DTC, DTC Participants or other nominees of the owners of the Bonds will distribute notices to the beneficial owners of the Bonds, or that they will do so on a timely basis, nor that DTC will act in the manner described in this Official Statement. The "Rules" applicable to DTC, on file with the Securities and Exchange Commission, and the "Procedures" of DTC to be followed in dealing with DTC participants require DTC to act in the foregoing manner according to DTC.

APPENDIX H

AUTHORITY REFUNDED BONDS

The Authority expects to defease and, where applicable, redeem prior to maturity the Bonds listed below (the “Refunded Bonds”) using proceeds of the 2014 Bonds. Redemption will be at par. Payment on the Refunded Bonds will be made on the dates and in the amounts shown below. The refunding is contingent upon the delivery of the 2014 Bonds.

<u>Series</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Refunded Par Amount</u>	<u>Call Date</u>	<u>CUSIP No.† (Base #63166Q)</u>
2004B	October 1, 2015	5.000%	\$ 1,330,000	12/1/14	AM2
	October 1, 2016	5.000	1,395,000	12/1/14	AN0
	October 1, 2017	5.000	1,465,000	12/1/14	AP5
	October 1, 2018	5.000	1,540,000	12/1/14	AQ3
	October 1, 2019	5.000	1,620,000	12/1/14	AR1
	October 1, 2020	5.000	1,700,000	12/1/14	AS9
	October 1, 2021	5.000	1,780,000	12/1/14	AT7
	October 1, 2022	5.000	1,870,000	12/1/14	AU4
	October 1, 2023	5.000	1,970,000	12/1/14	AV2
	October 1, 2024	5.000	2,065,000	12/1/14	AW0
2008A	November 1, 2015	4.000	7,215,000	N/A	BH2
	November 1, 2016	4.500	7,585,000	N/A	BJ8
	November 1, 2017	5.000	7,745,000	N/A	BK5
	November 1, 2018	5.000	8,080,000	N/A	BL3
	November 1, 2023	5.125	46,100,000	11/01/18	BM1
	November 1, 2028	5.375	36,955,000	11/01/18	BN9

† Copyright 2011, American Bankers Association. CUSIP data herein are provided by Standard & Poor’s. CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the holders of the Refunded Bonds and the Authority makes no representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.

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