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TERM SHEET

ISSUER:	Dutchess County Water and Wastewater Authority , Dutchess County, New York (the “ Authority ”).
ISSUE:	\$2,700,000 Service Agreement Revenue Notes, Series 2025 (Peach Road Water Main Project) (the “ Notes ”).
SALE DATE:	August 6, 2025.
SALE TIME:	11:00 AM (Eastern Time).
DATED DATE:	August 21, 2025.
DELIVERY:	Delivery of the Notes will be through the offices of The Depository Trust Company (“DTC”) or as otherwise mutually agreed upon by the Authority and the purchaser, on or about August 21, 2025.
MATURITY DATE:	August 21, 2026.
AMORTIZATION:	The principal of and interest on the Notes are due and payable on the Maturity Date.
INTEREST CALCULATION:	Interest on the Notes shall be calculated on the basis of twelve 30-day months and a 360-day year (30/360).
BANK QUALIFICATION:	The Notes will be designated as qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).
NO PRIOR REDEMPTION:	The Notes are not subject to optional redemption prior to maturity.
LEGAL OPINION:	To be provided by Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the Authority, the form of which is attached hereto as Appendix C .
TAX TREATMENT:	The opinion of Bond Counsel, shall state that under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described in the Tax Certificate executed by the Authority, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 the Code, and, (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, the opinion of Bond Counsel shall also state that under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.
SECURITY:	The Notes are special obligations of the Authority and, when duly issued and paid for, will constitute a contract between the Authority and the holder thereof. The Notes are secured by

a pledge of revenues of the Authority derived from the provisions of the Service Agreement between the Authority and the County of Dutchess, for itself and on behalf of the Dutchess County Water District (the "Water District"), moneys on deposit in certain of the funds and accounts created under the General Resolution, and the amounts collected through the rates, fees, and other charges (the "Water Rates") within the Water System (see "Description of the Water System" herein). The Notes will not be secured by a mortgage on the system facilities. The Notes shall be on a parity with all other notes and bonds of the Authority issued under the General Resolution.

USE OF PROCEEDS:

Proceeds from the Notes will be used (i) to provide the initial original financing for the design and construction of the Peach Road water main, and (ii) to pay the costs of issuance of the Notes.

DESCRIPTION OF THE WATER SYSTEM:

The Water System provides service in the aggregate to approximately 4,434 separate customer accounts, of which 3,934 are residential (89%) and 500 are commercial, industrial, or institutional (11%). The current Water System is made up of 26 Zones of Assessment ("Zones") within the Water District, comprises an aggregate area of about sixteen square miles located across eleven municipalities, and presently serves a residential population of about 22,000.

The Water System is comprised of several subsystems, each of which provide water service to a respective Zone within the Water District. The largest subsystem is the Hyde Park Regional Water System, which provides water from the Authority's 2.1 million gallons per day (mgd) Hyde Park Water Treatment Facility to Zones A, B, C, D, I, L, and R located in the Towns of Hyde Park and Rhinebeck. Together these Zones include 3,056 tax parcels and provide service to 2,188 customer accounts. In addition to the Hyde Park Regional System, the Authority operates twelve additional independent systems, the largest of which, Dalton Farms (Zone H), provides service to 603 residential customers in the Town of Beekman.

BIDDING REQUIREMENTS:

Telephone proposals, fax proposals and proposals via iPreo's Parity Electronic Bid Submission System ("Parity") will be received at the place and time on the Sale Date as herein indicated, for the purchase at not less than par and accrued interest of the Notes as herein described. No other form of electronic bidding services will be accepted. The number for telephone proposals is (516) 274-4502. The number for FAX proposals is (516) 487-2575. Bidders submitting proposals via facsimile must use the "Proposal for Notes" form attached hereto.

Proposals may be submitted in accordance with this Term Sheet until the time specified herein. No proposal will be accepted after the time for receiving proposals specified above. Any proposal received by the time for receiving proposals specified herein, which have not been modified or withdrawn by the bidder, including those communicated electronically via Parity, shall constitute an irrevocable offer to purchase the Notes pursuant to the terms herein and therein provided. Bidders shall not submit a bid that modifies the terms contained in this Term Sheet or adds additional conditions not set forth in the Term Sheet.

The Authority reserves the right to reject any and all bids (regardless of the interest rate bid), to reject any bid not complying with this Term Sheet and, so far as permitted by law, to waive any irregularity or informality with respect to any bid or the bidding process.

The timely delivery of all proposals submitted by facsimile transmission (FAX) must be in legible and complete form, signed by an authorized representative of the bidder(s), and shall be the sole responsibility of the bidder(s). The Authority shall not be responsible for any errors and/or delays in transmission and/or receipt of such bids, mechanical or technical failures or disruptions, or any omissions or irregularities in any bids submitted in such manner.

Bids must be made for all of the Notes. Each bid must state: (i) the principal amount of the Notes to be purchased pursuant to such bid and (ii) in a multiple of one-hundredth (1/100th) or one-eighth (1/8th) of one percent, a rate of interest per annum which the Notes bid shall bear. Each bid submitted must comply with the foregoing requirements. Conditional bids will be rejected.

If a facsimile bid is submitted, such bid must be made on the "Proposal for Notes" accompanying the Term Sheet.

Unless all bids are rejected, the Notes will be awarded and sold to the bidder complying with the terms of sale and offering to purchase the Notes at the lowest net interest cost. If two or more such bidders offer the same lowest net interest cost, then the Notes will be awarded and sold to one of said bidders selected by the Authority's Treasurer by lot from among all said bidders. The right is further reserved by the Authority to reject any or all bids, and any bid not complying with this Term Sheet will be rejected.

Award of the Notes is expected to be made promptly after opening of the bids, but the successful bidder may not withdraw its proposal until two (2) hours after the time set forth above on the day of such bid opening and then only if such award has not been made prior to the withdrawal.

BIDDING USING PARITY:

Prospective bidders wishing to submit an electronic bid via Parity must be contracted customers of Parity. Prospective bidders who do not have a contract with Parity must call (212) 849-5021 to become a customer. By submitting an electronic bid for the Notes, a bidder represents and warrants to the Authority that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes.

Each prospective bidder who wishes to submit an electronic bid shall be solely responsible to register to bid via Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Term Sheet. Neither the Authority nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Authority nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Authority is using Parity as a communications mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Authority's Notes. The Authority is not bound by any advice or determination of Parity as to whether any bid complies with the terms of this Term Sheet. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Authority is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid, or submitting or modifying a bid for the Notes, it should telephone Parity and notify the Authority's Municipal Advisor, Capital Markets Advisors, LLC at (516) 274-4502 (provided that the Authority shall have no obligation to take any action whatsoever upon receipt of such notice).

If any provisions of this Term Sheet conflict with information provided by Parity, as approved provider of electronic bidding services, this Term Sheet shall control. Further information about Parity, including any fee charged, may be obtained from Parity at (212) 849-5021. The time maintained by Parity shall constitute the official time with respect to all bids submitted.

FORM OF NOTES:

At the option of the purchaser, the Notes will be issued in (i) registered form registered in the name of the successful bidder or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for DTC.

If the Notes are registered in the name of the successful bidder, a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the Authority, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Authority to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Authority will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

CUSIP identification numbers will be printed on the book-entry only notes if Bond Counsel is provided with such number by the close of business on the Sale Date of the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery and pay for the Notes in accordance with the terms hereof. It shall be the responsibility of the purchaser to obtain CUSIP numbers for the Notes within one day after the Sale Date. The Authority will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the purchaser to obtain such numbers and to supply them to the Authority in a timely manner. The CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser; however, all expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Authority. For those Notes issued in registered form, the Authority will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser.

ISSUE PRICE CERTIFICATE:

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal notes who have established industry reputations for underwriting new issuances of municipal notes (the “Competitive Sale Requirements”). The Municipal Advisor will advise the winning bidder if the Competitive Sale Requirements were met at the same time it notifies the winning bidder of the award of the Notes. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

The winning bidder shall, within one (1) hour after being notified of the award of the Notes, advise the Municipal Advisor by electronic or facsimile transmission of the reasonably expected initial public offering price or yield of each maturity of the Notes (the “Initial Reoffering Prices”) as of the date of the award.

By submitting a bid, the winning bidder agrees (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Requirements **are not** met, it will elect and satisfy either option (1) or

option (2) described below. *Such election must be made on the bid form submitted by each bidder.*

(1) Hold the Price. The winning bidder:

- (a) will make a bona fide offering to the public of all of the Notes at the Initial Reoffering Prices and provide Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,
- (b) will neither offer nor sell to any person any Notes within a maturity at a price that is higher, or a yield that is lower, than the Initial Reoffering Price of such maturity until the earlier of (i) the date on which the winning bidder has sold to the public at least 10 percent of the Notes of such maturity at a price that is no higher, or a yield that is no lower, than the Initial Reoffering Price of such maturity or (ii) the close of business on the 5th business day after the date of the award of the Notes, and
- (c) has or will include within any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Notes as set forth above.

(2) Follow the Price. The winning bidder:

- (a) will make a bona fide offering to the public of all of the Notes at the Initial Reoffering Prices and provide the Issuer with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,
- (b) will report to the Issuer information regarding the first price that at least 10 percent of the Notes within each maturity of the Notes have been sold to the public,
- (c) will provide the Issuer with reasonable supporting documentation or certifications of such sale prices the form of which is acceptable to Bond Counsel. This reporting requirement, which may extend beyond the closing date of the Notes, will continue until such date that the requirement set forth in paragraph (b) above for each maturity of the Notes is satisfied, and
- (d) has or will include within any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

For purposes of the “hold the price” or “follow the price” requirement, a “maturity” refers to Notes that have the same interest rate, credit and payment terms.

Regardless of whether or not the Competitive Sale Requirements were met, the winning bidder shall submit to the Issuer a certificate (the “Reoffering Price Certificate”), satisfactory to Bond Counsel, prior to the delivery of the Notes stating the applicable facts as described above. The form of Reoffering Price Certificate is available by contacting Bond Counsel or the Municipal Advisor.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Requirements were met, the Reoffering Price Certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

For purposes of this Notice, the “public” does not include the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Notes to the public (such as a retail distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Notes to the public). In making the representations described above, the winning

bidder must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Notes.

OFFICIAL STATEMENT:

The Authority has **NOT** prepared an Official Statement in connection with the sale of the Notes. The Authority’s most recent official statement is dated January 10, 2019, and was prepared in connection with the issuance of \$1,315,000 Service Agreement Revenue Bonds, Series 2019. A copy of that Official Statement is available on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system website at <http://emma.msrb.org/>, or upon request to Capital Markets Advisors, LLC, the Authority’s Municipal Advisor, at (516) 274-4502.

Please be advised that certain financial information and operating data, as well as information regarding certain material events that may occur from time to time, are filed by the Authority with respect to its bonds, in satisfaction of certain continuing disclosure undertaking agreements entered into pursuant to Securities and Exchange Rule 15c2-12, by periodically filing such information on EMMA.

A link to the Authority’s Audited Financial Statements for the fiscal year ended December 31, 2023 on EMMA is as follows: <https://emma.msrb.org/P21822568.pdf>

The Authority expects to have the Audited Financial Statements for the fiscal year ended December 31, 2024 completed and approved by the Board of Directors on August 21, 2025.

CREDIT RATING:

The Authority has not applied to Standard & Poor’s Rating Services (“S&P”), or any other rating agency, for a rating on the Notes. The Authority’s current underlying rating for parity indebtedness from S&P is “AA/Stable Outlook”.

ISSUER/ PAYING AGENT:

Dutchess County Water and Wastewater Authority
1 LaGrange Avenue
Poughkeepsie, New York 12603

Jessica McMahon, *Treasurer*
Phone: (845) 486-3601
E-mail: jmcmahon@dutchessny.gov

BOND COUNSEL:

Orrick, Herrington & Sutcliffe, LLP
Thomas Myers, Esq.
Phone: (212) 506-5212; Fax: (212) 506-3730
E-mail: tmyers@orrick.com

MUNICIPAL ADVISOR:

Capital Markets Advisors, LLC
Alex LoCascio, *Assistant Vice President*
Phone: (516) 274-4502; Fax: (516) 487-2575
E-mail: alocascio@capmark.org

Capital Markets Advisors, LLC, Great Neck, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent municipal advisor to the Authority in connection with this transaction.

In preparing the Term Sheet, the Municipal Advisor has relied upon Authority officials, and other sources, who have access to relevant data to provide accurate information for the Term Sheet. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine, or audit any information in the Term Sheet in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the Authority. The Municipal Advisor is an independent advisory firm and is not

engaged in the business of underwriting, trading, or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Notes.

APPENDICES:

Appendix A: Amended and Nineteenth Restatement of the Service Agreement between the County of Dutchess, New York for and on behalf of the Dutchess County Water District and the Dutchess County Water and Wastewater Authority, dated May 1, 2024.

Appendix B: Dutchess County Water District; Projected Rates, Expenses, and Revenues for Fiscal Years 2025 through 2030.

Appendix C: Form of Approving Legal Opinion of Bond Counsel.

DATED:

July 23, 2025.

PROPOSAL FOR NOTES

Chairman of the Board
Dutchess County Water and Wastewater Authority
c/o Capital Markets Advisors, LLC
11 Grace Avenue, Suite 308
Great Neck, New York 11021

TELEPHONE: (516) 274-4502

FACSIMILE: (516) 487-2575

**DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK**

**\$2,700,000 SERVICE AGREEMENT REVENUE NOTES, SERIES 2025
(PEACH ROAD WATER MAIN PROJECT)
(the "Notes")**

DATED: August 21, 2025

MATURITY: August 21, 2026

	Amount	Interest Rate	Premium	Net Interest Cost*
Bid	\$ 2,700,000	%	\$	%

Please select one of the following (if no option is selected, the book-entry-only option will be assumed to have been selected by the purchaser):

- ☐ Book-Entry-Only registered to Cede & Co.
- ☐ Non Book-Entry Registered to Purchaser

Please check one of the following:

- ☐ We are purchasing the Notes for our own account and not with a view to distribution or resale to the public.
- ☐ In the event the Competitive Sale Requirements are not met, we hereby elect to:
 - ☐ Hold the Offering Price Requirement
 - ☐ Follow the Offering Price Requirement

* The computation of the net interest cost is made as provided in the above-mentioned Term Sheet but does not constitute any part of the foregoing Proposal for the purchase of the Notes therein described.

Signature: _____

Name of Bidder: _____

Address: _____

Telephone (Area Code): _____

Fax (Area Code): _____

APPENDIX A

**AMENDED AND NINETEENTH RESTATEMENT OF THE SERVICE AGREEMENT
DATED MAY 1, 2024**

SERVICE AGREEMENT

Dated as of June 1, 1998

Amended and Nineteenth Restatement As of May 1, 2024

between

COUNTY OF DUTCHESS, NEW YORK,
for and on behalf of the Dutchess County Water District

and

DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY

Integrated Water Supply, Purification and Distribution System
Dutchess County, New York

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THIS SERVICE AGREEMENT, dated as of June 1, 1998, amended and Nineteenth Restatement as of May 1, 2024, by and between the COUNTY OF DUTCHESS, NEW YORK, a municipal corporation of the State of New York having its office at 22 Market Street, Poughkeepsie, New York for and on behalf of the Dutchess County Water District, a water district of the County having those powers provided in Article 5-A of the County Law and the DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY, a public benefit corporation of the State of New York having its office at 1 Lagrange Ave., Poughkeepsie, New York.

WITNESSETH:

WHEREAS, the County is concerned with the need for the affordable provision of potable water to, generally, Persons within the Water District and, specifically, Persons within the Zones of Assessment and areas adjacent thereto to which affordable potable water may be provided through the Water System; and

WHEREAS, the Authority has, pursuant to the Act and (i) an Agreement For Transfer Of Water System, between the Authority and the Hyde Park Fire And Water District, acquired the Hyde Park Water System from the Hyde Park Fire And Water District, (ii) an agreement between the Authority and the County acquired the Staatsburg Water System, (iii) an agreement between the Authority and the Town of Hyde Park, acquired the assets of the Harbourn Hills Water District, (iv) an agreement between the Authority and the Schreiber Water Works Corp., acquired the water supply system of the Schreiber Water Works, (v) an agreement between the Authority and the Hillis Park Water Corporation, acquired the Hillis Park Water System, a/k/a the Valley Dale Water System, (vi) an agreement between the Authority and Rokeby Homes, Inc., acquired the water distribution system serving Rokeby Homes, (vii) an agreement between the Authority and Sarcar LLC, acquired the water distribution system serving the Crofton Mews

Apartment Complex, (viii) an agreement between the Authority and the Farm Water Company, Inc., acquired the water supply and distribution system serving the Dalton Farms Development, the Poughquag Hamlet Water Improvement Area and the residential subdivisions known or proposed to be known substantially as Victoria Estates and Plum Court, all being within the Town of Beekman, (ix) an agreement between the Authority and the County to purchase and install the Route 9 Connecting Main, the 1998 Capital Construction and the 2000 Harbour Hills Capital Construction, (x) an agreement to acquire upon completion the water distribution facilities serving the Jeffrey Groves Estate subdivision in the Town of Hyde Park, (xi) an agreement between the Authority and Shore Haven Civic Association Inc., acquired the water supply and distribution system serving a residential community in the Town of Pawling west of Whaley Lake, (xii) an agreement between the Authority and Birch Hill Water Supply, Inc. acquired the water supply and distribution system serving a residential community in the Town of Beekman known as Birch Hill Manor and Highview Manor, (xiii) an agreement between the Authority and the County to purchase and install the Route 9G Interconnection Main, (xiv) an agreement between the Authority and Fairway Water Corp. acquired the Fairways Water System in the Town of Red Hook, and (xv) agreements between the Authority and the Town of Hyde Park acquired the Arbors Water System, the Violet Avenue Water System, the Greenbush Water System, the Pinebrook Water System, the Greenfields Water System and the Quaker Hills Water System; and (xvi) an agreement with the County to acquire upon completion the Dutchess County Airport Water Line, and (xvii) an agreement with Red Hook Acres LLC to acquire the Tradition at Red Hook Water System, and (xviii) an agreement with the Village of Tivoli to acquire the Tivoli Water System, and (xiv) an agreement with PLT Associates to acquire the PLT Associates Water System, and (xx) an agreement with the County to install the Peach Road

Water Main, and (xxi) an agreement with JSM Upstate Properties to acquire upon completion the Alaina Estates Water System, and (xxii) an agreement with the County to install the West Dorsey Water Main Extension.

WHEREAS, the parties propose to enter into this Service Agreement in order that the Authority may cause Water Service to be provided to Persons within certain areas within the Water District and that the County may accept and pay for such Water Service. So long as the Authority, its successors and assigns, provides Water Service, the County shall be obligated to pay Service Fees, all as more particularly set forth herein; and

WHEREAS, in consideration of the premises and the respective provisions and agreements hereinafter contained and other good and valuable consideration, receipt of which is hereby acknowledged, the Authority agrees to provide, and the County agrees to accept and pay for, Water Service on the following terms and conditions:

ARTICLE 1.

DEFINITIONS

Unless the context shall otherwise require, capitalized terms herein have the meaning given to them as follows:

“Act” means Title 6-C of Article 5 of the Public Authorities Law of the State.

“Additional Indebtedness” means Additional Parity Indebtedness as defined in the Bond Resolution.

“Alterations” means reconstruction, construction of additions to or any other improvements to the Water System which would be an increase and improvement to the Water System under Section 268 of the County Law of the State, as the same may be amended from time to time.

“Arbors Water System” means the system for the provision of potable water for persons within the Zone O Zone of Assessment acquired by the Authority from the Town of Hyde Park, including any additions thereto or deletions therefrom from time to time.

“Arbors Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Arbors Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Arbors Water System, or of providing potable water through any other means to Persons within the Zone O Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone O Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Arbors Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone O Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone O Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone O Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Authority” means (i) the Dutchess County Water and Wastewater 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.

“Basic Service Agreement Term” means the period commencing on the Closing Date and terminating on the earlier of (i) the date of maturity of the Bonds or (ii) the date on which the Bonds are paid or provision for the payment thereof has been made as provided in the Bond Resolution.

“Birch Hill Bonds” means the bonds (not exceeding \$850,000) issued by the Authority under the Bond Resolution to finance improvements to the Birch Hill Water System, reserves and costs of issuance.

“Birch Hill Water System” means the water supply and distribution system acquired by the Authority from Birch Hill Water Supply, Inc. to provide potable water to Birch Hill Manor and Highview Manor, all being within the Town of Beekman, including any additions thereto or deletions therefrom from time to time.

“Birch Hill Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Birch Hill Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Birch Hill Water System, or of providing potable water through any other means to Persons within the Zone K Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone K Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Birch Hill Water System

as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone K Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone K Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone K Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Bondholder” means the Person in whose name any Bond is registered pursuant to the Bond Resolution.

“Bond Resolution” means the General Revenue Bond Resolution for the Bonds, including any supplemental Bond Resolution, as the same may be amended from time to time.

“Bonds” means, collectively, the 1998 Bonds, the 1999 EFC Refunding Bonds, the 2000 Bonds, the 2001 Bonds, the 2002 EFC Refunding Bonds, the 2002 Refunding Bonds, the 2004 Bonds, the Birch Hill Bonds, the Shore Haven Bonds, the Route 9G Interconnection Water Main Bonds, and any other Additional Indebtedness.

“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.

“Closing Date” means the date of delivery of the 1998 Bonds.

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

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

“Credit Facility” 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 as further provided in the Bond Resolution.

“Credit Facility Provider” means the provider of any Credit Facility.

“Crofton Mews Water Distribution System” means the water distribution system acquired by the Authority from Sarcar LLC to provide potable water from the Hyde Park Water system to the Crofton Mews Apartment Complex, including any additions thereto or deletions therefrom from time to time.

“Crofton Mews Water Distribution System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Crofton Mews Water Distribution System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Crofton Mews Water Distribution System, or of providing potable water through any other means to Persons within the Zone G Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone G Zone of Assessment, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Hyde Park Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone G Zone of Assessment,

(iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone G Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone G Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Dalton Farms Water System” means the water supply and distribution system acquired by the Authority from the Farm Water Company, Inc. to provide potable water to the Dalton Farms Development, the Poughquag Hamlet Water Improvement Area and the residential subdivisions known as or proposed to be known substantially as Victoria Estates and Plum Court, all being within the Town of Beekman, including any additions thereto or deletions therefrom from time to time.

“Dalton Farms Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Dalton Farms Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Dalton Farms Water System, or of providing potable water through any other means to Persons within the Zone H Zone of Assessment, (ii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone H Zone of Assessment (iii) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost,

fee or expenses incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to either the 2004 Bonds or any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone H, Zone of Assessment, and (iv) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Discharge Date” means the date on which the Bonds have been paid in full or provision therefrom made in accordance with the terms of the Bond Resolution.

“Fairways Water System” means the system for the distribution of potable water acquired by the Authority to serve Persons within the Zone M Zone of Assessment, including any additions thereto or deletions therefrom from time to time.

“Fairways Water System Operating Expenses” means the costs, fees and expenses reasonably incurred or to be incurred by or for the Authority (i) in connection with the operation of the Fairways Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Fairways Water System, or of providing potable water through any other means to Persons within the Zone M Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone M Zone of Assessment, (ii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone M Zone of Assessment, (iii) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone M Zone of Assessment, and (iv) the fees and expenses

incurred or estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

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

“Greenbush Water System” means the system for the provision of potable water for persons within the Zone Q Zone of Assessment acquired by the Authority from the Town of Hyde Park, including any additions thereto or deletions therefrom from time to time.

“Greenbush Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Greenbush Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Greenbush Water System, or of providing potable water through any other means to Persons within the Zone Q Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone Q Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Greenbush Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone Q Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone Q Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with

respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone Q Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Greenfields Water System” means the system for the provision of potable water for persons within Zones S and T acquired by the Authority from the Town of Hyde Park, including any additions thereto or deletions therefrom from time to time.

“Greenfields Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Greenfields Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Birch Hill Water System, or of providing potable water through any other means to Persons within the Zone S and Zone T Zones of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone S and Zone T Zones of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Greenfields Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone S and Zone T Zones of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone S and Zone T Zones of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone S or Zone T Zones of

Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Harbour Hills Water District” means that water district created under the Town Law of the State by, and located in, the Town of Hyde Park, Dutchess County, New York known as the Harbour Hills Water District, or its successors or assigns.

“Harbour Hills Water System” means the system for the distribution of potable water constructed by the Authority to serve Persons within the Zone D Zone of Assessment, including any additions thereto or deletions therefrom from time to time.

“Harbour Hills Water System Operating Expenses” means the costs, fees and expenses reasonably incurred or to be incurred by or for the Authority (i) in connection with the operation of the Harbour Hills Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Harbour Hills Water System, or of providing potable water through any other means to Persons within the Zone D Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone D Zone of Assessment and fire hydrants for the Zone D Zone of Assessment, (ii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone D Zone of Assessment, (iii) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to the 2000 Series B Bonds, or any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone D Zone of Assessment, and (iv) the fees and expenses incurred or

estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

“Hyde Park Fire and Water District” means that district corporation located in the Town of Hyde Park, Dutchess County, New York known as the Hyde Park Fire and Water District, or its successors or assigns.

“Hyde Park Water System” means the system for the supply, purification and distribution of potable water and the fire hydrants acquired by the Authority from the Hyde Park Fire and Water District on the Closing Date, including any addition thereto or deletion therefrom from time to time.

“Hyde Park Water System Operating Expenses” means the costs, fees and expenses reasonably incurred or to be incurred by or for the Authority (i) in connection with the operation of the Hyde Park Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Hyde Park Water System, or of providing potable water through any other means to Persons within the Zone A Zone of Assessment, the Zone B Zone of Assessment, or the Zone L Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone A Zone of Assessment, the Zone B Zone of Assessment and the Zone L Zone of Assessment and fire hydrants for the Zone A Zone of Assessment, the Zone B Zone of Assessment and the Zone L Zone of Assessment, and, specifically, with respect to fire hydrants as may be required pursuant to Article III of the Transfer Agreement, including costs of any alteration for which Additional Indebtedness have not been issued, (ii) any Litigation Expenses or Other Litigation Expenses to be paid or paid by the Authority other than from Additional Indebtedness (iii) the applicable proportionate charge, as determined from year to year by the

Authority, of the administrative and general operating expenses of the Authority to the Zone A Zone of Assessment, the Zone B Zone of Assessment and the Zone L Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to the 1998 Series A Bonds, the 1998 Series B Bonds, the 1998 Series C Bonds, or any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone A Zone of Assessment, the Zone B Zone of Assessment or the Zone L Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

“Initial Bonds” means Bonds identified in a map, plan and report prepared in connection with the creation of a zone of assessment.

"Jeffrey Groves Water System" the system for the distribution of potable water acquired by the Authority to serve Persons within the Zone I Zone of Assessment, including any addition thereto or deletion therefrom from time to time.

"Jeffrey Grove Water System Operating Expenses" means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Jeffrey Groves Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Jeffrey Groves Water System, or of providing potable water through any other means to Persons within the Zone I Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone I Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating,

maintaining, repairing, insuring or providing services to the Hyde Park Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone I Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone I Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone I Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

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

“Litigation Expenses” means Litigation Expenses as defined in Section 1.4(b) of the Transfer Agreement in excess of \$400,000.

“1998 Bonds” means, collectively, the 1998 Series A Bonds, the 1998 Series B Bonds, the 1998 Series C Bonds, the 1998 Series Capital Construction Bonds and the 1998 Series Staatsburg Bonds.

“1998 Capital Construction” means the purchase and installation of an additional raw water pump and an additional finished water pump in or at the water treatment plant, being part of the Hyde Park Water System.

“1998 Series A Bonds” means the 1998 Series A Bonds as defined in the Bond Resolution.

“1998 Series B Bonds” means the 1998 Series B Bonds as defined in the Bond Resolution.

“1998 Series C Bonds” means the 1998 Series C Bonds as defined in the Bond Resolution.

“1998 Series Capital Construction Bonds” means the 1998 Series Capital Construction Bonds as defined in the Bond Resolution.

“1998 Series Staatsburg Bonds” means the 1998 Series Staatsburg Bonds as defined in the Bond Resolution.

“1999 EFC Refunding Bonds” means the Series 1999-SDW Bonds as defined in the Bond Resolution.

“Operating Expenses” means, collectively, Hyde Park Water System Operating Expenses, Staatsburg Water System Operating Expenses, Harbours Hills Water System Operating Expenses, Schreiber Water System Operating Expenses, Valley Dale Water System Operating Expenses, Rokeby Water System Operating Expenses, Crofton Mews Water Distribution System Operating Expenses, Dalton Farms Water System Operating Expenses, Jeffrey Groves Water System Operating Expenses, Shore Haven Water System Operating Expenses, Birch Hill Water System Operating Expenses, Fairways Water System Operating Expenses, Arbors Water System Operating Expenses, Violet Avenue Water System Operating Expenses, Greenbush Water System Operating Expenses, Pinebrook Water System Operating Expenses, Greenfields Water System Operating Expenses, Quaker Hills Water System Operating Expenses and Other Operating Expenses.

“Other Operating Expenses” means fees and expenses similar to Hyde Park Water System Operating Expenses, Staatsburg Water System Operating Expenses, Harbours Hills

Water System Operating Expenses, Schreiber Water System Operating Expenses, Valley Dale Water System Operating Expenses, Rokeby Water System Operating Expenses, Crofton Mews Water Distribution System Operating Expenses, Dalton Farms Water System Operating Expenses, Jeffrey Groves Water System Operating Expenses, Shore Haven Water System Operating Expenses, Birch Hill Water System Operating Expenses, Fairways Water System Operating Expenses, Arbors Water System Operating Expenses, Violet Avenue Water System Operating Expenses, Greenbush Water System Operating Expenses, Pinebrook Water System Operating Expenses, Greenfields Water System Operating Expenses, and Quaker Hills Water System Operating Expenses, and all other Zones of Assessment including those reasonably incurred or to be incurred by or for the Authority in connection with the provision of potable water by the Authority to areas other than the Zones of Assessment pursuant to an amendment to the Service Agreement.

“Other Litigation Expenses” means expenses incurred by the Authority in the defense and payment of litigation against the Hyde Park Fire and Water District in accordance with Section 1.4(d) of the Transfer Agreement.

“Parts” means tangible and intangible chattels incorporated in the Water System.

“Permitted Liens” means Permitted Encumbrances as defined in the Bond Resolution.

“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.

“Pinebrook Water System” means the system for the provision of potable water to persons within the Zone R Zone of Assessment acquired by the Authority from the Town of Hyde Park, including any additions thereto or deletions therefrom from time to time.

“Pinebrook Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Pinebrook Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Pinebrook Water System, or of providing potable water through any other means to Persons within the Zone R Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone R Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Pinebrook Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone R Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone R Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone R Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates

“Quaker Hills Water System” means the system for the provision of potable water to persons in the Zone U Zone of Assessment acquired by the Authority from the Town of Hyde Park, including any additions thereto or deletions therefrom from time to time.

“Quaker Hills Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the

Quaker Hills Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Quaker Hills Water System, or of providing potable water through any other means to Persons within the Zone U Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone U Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Quaker Hills Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone U Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone U Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone U Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Renewal Service Agreement Term” means the Renewal Service Agreement Term provided in Article 6 of the Service Agreement.

“Rokeby Water System” means the system for the supply and distribution of potable water acquired by the Authority from Rokeby Homes, Inc., to serve Persons within the Zone F Zone of Assessment, including any additions thereto or deletions therefrom from time to time.

“Rokeby Water System Operating Expenses” means the costs, fees and expenses reasonably incurred or to be incurred by or for the Authority (i) in connection with the operation of the Rokeby Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Rokeby Water System, or of providing potable water through any other means to Persons within the Zone F Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone F Zone of Assessment (ii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone F Zone of Assessment, (iii) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone F Zone of Assessment, and (iv) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

“Route 9 Connecting Main” means the approximately 11,000 feet of 16+ inch water main to be purchased and installed in or along Route 9 connecting the Hyde Park Water System to the system for the distribution of potable water and fire hydrants serving the Zone C Zone of Assessment acquired by the Authority from the County on the Closing Date, including a water tank and other improvements in connection therewith and other Staatsburg distribution system improvements, all as set forth on the Route 9 Connecting Main Plans and Specifications.

“Route 9 Connecting Main Plans and Specifications” means the Plans and Specifications for the Route 9 Connecting Main on file in the office of the Authority, as the same may be amended from time to time.

"Route 9G Interconnection Main" means the approximately 7,600 feet of 12 inch water main to be installed in or along Route 9G in the Town of Hyde Park, from the northern end of the Zone D Zone of Assessment to connect to the existing Hyde Park Water System water main at White Oaks Road, including incidental improvements.

"Route 9G Interconnection Water Main Bonds" means the bonds (not exceeding \$6,000,000) issued by the Authority under the Bond Resolution to finance the Route 9G Interconnection Water Main, reserves, and costs of issuance.

"Schreiber Water System" means the system for the supply of potable water serving Persons within the Zone E Zone of Assessment, including any additions thereto or deletions therefrom from time to time.

"Schreiber Water System Operating Expenses" means the costs, fees and expenses reasonably incurred or to be incurred by or for the Authority (i) in connection with the operation of the Schreiber Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Schreiber Water System, or of providing a source of potable water through any other means for Persons within the Zone E Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Zone E Zone of Assessment, (ii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone E Zone of Assessment, (iii) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone E Zone of Assessment, and (iv) the fees and expenses incurred or

estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

“Service Agreement” means this Service Agreement dated as of June 1, 1998, as amended by and between the County and the Authority, as the same may be amended from time to time.

“Service Agreement Term” means, collectively, the Basic Service Agreement Term and any Renewal Service Agreement Term.

“Service Event of Default” means an event of default provided in Article 11 of the Service Agreement.

“Service Failure” means the failure of the Authority to provide Water Service to in excess of, collectively, twenty-five per centum of the Persons within the Zones of Assessment and such other Persons within the Water District as the Authority may agree with the County to provide Water Service to pursuant to an amendment to the Service Agreement, for a period of ninety consecutive days.

“Service Fee” means the Service Fee to be paid by the County to the Authority pursuant to Section 5.2 of the Service Agreement.

“Service Fee Payment Date” means the first day of the months of February, May, August and November.

“Shore Haven Bonds” means the bonds (not exceeding \$1,600,000) issued by the Authority under the Bond Resolution to finance improvements to the Shore Haven Water System (Zone of Assessment J), reserves and costs of issuance.

“Shore Haven Water System” means the water supply and distribution system acquired by the Authority from Shore Haven Civic Association Inc. to provide potable water to an area of

the Town of Pawling west of Whaley Lake, including any additions thereto or deletions therefrom from time to time.

“Shore Haven Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Shore Haven Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Shore Haven Water System, or of providing potable water through any other means to Persons within the Zone J Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone J Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Shore Haven Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone J Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone J Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone J Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“State” means the State of New York.

“Staatsburg Water System” means the system for the distribution of potable water and the fire hydrants serving the Staatsburg area of the Towns of Hyde Park and Rhinebeck acquired by

the Authority from the County on the Closing Date and the Route 9 Connecting Main and other facilities for the provision of potable water for persons within the Zone C Zone of Assessment, including any additions thereto or deletions therefrom from time to time.

“Staatsburg Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Staatsburg Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Staatsburg Water System, or of providing potable water through any other means to Persons within the Zone C Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone C Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Hyde Park Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone C Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone C Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority with respect to the 1998 Series Staatsburg Bonds or any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone C Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Stipulated Interest Rate” shall be the rate of interest provided in Section 3-a of the General Municipal Law of the State, as the same may be amended from time to time.

“Transfer Agreement” means the agreement for the transfer of Hyde Park Water System dated as of November 20, 1997 by and between the Authority and the Hyde Park Fire and Water District, as the same may be amended from time to time.

“Trustee” means the Trustee for the Bondholders appointed under the Bond Resolution.

“2000 Bonds” means the 2000 Bonds as defined in the Bond Resolution.

“2000 Harbour Hills Construction” means the construction of the Harbour Hills Water System, including the installation of approximately 18,000 feet of ductile iron water pipe with accessory valves and hydrants, the acquisition of the County-owned water line along County Route 40A and the acquisition of the assets of the Harbour Hills Water District.

“2001 Bonds” means the 2001 Bonds as defined in the Bond Resolution.

“2002 EFC Refunding Bonds” means the Series 2002 WPC Bonds as defined in the Bond Resolution.

“2002 Refunding Bond” means the Series 2002 Harbour Hills Bonds as defined in the Bond Resolution.

“2004 Bonds” means the 2004 Bonds as defined in the Bond Resolution.

“Valley Dale Water System” means the system for the distribution of potable water serving the Valley Dale subdivision of the Town of Pleasant Valley acquired by the Authority from the Hillis Park Water Corporation, including any additions thereto or deletions thereof from time to time.

“Valley Dale Water System Operating Expenses” means the costs, fees and expenses reasonably incurred or to be incurred by or for the Authority (i) in connection with the operation of the Valley Dale Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or

providing services to the Valley Dale Water System, or of providing potable water through any other means to Persons within the Valley Dale Zone of Assessment, each as may be necessary or proper to maintain Water Service to the Valley Dale Zone of Assessment and fire hydrants for the Valley Dale Zone of Assessment, if any, (ii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Valley Dale Zone of Assessment, (iii) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related costs, fee or expense incurred or to be incurred and payable by the Authority and not paid out of Bond proceeds with respect to the 2000 Series A Bonds, or any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Valley Dale Zone of Assessment, and (iv) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the imposition and collection of water rates.

“Valley Dale Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix F attached hereto and made a part hereof.

“Violet Avenue Water System” means the system for the provision of potable water to persons in the Zone P Zone of Assessment acquired by the Authority from the Town of Hyde Park, including any additions thereto or deletions therefrom from time to time.

“Violet Avenue Water System Operating Expenses” means the costs, fees and expenses incurred or to be incurred by or for the Authority (i) in connection with the operation of the Violet Avenue Water System, including, without limitation, all costs, fees and expenses incurred or to be incurred in connection with operating, maintaining, repairing, insuring or providing services to the Violet Avenue Water System, or of providing potable water through any other

means to Persons within the Zone P Zone of Assessment, each as may be necessary or proper to maintain Water Service and fire hydrants to and for the Zone P Zone of Assessment, including, costs of Alterations for which Additional Indebtedness have not been issued, (ii) a portion of the costs of operating, maintaining, repairing, insuring or providing services to the Violet Avenue Water System as the Authority shall determine from year to year to be the reasonable portion of such costs to be paid by the Zone P Zone of Assessment, (iii) the applicable proportionate charge, as determined from year to year by the Authority, of the administrative and general operating expenses of the Authority to the Zone P Zone of Assessment, (iv) any credit enhancement, remarketing, trustee, fiscal advisory, legal, accounting or similar or related cost, fee or expense incurred or to be incurred and payable by the Authority and not paid out of bond proceeds with respect to any Additional Indebtedness if the Authority determines such Additional Indebtedness benefit the Zone P Zone of Assessment, and (v) the fees and expenses incurred or estimated to be incurred by or for the Authority associated with the collection of water rates.

“Water District” means the Dutchess County Water District described in Section 1142 of the Public Authorities Law of the State, or its successors or assigns.

“Water Service” means, collectively, either the service of supplying potable water to persons within the Zone A Zone of Assessment, the Zone B Zone of Assessment, the Zone C Zone of Assessment, the Zone D Zone of Assessment, the Zone E Zone of Assessment, the Valley Dale Zone of Assessment, the Zone F Zone of Assessment, the Zone G Zone of Assessment, the Zone H Zone of Assessment, the Zone I Zone of Assessment, the Zone J Zone of Assessment, the Zone K Zone of Assessment, the Zone L Zone of Assessment, the Zone M Zone of Assessment, the Zone O Zone of Assessment, the Zone P Zone of Assessment, the Zone

Q Zone of Assessment, the Zone R Zone of Assessment, the Zone S Zone of Assessment, the Zone T Zone of Assessment, the Zone U Zone of Assessment, and all other Zones of Assessment and to any other Person within the Water District as the Authority may agree with the County pursuant to an amendment to the Service Agreement to provide Water Service, either through the Water System or by any other means.

“Water System” means, all water systems owned by or operated by the Authority, including but not limited to the Hyde Park Water System, the Staatsburg Water System, the Harbour Hills Water System, the Schreiber Water System, the Valley Dale Water System, the Rokeby Water System, the Dalton Farms Water System, the Jeffrey Groves Water System, the Shore Haven Water System, the Birch Hill Water System, the Fairways Water System, the Arbors Water System, the Violet Avenue Water System, the Greenbush Water System, the Pinebrook Water System, the Greenfields Water System and the Quaker Hills Water System as the same may be reconstructed, expanded or supplemented, from time to time, as necessary to provide Water Service pursuant to the Service Agreement.

“Water Treatment Plant” means the water treatment plant constituting part of the Hyde Park Water System, placed in operation in 1994.

“Water Treatment Plant Plans and Specifications” means the plans and specifications for the Water Treatment Plant on file in the office of the Authority.

“Zone A Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix A attached hereto and made a part hereof.

“Zone B Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix B attached hereto and made a part hereof.

“Zone C Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix C attached hereto and made a part hereof.

“Zone D Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix D attached hereto and made a part hereof.

“Zone E Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix E attached hereto and made a part hereof.

“Zone F Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix G attached hereto and made a part hereof.

“Zone G Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix H attached hereto and made a part hereof.

“Zone H Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix I attached hereto and made a part hereof.

“Zone I Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix J attached hereto and made a part hereof.

“Zone J Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix K attached hereto and made a part hereof.

“Zone K Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix L attached hereto and made a part hereof.

“Zone L Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix M attached hereto and made a part hereof.

“Zone M Zone of Assessment” means the zone of assessment created within the Water District having those boundaries set forth in Appendix N attached hereto and made a part hereof.

"Zone O Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix O attached hereto and made a part hereof.

"Zone P Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix P attached hereto and made a part hereof.

"Zone Q Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix Q attached hereto and made a part hereof.

"Zone R Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix R attached hereto and made a part hereof.

"Zone S Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix S attached hereto and made a part hereof.

"Zone T Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix T attached hereto and made a part hereof.

"Zone U Zone of Assessment" means the zone of assessment created within the Water District having those boundaries set forth in Appendix U attached hereto and made a part hereof.

"Zones of Assessment" means each of the Zones of Assessment as described in the attachments hereto.

Words of masculine gender shall mean and include correlative words of feminine and neuter genders. Words importing the singular number shall mean and include the plural number, and vice versa.

ARTICLE 2.

REPRESENTATIONS AND WARRANTIES

SECTION 2.1. Representations and Warranties of the County. The County represents and warrants 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 Water District is a County water district embracing all the territory located within the County, duly created and validly existing under the Constitution and laws of the State, having those powers as are provided in Article 5-A of the County Law of the State and the Act and governed in accordance with the provisions of the County Law of the State.

(c) The County has established within the Water District Zones of Assessment pursuant to and in accordance with provisions and requirements of the County Law of the State. Each of the Zones of Assessment has been duly created and each are validly existing under the Constitution and laws of the State.

(d) The County has the right and lawful authority and power to execute and deliver this Service Agreement, to perform the obligations and covenants contained herein and to consummate the transactions contemplated hereby.

(e) The County has duly authorized, by all necessary actions, the execution and delivery hereof and the performance of the obligations and covenants hereunder and the consummation of the transactions contemplated hereby.

(f) This Service 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.

(g) This Service Agreement, the execution and delivery hereof and the consummation of the transactions contemplated hereby (i) 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, and (ii) except as expressly set forth herein or authorized hereby, will not result in the creation or imposition of any Lien, charge or encumbrance of any nature whatsoever upon any of the County's revenues, properties or operations.

(h) 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 hereunder or the consummation of the transactions contemplated hereby, have been duly obtained and are in full force and effect.

(i) Except as set forth in the offering prospectus, official statement or other disclosure document prepared by the Authority with respect to the issuance of the Bonds, 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 hereby or the validity or enforceability hereof 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 hereby.

SECTION 2.2. **Representations and Warranties of the Authority.** (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 is the lawful owner of the Hyde Park Water System, the Staatsburg Water System, the Harbours Hills Water System, the Schreiber Water System, the Valley Dale Water System, the Rokeby Water System, the Crofton Mews Water Distribution System, the Dalton Farms Water System, the Jeffrey Groves Water System, the Shore Haven Water System, the Birch Hill Water System, the Fairways Water System, the Arbors Water System, the Violet Avenue Water System, the Greenbush Water System, the Pinebrook Water System, the Greenfields Water System, and the Quaker Hills Water System and possesses all required permits to supply potable water to Persons within the Zones of Assessment. Upon information and belief, the Water Treatment Plant can produce at least 2.1 million gallons per day potable water. The Authority has a Water Supply Permit permitting withdrawal of water from the Hudson River of 6.0 million gallons per day.

(c) The Authority has the right and lawful authority and power to execute and deliver this Service Agreement, to perform the obligations and covenants contained herein and to consummate the transactions contemplated hereby.

(d) The Authority has duly authorized, by all necessary actions, the execution and delivery hereof and the performance of its obligations and covenants hereunder and the consummation of the transactions contemplated hereby.

(e) This Service 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.

(f) This Service Agreement, the execution and delivery hereof and the consummation of the transactions contemplated hereby (i) 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, and (ii) except as expressly set forth herein or authorized hereby, will not result in the creation or imposition of any Lien, charge or encumbrance of any nature whatsoever upon any of the Authority's revenues, properties or operations.

(g) 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 hereunder or the consummation of the transactions contemplated hereby, have been duly obtained and are in full force and effect.

(h) Except as set forth in the offering prospectus, official statement or other disclosure document prepared by the Authority with respect to the issuance of the Bonds, 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 hereby or the validity or enforceability hereof 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 hereby.

ARTICLE 3.

PROVISION AND PURCHASE OF SERVICES

SECTION 3.1. **Water Service; Authority's Obligations.** Upon the terms and conditions hereof, including, specifically and without limitations, Articles 4 and 5 hereof, the Authority shall provide to the County, and the County shall accept and pay for, Water Service.

ARTICLE 4.

THE WATER SYSTEM; OPERATION AND MAINTENANCE; INSURANCE

SECTION 4.1. **The Water System.** The Authority shall notify the County of the existence or occurrence of any (a) circumstances of which the Authority shall have actual knowledge and which could directly and materially adversely affect the ability of the Water System to provide Water Service or of the Authority to provide Water Service in accordance with this Service Agreement and (b) inquiry with respect to the Water System or the Authority's provision of Water Service by a federal or State authority of which the Authority has actual knowledge. The County shall have the right to assist or participate, at its expense, in any action or proceeding in which the Authority shall have a right to participate relating thereto.

SECTION 4.2. **Minimum Operation and Maintenance Standard for Water System.**

(a) Solely for the purpose of assuring that the Water System will conform to the needs of the County, the Authority will construct the Route 9 Connecting Main in accordance with the Route 9 Connecting Main Plans and Specifications and will construct, reconstruct and will operate the Water System so as to be capable of supplying and distributing potable water to Persons within the Zones of Assessment, and providing Water Service to any other Person within the Water

System as the Authority may agree with the County pursuant to any amendment to the Service Agreement, in compliance with the Act and with applicable Governmental Requirements.

(b) The Authority agrees that during the Service Agreement Term it will operate and maintain the Water System and every part and parcel thereof in accordance with good commercial practice and in any event will (i) keep the Water 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 Water System (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); (iii) maintain the Water System in a neat and orderly condition, ordinary wear and tear excepted, and in a condition which permits compliance with, and the Authority will operate the Water System in compliance with, all applicable Governmental Requirements, including without limitation all federal, State and local laws relating to labor, wages, nondiscrimination, water quality, pollution discharge, environmental control, safety and other regulatory requirements; (iv) protect the Water System against deterioration, other than that attributable to ordinary wear and tear; (v) cause the Water Treatment Plant 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 it was specifically designed, substantially in accordance with and as described in the Water Treatment Plant Plans and Specifications; (vi) comply with such standards and periodic maintenance inspections as shall be required to enforce warranty and similar claims against contractors for the Water System and any standards imposed by any insurance policies in effect at any time with respect to the Water System or any part thereof; (vii) provide all necessary labor, materials and equipment for the proper operation and maintenance of the Water System; (viii) cause the Water System at all times to be operated and maintained as a water system; (ix)

maintain the safety of the Water System at a level consistent with applicable law and the sound operation of a water system; and (x) maintain the Water System in working order, ordinary wear and tear excepted, and in as reasonably safe condition as its operations shall permit. Notwithstanding any of the foregoing, unless a Service Event of Default shall have occurred and be continuing (A) the Authority may provide that the operation of the Water System may be subject to periodic, scheduled or unscheduled, partial shutdowns of portions of the Water System for maintenance or repair, (B) compliance with applicable Governmental Requirements is subject to the provisions of Section 4.6 hereof and, (C) no repair, replacement or maintenance shall be required hereunder or under the provisions of Section 4.3 or 4.4 hereof with respect to portions of the Water System which the Authority, with the consent of the County, determines are no longer necessary to the provision of Water Service.

SECTION 4.3. **Insurance Required.** Without limiting any of the other obligations of the Authority under this Service Agreement, at all time throughout the Service Agreement Term the Authority shall maintain or cause to be maintained at least the following minimum insurance coverage with respect to the Water System:

(a) property damage insurance with respect to any at or above ground physical structures of the Water System insuring against loss or damage from all risks customarily insured against by Person of established reputation under “all-risk” policies with respect to a water supply, purification and distribution system similar to the Water System, including, without limitation, insurance against loss or damage from all risk of physical damage;

(b) “boiler and machinery” property damage insurance with respect to damage (not insured against pursuant to paragraph (a) above) to the machinery, plants, equipment, storage facilities and similar apparatus included in the Water System from risks customarily insured

against under “boiler and machinery” policies in an amount equal to the amount established from time to time known as the “maximum probable loss” that may result from the damage insured against under this paragraph (b);

(c) automobile liability coverage, with limits of not less than one million dollars (\$1,000,000) for each occurrence;

(d) comprehensive general public liability insurance applicable to the Water System, including, without limitation, blanket contractual, personal injury, property damage (including broad form property damage and explosion, collapse, and underground property damage) and damage to property of others, including resultant loss of use therefrom, with limits of one million dollars (\$1,000,000) per occurrence, two million dollars (\$2,000,000) for primary coverage and five million dollars (\$5,000,000) for excess coverage. All such policies listed in this subparagraph (d) shall list the County as an additional insured;

(e) Workers’ Compensation insurance in the statutory amount, covering all employees of the Authority; and

(f) such other insurance with respect to the Water System in such amounts and against such hazards as is customarily carried by Persons of established reputation operating a water supply, purification and distribution system similar to the Water System.

All premiums with respect to the foregoing insurance shall be paid when due by the Authority and shall constitute an Operating Expense.

SECTION 4.4. **Additional Provisions Respecting Insurance.** (a) All insurance required by Section 4.3 hereof shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Authority and authorized to write such insurance in the State. Such insurance may provide deductible amounts in such

maximum amounts as may be recommended by an independent insurance consultant retained by the Authority. All insurance policies carried in accordance with Section 4.3 hereof and all policies taken out in substitution or replacement for any such policies shall provide that the insurance shall not be invalidated by any action or inaction of any Person and shall insure the Authority regardless of any breach or violation by any Person of any warranties, declarations or conditions contained in such policies, shall provide that as against the Authority the insurers shall waive any rights of subrogation, any right of set-off and counterclaim and any other right of deduction whether by attachment or otherwise (except for claims arising out of the willful misconduct or gross negligence of such insured), and shall provide that if such insurance is canceled for any reason whatever, or is changed in any material respect or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective for 30 days after receipt by the Authority of written notice from such insurers of such cancellation, change or lapse; provided, however, that if it is not commercially practicable at the time of contracting for such insurance to obtain the requirements specified above, such policies shall provide for such requirements for as long a period as shall then be commercially practicable to obtain, if any. Each insurance policy required under Section 4.3 hereof shall be primary without right of contribution from any other insurance which is carried by or on behalf of the Authority.

SECTION 4.5. **Certificates, etc.** (a) On or before the Closing Date, and annually on or before each January 1 thereafter, the Authority will furnish to the County, to the Trustee and to the Credit Facility Provider a certificate of a firm of independent insurance brokers (i) certifying that the insurance then carried and maintained on the Water System complies with the terms hereof, (ii) identifying underwriters, type of insurance, insurance limits and policy term, and (iii)

specifically listing the special provisions enumerated for such insurance required by Section 4.4. Upon request, the Authority will furnish to the County, to the Trustee and to the Credit Facility Provider copies of all insurance policies, binders and cover notes or other evidence of such insurance relating to the Water System. The Authority will cause such firm to advise the Authority, the County, the Trustee and the Credit Facility Provider in writing promptly of any default in the payment of any premium and of any other act or omission of which they have knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Water System.

SECTION 4.6. **Obligation to Rebuild.** If the Water System shall be damaged or destroyed at any time or title to, or the use of, any part of the Water System shall be taken by Condemnation, in a manner not resulting in a Service Failure, the Authority shall, from the proceeds of any Condemnation award or insurance received by the Authority or from moneys received by the Authority from the County or any other Person, and as provided in the Bond Resolution, promptly replace, repair, rebuild or restore the Water 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 Authority, provided that such changes, alterations or modifications do not change the nature of the Water System adversely affecting the tax-exempt status of the interest payable on the Bonds.

SECTION 4.7. **Replacement of Parts.** Except after a Service Failure, the Authority will promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. The Authority may remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized,

confiscated, damaged beyond repair or permanently rendered unfit for use, provided that the Authority will replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. Any cost incurred by the Authority in complying with this Section 4.7 shall constitute an Operating Expense of a particular Water System(s) or an Other Operating Expense, all as determined by the Authority.

SECTION 4.8. **Alterations Required by Law.** Except after a Service Failure, the Authority shall during the Operating Term make such Alterations to the Water 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, except to the extent Section 4.9 hereof shall apply. The Authority shall pay for the cost of any Alteration required by law through Additional Indebtedness or moneys available from any other source. The Authority shall use its best efforts to issue Additional Indebtedness to raise money to make such payment if the Authority determines the issuance of Additional Indebtedness to be financially prudent. The consent of the County to the issuance of any such Additional Indebtedness shall not be required. The Authority, prior to the issuance of any such Additional Indebtedness, shall provide the County with a written notice setting forth in reasonable detail the following:

- (a) a description of the nature of and reason for the Alteration required to be made;
- and
- (b) an estimate of the cost of such Alteration.

SECTION 4.9. **Permitted Contests.** 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 Water 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 Authority 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 Authority, involve any reasonable likelihood of any (i) foreclosure, sale, forfeiture or loss of, any part of the Water System or of impairment of the operation of the Water System, (ii) the nonpayment of Service Fees, or (iii) a Service Failure.

SECTION 4.10. **Maintenance Reports.** The Authority shall throughout the Service Agreement Term keep such maintenance and repair reports as are customarily kept by Persons of established reputation operating similar properties and as a subsequent operation of the Water System would require. Such reports shall be kept on file by the Authority at its offices and shall be made available to the County, to the Trustee and to the Credit Facility Provider upon reasonable request.

SECTION 4.11. **Litigation Expenses.** The Authority shall during the Service Agreement Term pay such Litigation Expenses and Other Litigation Expenses as shall become payable through Additional Indebtedness or moneys available from any other source, including, without limitation with respect to Litigation Expenses, from proceeds of the 1998 Series B Bonds. The Authority shall use its best efforts to issue Additional Indebtedness to raise moneys

to make any such payment if the Authority determines the issuance of Additional Indebtedness to be financially prudent. The consent of the County to the issuance of any such Additional Indebtedness shall not be required. The Authority, prior to the issuance of any such Additional Indebtedness, shall provide the County with a copy of the judgment, compromise or settlement constituting such Litigation Expense or Other Litigation Expense and an estimate of all costs of such Litigation Expense or Other Litigation Expense.

ARTICLE 5.

TERM AND SERVICE FEE

SECTION 5.1. **Term.** This Service Agreement shall be in effect during the Basic Service Agreement Term and, if the County shall elect on the terms and conditions of Section 6.1, during any Renewal Service Agreement Term.

SECTION 5.2. **Service Fee.** (a) The County shall pay to the Authority on each Service Fee Payment Date a Service Fee equal to the sum of (i) the amount of principal of, interest on and redemption premium for, if any, the Bonds becoming due during the calculation period, including coverage requirements required under the Bond Resolution, if any, less investment earnings on deposit in the accounts for the Bonds in the Debt Service and Sinking Fund created and maintained pursuant to Section 5.7 of the Bond Resolution, if any, (ii) the amount of principal of, interest on and the redemption for, if any, less investment earnings on deposit in the account for such Additional Indebtedness in the Debt Service and Sinking Fund created and maintained pursuant to Section 5.7 of the Bond Resolution, if any, any Additional Indebtedness becoming due during the calculation period, including coverage requirements required under the Bond Resolution, if any, to pay costs of Alterations to the Water System as may be required from time to time to meet Governmental Requirements as provided in Section 4.5 hereof, (iii) the amount of principal of, interest on and redemption premium for, if any, less investment earnings

on deposit in the account for such Additional Indebtedness in the Debt Service and Sinking Fund created and maintained pursuant to Section 5.7 of the Bond Resolution, if any, any Additional Indebtedness becoming due during the calculation period, including coverage requirements required under the Bond Resolution, if any, to pay costs of Litigation Expenses or Other Litigation Expenses as provided in Section 4.11 hereof, (iv) the amount of principal of, interest on and redemption for, if any, less investment earnings on deposit in the account for such Additional Indebtedness in the Debt Service and Sinking Fund created and maintained pursuant to Section 5.7 of the Bond Resolution, if any, any other Additional Indebtedness due during the calculation period, including coverage requirements required under the Bond Resolution, if any, the issuance and the inclusion as a component of the Service Fee to which the County, as evidenced by resolution of the County Legislature, has consented, (v) the amount, if any, required to be deposited during the calculation period in any reserve fund established under the Bond Resolution, and (vi) the aggregate amount of Operating Expenses, less the aggregate amount deposited in the Operating Expense Accounts, or in the Other Operating Expense Account, as provided in paragraph (b) of Section 5.2. For purposes of this Section, a calculation period shall be (i) for payments due under the Bond Resolution, amounts payable on any Payment Date, as defined in the Bond Resolution, occurring during the period commencing on a Service Fee Payment Date and ending the Business Day preceding the next following Service Fee Payment Date and (ii) for Operating Expenses amounts certified to the County by the Authority either as having been paid by the Authority for such expenses from revenues raised by the Authority other than through Water Rates, as defined in paragraph (b) of this Section 5.2, or as being payable by the Authority for such expenses payment of which the Authority does not have funds available for, and, in either case, not yet paid to the Authority by the County, such

certificate to be delivered to the County not less than thirty (30) Business Days prior to the Service Fee Payment Date on which such payments shall be made by the County to the Authority. Any amounts paid by the County to the Authority for Operating Expenses as herein provided shall be repaid by the Authority to the County from revenues raised by the Authority through “Water Rates” as soon as practicable under the circumstances.

(b) The Authority hereby covenants and agrees during the Service Agreement Term (i) to raise such amounts as are necessary to pay Hyde Park Water System Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act within, except as hereafter provided in paragraph (f) of this Section, the Zone A Zone of Assessment, the Zone B Zone of Assessment and the Zone L Zone of Assessment, (ii) to raise such amounts as are necessary to pay Staatsburg Water System Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act within the Zone C Zone of Assessment, (iii) to raise such amounts as are necessary to pay Harbours Hills Water System Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act within the Zone D Zone of Assessment, (iv) to raise such amounts as are necessary to pay Schreiber Water System Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act within the Zone E Zone of Assessment, (v) to raise such amounts as are necessary to pay Valley Dale Water System Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act within the Valley Dale Zone of Assessment, (vi) to raise such amounts as are necessary to pay Rokeby Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone F Zone of Assessment, (vii) to raise such amounts as are necessary to pay Crofton Mews Water

Distribution System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone G Zone of Assessment, (viii) to raise such amounts as are necessary to pay Dalton Farms Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone H Zone of Assessment, (ix) to raise such amounts as are necessary to pay Jeffrey Groves Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone I Zone of Assessment, (x) to raise such amounts as are necessary to pay Shore Haven Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone J Zone of Assessment, (xi) to raise such amounts as are necessary to pay Birch Hill Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone K Zone of Assessment, (xii) to raise such amounts as are necessary to pay Fairways Water System Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act within the Zone M of Zone of Assessment, (xiii) to raise such amounts as are necessary to pay Arbors Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone O Zone of Assessment, (xiv) to raise such amounts as are necessary to pay Violet Avenue Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone P Zone of Assessment, (xv) to raise such amounts as are necessary to pay Greenbush Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone Q Zone of Assessment, (xvi) to raise such amounts as are necessary to pay Pinebrook Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the

Zone R Zone of Assessment, (xvii) to raise such amounts as are necessary to pay Greenfields Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zones S and/or T Zones of Assessment, (xviii) to raise such amounts as are necessary to pay Quaker Hills Water System Operating Expenses through water rates pursuant to and in accordance with applicable provisions of the Act within the Zone U Zone of Assessment, (xix) to raise such amounts as are necessary to pay Other Operating Expenses through water rates pursuant to and in accordance with the applicable provisions of the Act outside of the Zones of Assessment, (xx) to deposit all revenues raised through water rates in the Zone A Zone of Assessment, the Zone B Zone of Assessment and the Zone L Zone of Assessment in a separate account to be identified as the “Hyde Park Water System Operating Expense Account” and expend the same only to the payment of Hyde Park Water System Operating Expenses, (xxi) to deposit all revenues raised through water rates in the Zone C Zone of Assessment in a separate account to be identified as the “Staatsburg Water System Operating Expense Account” and expend the same only to the payment of Staatsburg Water System Operating Expenses, (xxii) to deposit all revenues raised through water rates in the Zone D Zone of Assessment in a separate account to be identified as the “Harbour Hills Water System Operating Expense Account” and expend the same only to the payment of Harbour Hills Water System Operating Expenses, (xxiii) to deposit all revenues raised through water rates in the Zone E Zone of Assessment in a separate account to be identified as the “Schreiber Water System Operating Expense Account” and expend the same only to the payment of Schreiber Water System Operating Expenses, (xxiv) to deposit all revenues raised through water rates in the Valley Dale Zone of Assessment in a separate account to be identified as the “Valley Dale Water System Operating Expense Account” and expend the same only to the payment of Valley

Dale Water System Operating Expenses, (xxv) to deposit all revenues raised through water rates in the Zone F Zone of Assessment in a separate account to be identified as the “Rokeby Water System Operating Expense Account” and to expend the same only to the payment of Rokeby Water System Operating Expenses, (xxvi) to deposit all revenues raised through water rates in the Zone G Zone of Assessment in a separate account to be identified as the “Crofton Mews Water Distribution System Operating Expense Account” and to expend the same only to the payment of Crofton Mews Water Distribution System Operating Expenses, (xxvii) to deposit all revenues raised through water rates in the Zone H Zone of Assessment in a separate account to be identified as the “Dalton Farms Water System Operating Expense Account” and to expend the same only to the payment of Dalton Farms Water System Operating Expenses, (xxviii) to deposit all revenues raised through water rates in the Zone I Zone of Assessment in a separate account to be identified as the “Jeffrey Groves Water System Operating Expense Account” and to expend the same only to the payment of Jeffrey Groves Water System Operating Expenses, (xxix) to deposit all revenues raised through water rates in the Zone J Zone of Assessment in a separate account to be identified as the “Shore Haven Water System Operating Expense Account” and to expend the same only to the payment of Shore Haven Water System Operating Expenses, (xxx) to deposit all revenues raised through water rates in the Zone K Zone of Assessment in a separate account to be identified as the “Birch Hill Water System Operating Expense Account” and to expend the same only to the payment of Birch Hill Water System Operating Expenses, (xxxi) to deposit all revenues raised through water rates in the Zone M Zone of Assessment in a separate account to be identified as the “Fairways Water System Operating Expense Account” and to expend the same only to the payment of Fairways Water System Operating Expenses, (xxxii) to deposit all revenues raised through water rates in the Zone O Zone of Assessment in a separate

account to be identified as the “Arbors Water System Operating Expense Account” and to expend the same only to the payment of Arbors Water System Operating Expenses, (xxxiii) to deposit all revenues raised through water rates in the Zone P Zone of Assessment in a separate account to be identified as the “Violet Avenue Water System Operating Expense Account” and to expend the same only to the payment of Violet Avenue Water System Operating Expenses, (xxxiv) to deposit all revenues raised through water rates in the Zone Q Zone of Assessment in a separate account to be identified as the “Greenbush Water System Operating Expense Account” and to expend the same only to the payment of Greenbush Water System Operating Expenses, (xxxv) to deposit all revenues raised through water rates in the Zone R Zone of Assessment in a separate account to be identified as the “Pinebrook Water System Operating Expense Account” and to expend the same only to the payment of Pinebrook Water System Operating Expenses, (xxxvi) to deposit all revenues raised through water rates in the Zones S & T Zones of Assessment in a separate account to be identified as the “Greenfields Water System Operating Expense Account” and to expend the same only to the payment of Greenfields Water System Operating Expenses, (xxxvii) to deposit all revenues raised through water rates in the Zone U Zone of Assessment in a separate account to be identified as the “Quaker Hills Water System Operating Expense Account” and to expend the same only to the payment of Quaker Hills Water System Operating Expenses; such accounts collectively referred to as the “Operating Expense Accounts”, (xxxviii) to deposit all revenues raised through water rates for Other Operating Expenses in a separate account to be identified as the “Other Operating Expense Account” and expend the same only to the payment of Other Operating Expenses, and (xxxix) to promptly, as soon as such information is available, notify the County of the amounts, if any, which the County must raise to pay the aggregate amounts of Operating Expenses after giving effect to the

aggregate amount deposited or anticipated to be deposited in the Operating Expense Accounts and in the Other Operating Expense Account; provided, however, (i) moneys in any Operating Expense Account not then needed to pay Operating Expenses related to such account may be expended to pay any other Operating Expenses so long as such moneys are repaid to the appropriate account prior to the end of the quarter following the year in which such expenditure is made, and (ii) the amount of water rates so to be raised shall be reduced by the amount of moneys from any other source deposited or estimated to be available for timely deposit in the applicable Operating Expense Account.

(c) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the principal amount of, interest on and redemption premiums for, if any, the 1998 Series A Bonds, the 1998 Series B Bonds, such portion of the 1999 EFC Refunding Bonds the proceeds of which were expended to refund Bonds issued to provide facilities benefiting the properties in the Zone A Zone of Assessment and the Zone B Zone of Assessment, the 2000 Bonds, the 2002 EFC Refunding Bonds and any Additional Indebtedness issued to pay Other Litigation Expenses, if any, becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone A Zone of Assessment and in the Zone B Zone of Assessment.

(d) The County hereby further covenants and agrees that during the Service Agreement Term the annual levy of benefit assessments to be levied on a "Residential Benefit Assessment Unit" in the Zone A Zone of Assessment to pay all or any portion of the Service Fee due under this Service Agreement to pay the amount of principal of, interest on and redemption

premium for, if any, the 1998 Series A Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, will not exceed the annual levy of benefit assessments to be levied for such purpose on a “Residential Benefit Assessment Unit” in the Zone B Zone of Assessment. For purposes of this Section, a “Residential Benefit Assessment Unit” shall mean the minimum parcel of land, without excess developable land, zoned, under zoning in effect on November 20, 1997, for single family residential use, either developed or undeveloped by the construction of a single family home, upon which a single family home has been constructed or can be, as a matter of right, constructed, shall constitute one (1) “Residential Benefit Assessment Unit”.

(e) The County hereby further covenants and agrees that during the Service Agreement Term the annual levy of benefit assessments to be levied on a Residential Benefit Assessment Unit in the Zone A Zone of Assessment to be raised to pay all or any portion of the Service Fee due under this Service Agreement for principal of, interest on and redemption premium for, if any, the 1998 Series A Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, will not, except as hereinafter in this paragraph provided, exceed two hundred eighteen dollars (\$218) (the “Base Assessment”). It is acknowledged and agreed hereunder that limiting the levy of benefit assessments on a Residential Benefit Assessment Unit in the Zone A Zone of Assessment to be raised to pay the component of the Service Fee due under this Service Agreement for principal of, interest on and redemption premium, if any, on the 1998 Series A Bonds becoming due during certain calendar years to the Base Assessment may, and probably will, result in the aggregate levy of benefit assessments to be raised by the County to pay such component of the Service Fee due in certain calendar years being less than that necessary to pay such component

of the Service Fee due in certain calendar years, it being an acknowledged intent and goal of the County in entering into this Service Agreement to levy benefit assessments on undeveloped and commercial properties in the Zone A Zone of Assessment and in the Zone B Zone of Assessment in an amount significantly less than that currently being levied by the Hyde Park Fire and Water District to permit properties taken by the County through foreclosure as a result of the failure of the then property owner to pay assessments or taxes, including Hyde Park Fire and Water District assessments or taxes levied for water purposes, to be sold and to permit and foster development of undeveloped and commercial properties in the Zone A Zone of Assessment and in the Zone B Zone of Assessment, and that, as a result thereof, the County will be required to pay general fund or other moneys (but not including benefit assessments or taxes paid by the County on County-owned property) for such component of the Service Fee during certain calendar years, such payment being hereinafter referred to as a "County Advance" and being authorized by Section 1225(1) of the Public Authorities Law. The County hereby covenants and agrees that after all aggregate County Advances have been repaid to the County solely through "Additional Moneys", no representation concerning the likelihood of such repayment being herein made by the Authority, one-half of "Additional Moneys" thereafter received by the County during the Service Agreement Term shall be applied by the County to reduce the Base Assessment in the Zone A Zone of Assessment in such year or years and in such manner as the County shall determine reasonable and appropriate and the remaining one-half of "Additional Moneys" thereafter received by the County during the Service Agreement Term shall be applied to reduce benefit assessments on all real property, developed and undeveloped, residential and commercial, in the Zone A Zone of Assessment and in the Zone B Zone of Assessment in such year or years and in such manner as the County shall determine reasonable and appropriate. For

purposes of this Section, “Additional Moneys” shall mean (i) net increases in water benefit assessment revenues paid to the County, being increases in assessment revenues realized (a) as a result of the conversion of real property from a residential to a commercial use in the Zone A Zone of Assessment less any decrease in assessment revenues realized as a result of the conversion of real property from a commercial use to a residential use in the Zone A Zone of Assessment, and (b) as a result of the development of vacant real property in the Zone B Zone of Assessment, each as may occur after the Closing Date, (ii) State or federal moneys, or any other sources of loans or grants, whether in the form of a refund, grant, allowance or subsidy, causing a reduction in the Authority’s true interest cost on the remaining principal balance on or of the 1998 Series A Bonds and thereby reducing the amounts to be payable by the County therefor pursuant to Section 5.2(a)(i) hereof, and (iii) moneys paid to the County by the Authority as an unexpended fire hydrant repair, maintenance and replacement fee pursuant to Section 3.1(g) of the Transfer Agreement. The Authority hereby covenants and agrees that during the Service Agreement Term it will pay all such unexpended fire hydrant repair, maintenance and replacement fees to the County to repay a portion of County advances as required by such Section 3.1(g) of the Transfer Agreement.

(f) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the 1998 Series C Bonds and any Additional Indebtedness issued from time to time to pay Litigation Expenses becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, and any Litigation Expenses to be paid or paid by the Authority as Hyde Park Water System Operating Expenses

through the annual levy of benefit assessments to be levied upon real property only in the Zone A Zone of Assessment. For purposes of said levy for Litigation Expenses, the definition of Residential Benefit Assessment Unit provided in Section 5.2(d) hereof shall apply.

(g) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the 1998 Series Staatsburg Bonds and such portion of the 1999 EFC Refunding Bonds the proceeds of which were expended to provide facilities benefiting the properties in the Zone C Zone of Assessment becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone C Zone of Assessment.

(h) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the 1998 Series Capital Construction Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property in either the Zone A Zone of Assessment, the Zone B Zone of Assessment, the Zone C Zone of Assessment or, in any zone of assessment to be established by the County in the future, or any combination thereof, as the County determines to be reasonable and appropriate to reflect the benefit of the 1998 Capital Construction. The Authority hereby agrees to timely recommend to the County the amount to be raised within each of such zones of assessment as it determines,

from time to time, to be reasonable and appropriate to reflect the benefit of the 1998 Capital Construction, but such recommendation shall not be binding upon the County.

(i) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the 2001 Bonds and the 2002 Refunding Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone D Zone of Assessment.

(j) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the 2004 Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone H Zone of Assessment.

(k) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the Shore Haven Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone J Zone of Assessment.

(l) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the Birch Hill Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone K Zone of Assessment.

(m) The County hereby further covenants and agrees during the Service Agreement Term to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on and redemption premium for, if any, the Route 9G Interconnection Water Main Bonds becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property only in the Zone A Zone of Assessment, the Zone B Zone of Assessment, the Zone D Zone of Assessment, and the Zone L Zone of Assessment.

(n) The County hereby further covenants and agrees that during the Service Agreement Term the capitalized costs of extending Water Service to Persons in the Water District outside the Zone A Zone of Assessment and outside the Zone B Zone of Assessment, including, without limitation, the capitalized cost of any expansion of the capacity of the Water Treatment Plant required to provide Water Service to such Persons, will not be charged, directly or indirectly, to residential benefit assessment units in either the Zone A Zone of Assessment or the Zone B Zone of Assessment.

(o) The County hereby further covenants and agrees during the Service Agreement Term (to the extent not already set forth previously) to raise moneys through the levy of benefit assessments to pay all or any portion of the Service Fees due under this Service Agreement to pay the amount of principal of, interest on, and redemption premium, if any, for Initial Bonds and any other Additional Indebtedness becoming due during any calendar year, including coverage requirements required under the Bond Resolution, if any, through the annual levy of benefit assessments to be levied upon real property in a Zone of Assessment as so identified by the Authority.

SECTION 5.3. **Payment on Business Days.** If any date on which payment of a Service Fee becomes due and payable is not a Business Day, then such payment need not be made on such scheduled date but may be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such next succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date.

SECTION 5.4. **Place of Payment.** All Service Fees shall be paid by the County in immediately available funds before noon, local time at the place of payment, on the due dates therefor at any banking institution in the State with wire transfer facilities which the Authority may designate.

SECTION 5.5. **Late Payment.** If any Service Fee shall not be paid at the place and time provided in Section 5.4 hereof, the County shall pay to the Authority interest (to the extent permitted by law) on such overdue amount from and including the due date thereof to but excluding the date of payment thereof (unless such payment shall be made after noon, local time, at the place of payment on such date of payment, in which case such date of payment shall be

included) at the Stipulated Interest Rate. If any Service Fee shall be paid on the date when due, but after noon, local time, at the place of payment, interest shall be payable as aforesaid for one day.

SECTION 5.6. **Nature of Obligations.** (a) Notwithstanding any other provision of this Service Agreement other than Section 5.7, the County shall pay all Service Fees without notice (except to the extent expressly provided herein) or demand and without abatement, suspension, deferment, diminution, reduction, counterclaim, setoff, deduction or defense (except the defense of prior payment) whether or not the County shall have collected all benefit assessments lawfully levied therefor. The obligations of the County hereunder shall not be released, discharged or otherwise affected for any reason (except as expressly provided in Section 5.7), including without limitation (i) any defect in the design, operation, condition, quality, merchantability or fitness for use of the Water System or any part thereof, (ii) any damage to, or removal, abandonment, salvage, loss, scrapping, reduction, Condemnation, requisition or taking of the Water System or any part thereof, or any commercial frustration of purpose, (iii) any restriction, prevention or curtailment of or interference with Water Service or any use of the Water System or any part thereof, (iv) any defect in title to the Water System or any Lien on such title or on the Water System, (v) any change, waiver, extension, indulgence or other action or omission in respect of any obligation or liability of the Authority, (vi) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the County, the Authority, the Trustee, or any other Person, or any action taken with respect to this Service Agreement by any custodian, trustee or receiver of any of the foregoing Persons or by any court in any such proceeding, (vii) any claims that the County has or might have against any Person, including without limitation the Authority, the Trustee, or any Bondholder, (viii) any

change in Governmental Requirements or any failure on the part of the Authority to perform or comply with any term hereof or of any other agreement or (ix) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not the County shall have notice or knowledge of any of the foregoing. Neither this Service Agreement nor any provision hereof may be canceled by the County for any reason, and, except as expressly provided in Section 5.7, the County, to the extent permitted by law, waives all rights now or hereafter conferred by statute, constitution or otherwise to terminate or cancel this Service Agreement, or any provision hereof, or to any diminution or reduction of any Service Fee.

(b) Unless there shall have been a Service Failure, the Authority shall be conclusively deemed to have fully discharged its obligation to provide Water Service, notwithstanding any reduction, suspension, curtailment or temporary failure of Water Service, or any other circumstance, regardless of its substantiality, duration or cause.

SECTION 5.7. **Service Failure.** (a) Notwithstanding Section 5.6 or any other provision hereof or of the Bond Resolution, and whether or not this Service Agreement shall have been terminated pursuant to the terms of this Service Agreement or otherwise, the County shall have no obligation during a Service Failure to pay Service Fees on a Service Fee Payment Date.

(b) The Authority, at its option, may cure any Service Failure, provided that (i) within 30 days of the commencement of the Service Failure the Authority delivers to the County a notice (i) of its intention to cure, and (ii) which specifies in reasonable detail the action intended to be taken with respect thereof and the anticipated date of cure and (iii) within 90 days of the commencement of the Service Failure such cure has been completed. Thereafter, the County's obligation to pay Service Fees shall be reinstated, and on the next succeeding Service Fee Payment Date the County shall pay the Service Fee that would otherwise have been payable on

such Service Fee Payment Date. The County acknowledges that, pursuant to the Bond Resolution, the rights of the Authority under this Section 5.7(b) have been assigned to the Trustee, to the extent provided therein. This Service Agreement shall terminate after a Service Failure shall have occurred when it is no longer possible to exercise cure rights pursuant to this Section 5.7(b).

(c) Other than as expressly provided in Section 5.7(a) and (b), the County shall not be released during any Service Failure from any obligation hereunder notwithstanding any diminution, reduction, abatement, suspension, restriction, prevention or curtailment of or interference with Water Service.

ARTICLE 6.

RENEWAL OPTIONS

(a) Unless a Service Event of Default shall have occurred and be continuing, at the time of the notice given pursuant to Section 6.1(b) or at the end of the Basic Service Agreement Term or any Renewal Service Agreement Term during which such notice is given, the County shall have the right, at its option, to renew this Service Agreement (i) at the end of the Basic Service Agreement Term for a period of years not exceeding twenty as the County, in its sole judgment, may determine, commencing at the end of the Basic Service Agreement Term (the "First Renewal Service Agreement Term"), and (ii) if it shall have exercised its option to renew at the end of the Basic Service Agreement Term, at the end of the First Renewal Service Term for such additional periods not exceeding twenty years each as the County, in its sole judgment, may determine, commencing at the end of any such Renewal Service Agreement Term (each renewal being an "Additional Renewal Service Agreement Term").

(b) To exercise any option to renew this Service Agreement for any Renewal Service Agreement Term, the County shall give the Authority and the Trustee written notice of its

election to so renew at least six months (which notice shall be tentative) and at least one month (which notice shall be irrevocable) prior to the commencement date of such Renewal or Additional Renewal Service Agreement Term.

(c) All the provisions of this Service Agreement shall be applicable during any Renewal or Additional Renewal Service Agreement Term.

ARTICLE 7.

DISCLAIMER OF WARRANTIES

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS MADE OR 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 WATER SYSTEM (OR ANY PART THEREOF) OR THE WATER SERVICE, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE WATER SYSTEM (OR ANY PART THEREOF) OR THE WATER SERVICE. 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 either the Authority or the Trustee, express or implied, with respect to the Water System or the Water Service, that may arise pursuant to any law now or hereinafter in effect or otherwise.

ARTICLE 8.

INFORMATION AND INSPECTION

(a) The Authority shall furnish to the County, the Trustee and the Credit Facility Provider such information concerning the condition, use and operation of the Water System as the County, the Trustee and the Credit Facility Provider may reasonably request. Additionally, the Authority shall permit any authorized representative of the County, the Trustee and the Credit Facility Provider, at such Person's risk and expense, to visit and inspect the Water System, its condition, use and operation and the records maintained in connection therewith, provided that such visits and inspections do not interfere with the operations of the Water System or the Authority and are scheduled at the reasonable request of the County, the Trustee and the Credit Facility Provider at times mutually convenient to such Person and the Authority, the Authority hereby agreeing to make all reasonable efforts to arrange for such visits and inspections at times convenient for such Person. Neither the County, the Trustee nor the Credit Facility Provider shall have any duty to make any such inspection nor shall any of them incur any liability or obligation by reason of not making any such inspection.

(b) The Authority and the County shall each forward to the Credit Facility Provider such financial information and other information about themselves as the Credit Facility Provider may reasonably request.

ARTICLE 9.

NO INTEREST CONVEYED TO COUNTY

This Service Agreement does not convey to the County any right, title or interest in or to the Water System.

ARTICLE 10.

ASSIGNMENT

Neither the Authority nor the County shall assign any of its right or interest hereunder except as provided in Section 14.2. No such assignment by the County shall release the County from any of its obligations or liabilities of any nature whatsoever arising under this Service Agreement. The rights and obligations of the Authority and the County hereunder shall inure to the benefit of, and be binding upon the permitted successors and assigns of the Authority and the County, respectively.

ARTICLE 11.

EVENTS OF DEFAULT

The following events shall be Service Events of Default (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 make any payment of a Service Fee within 15 days of the date due;

(b) the County shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it hereunder, and such condition shall materially impair the ability of the County to perform any material obligation hereunder and such failure shall continue unremedied for a period of 60 days after written notice thereof from the Authority.

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

(d) 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 now or hereafter 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 this Service 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.

ARTICLE 12.

ENFORCEMENT

SECTION 12.1. **Remedies.** Upon the occurrence of a Service Event of Default, and at any time thereafter so long as the same shall be continuing, the Authority may, at its option, by notice to the County declare this Service Agreement to be in default, and thereupon or at any

time thereafter the Authority may proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

It is understood that the Authority may not accelerate the payment of Service Fees upon the occurrence of any Service Event of Default.

SECTION 12.2. **Survival of County's Obligations.** The County shall remain and be liable, except as otherwise provided in Section 5.7 hereof, for any and all unpaid Service Fees due hereunder before, after or during the exercise of any of the foregoing remedies, including without limitation all reasonable legal fees and other costs and expenses incurred by the Authority and the Trustee by reason of the occurrence of any Service Event of Default or the exercise of the Authority's remedies with respect thereto.

SECTION 12.3. **Remedies Not Exclusive, etc.** No remedy referred to in Article 12 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Authority at law or in equity; and the exercise or beginning of exercise by the Authority of any one or more of such remedies shall not preclude the simultaneous or later exercise by the Authority of any or all of such other remedies. No express or implied waiver by the Authority of any Service Event of Default shall in any way be, or construed to be, a waiver of any future or subsequent Service Event of Default.

ARTICLE 13.

RIGHT TO PERFORM FOR COUNTY

If the County shall fail to make any payment of any Service Fee or shall fail to perform or comply with any of its other agreements contained herein, the Authority may make such payment or performance comply with such agreement, and the amount of such payment and the amount of the expenses of the Authority incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest

thereon at the Stipulated Interest Rate, shall be deemed to be a part of the next Service Fee payable by the County.

ARTICLE 14.

MISCELLANEOUS

SECTION 14.1. **Notices.** Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof to be given to any Person shall be given in writing and sent to the address specified in the Bond Resolution and shall become effective three Business Days after being deposited in the mails, certified or registered with appropriate postage prepaid for first-class mail or, if delivered by hand or in the form of a telex or telegram, when received, and shall be directed to the address of such Person. From time to time any such Person may designate a new address for purposes of communications hereunder by notice to the Authority, the County and the Trustee.

SECTION 14.2. **Assignment.** (a) In order to secure the obligations of the Authority under the Bond Resolution, the Bond Resolution provides for the assignment to the Trustee of its interest in this Service Agreement, subject to the reservations and conditions therein set forth. The County hereby acknowledges receipt of copies of the Bond Resolution, consents thereto and to the assignment effected thereby and (i) agrees that all its obligations and liabilities under the Service Agreement inure to the benefit of and may be enforced by the Trustee pursuant to the Bond Resolution, to the extent assigned to the Trustee, and (ii) agrees to pay directly to the Trustee all amounts under such Sections of this Service Agreement to the extent required to discharge the Authority's obligations to the Trustee as are then due and owing pursuant to the Bond Resolution.

(b) Nothing contained in this Service Agreement shall prevent the consolidation of the County with, or merger of the County into, or transfer of all or substantially all the County's property and assets as an entirety to, any other political subdivision of the State which has the legal authority to perform the obligations of the County hereunder, or prevent the division of the County into one or more political subdivisions, provided that (i) the exempt status of the interest on the Bonds shall not be adversely affected thereby, (ii) immediately after giving effect to such consolidation, merger, transfer or division, no Service Event of Default shall have occurred and be continuing, (iii) upon any such consolidation, merger, transfer or division, the due and punctual performance and observance of all the agreements and conditions of this Service Agreement to be kept and performed by the County shall be expressly assumed in writing by the political subdivision or subdivisions resulting from such consolidation or surviving such merger or to which such property and assets shall be transferred or resulting from such division, and (iv) the County shall have given notice in reasonable detail to the Authority, the Credit Facility Provider, and the Trustee of any such consolidation, merger, transfer or division reasonably in advance of the consummation thereof.

SECTION 14.3. **Performance of Obligations to Authority, Trustee, and Credit Facility Provider.** The provisions of this Service Agreement which require or permit action by, the consent, approval or authorization of, the furnishing of any notice, document, paper of information to, or the performance of any other obligation to, the Authority, the Trustee, and the Credit Facility Provider shall not be effective, and the Section hereof containing such provisions shall be read as though there were no such requirement or permissions, after all the Bonds shall have been paid in full (or after provision for payment thereof has been made in accordance with Article 14 of the Bond Resolution).

SECTION 14.4. **Binding Effect: Successors and Assigns.** The terms and provisions of this Service Agreement, and the respective rights and obligations hereunder of the County, the Authority and the Trustee, shall be binding upon their respective successors and assigns and inure to the benefit of their respective permitted successors and assigns.

SECTION 14.5. **Construction and Applicable Law.** Any provision of this Service Agreement that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable the supplement, amendment or modification thereafter sought. The section headings in this Service Agreement and the table of contents are for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision hereof. This Service Agreement has been negotiated and delivered in the State and shall in all respects be governed by and construed in accordance with the laws of the State, including matters of construction, validity and performance.

SECTION 14.6. **Third Party Beneficiary Rights of Hyde Park Fire and Water District.** The County and the Authority hereby acknowledge and agree that Sections 5.2(b), (c), (d), (e), (f), (g) and (h) hereof are for the benefit of, among others, the Hyde Park Fire and Water District and that the Hyde Park Fire and Water district is a third party beneficiary thereof entitled to enforce such provisions to the same extent as if it were a party to this Service Agreement.

SECTION 14.7. **Prior Staatsburg Service Agreement.** This Service Agreement shall supersede all provisions of the Service Agreement dated as of September, 1997 between the County and the Authority relating to the providing of Water Service in the Hamlet of Staatsburg.

SECTION 14.8. **County Levy.** At the timely request of the Authority, at the time of the annual levy of County taxes the County shall, to the extent permitted by law, levy the amounts of any water rates duly imposed by the Authority in accordance with the Act in the Zones of Assessment, which then remain delinquent and uncollected against the respective parcels within the Zones of Assessment.

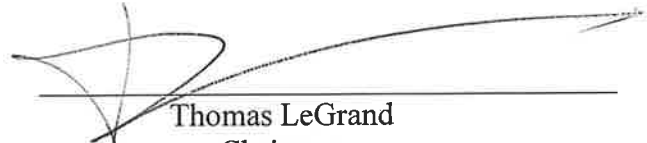
SECTION 14.9. **Severability**. In case any one of more of the provisions contained in this Service Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Service Agreement, and this Service Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

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IN WITNESS WHEREOF, the Authority and the County have each caused this Service Agreement to be duly executed as of the day and year first above written.

DUTCHESS COUNTY WATER AND
WASTEWATER AUTHORITY

By:


Thomas LeGrand
Chairman

COUNTY OF DUTCHESS, NEW YORK

By:


Sue Serino
County Executive

2024 APR 25

2024 APR 25 A 10:33
COUNTY ATTORNEY
RECEIVED

APPENDIX B

**PROJECTED RATES, EXPENSES, AND REVENUES
FOR FISCAL YEARS 2025 THROUGH 2030**

Dutchess County Water and Wastewater Authority
Projected Water System Rates

Year	2025	2026	2027	2028	2029	2030
Zone O - Arbors Water						
# Customers	7	7	7	7	7	7
Water Demand (in 1,000 gal.)	5,916	5,916	5,916	5,916	5,916	5,916
Water Sale Revenues	\$ 81,466	\$ 84,272	\$ 87,250	\$ 90,354	\$ 93,591	\$ 96,967
Trial Water Rate (\$/kgal)	\$ 13.77	\$ 14.24	\$ 14.75	\$ 15.27	\$ 15.82	\$ 16.39
Water Cost per Average Customer	\$ 689	\$ 712	\$ 737	\$ 764	\$ 791	\$ 820
Total Cost per Average Customer	\$ 689	\$ 712	\$ 737	\$ 764	\$ 791	\$ 820
Percentage Increase		3.44%	3.53%	3.56%	3.58%	3.61%
Airport Water Line						
# Customers	8	8	8	8	8	8
Water Demand (in 1,000 gal.)	5,916	5,916	5,916	5,916	5,916	5,916
Water Sale Revenues	\$ 118,832	\$ 120,237	\$ 124,295	\$ 126,013	\$ 130,397	\$ 134,955
Trial Water Rate (\$/kgal)	\$ 20.09	\$ 20.32	\$ 21.01	\$ 21.30	\$ 22.04	\$ 22.81
Water Cost per Average Customer	\$ 14,854	\$ 15,030	\$ 15,537	\$ 15,752	\$ 16,300	\$ 16,869
Total Cost per Average Customer	\$ 14,854	\$ 15,030	\$ 15,537	\$ 15,752	\$ 16,300	\$ 16,869
Percentage Increase		1.18%	3.38%	1.38%	3.48%	3.50%
Zone K - Birch Hill						
# Customers	69	69	69	69	69	69
Water Demand (in 1,000 gal.)	4,018	4,018	4,018	4,018	4,018	4,018
Water Sale Revenues	\$ 157,948	\$ 165,437	\$ 171,370	\$ 177,553	\$ 184,000	\$ 190,721
Trial Water Rate (\$/kgal)	\$ 39.31	\$ 41.17	\$ 42.65	\$ 44.19	\$ 45.79	\$ 47.47
Water Cost per Average Customer	\$ 2,289	\$ 2,398	\$ 2,484	\$ 2,573	\$ 2,667	\$ 2,764
Total Cost per Average Customer	\$ 3,340	\$ 3,422	\$ 3,508	\$ 3,598	\$ 3,691	\$ 3,788
Percentage Increase		2.47%	2.51%	2.55%	2.60%	2.64%
Zone H - Dalton Farms						
# Customers	605	605	621	621	621	621
Water Demand (in 1,000 gal.)	31,383	31,383	31,904	31,904	31,904	31,904
Water Sale Revenues	\$ 347,603	\$ 360,192	\$ 363,331	\$ 377,046	\$ 391,363	\$ 406,312
Trial Water Rate (\$/kgal)	\$ 11.08	\$ 11.48	\$ 11.39	\$ 11.82	\$ 12.27	\$ 12.74
Water Cost per Average Customer	\$ 575	\$ 595	\$ 585	\$ 607	\$ 630	\$ 654
Total Cost per Average Customer	\$ 575	\$ 595	\$ 585	\$ 607	\$ 630	\$ 654
Percentage Increase		3.62%	-1.73%	3.77%	3.80%	3.82%
Zone E - Schreiber						
# Customers	23	23	23	23	23	23
Water Demand (in 1,000 gal.)	941	941	941	941	941	941
Water Sale Revenues	\$ 85,689	\$ 88,523	\$ 87,972	\$ 91,040	\$ 94,232	\$ 97,554
Trial Water Rate (\$/kgal)	\$ 91.06	\$ 94.07	\$ 93.49	\$ 96.75	\$ 100.14	\$ 103.67
Water Cost per Average Customer	\$ 3,726	\$ 3,849	\$ 3,825	\$ 3,958	\$ 4,097	\$ 4,241
Total Cost per Average Customer	\$ 3,726	\$ 4,164	\$ 4,140	\$ 4,273	\$ 4,412	\$ 4,557
Percentage Increase		11.77%	-0.58%	3.22%	3.25%	3.27%
Zone M - Fairways						
# Customers	48	48	48	48	48	48
Water Demand (in 1,000 gal.)	1,933	1,933	1,933	1,933	1,933	1,933
Water Sale Revenues	\$ 72,963	\$ 75,620	\$ 78,387	\$ 81,269	\$ 84,271	\$ 87,398
Trial Water Rate (\$/kgal)	\$ 37.75	\$ 39.12	\$ 40.55	\$ 42.04	\$ 43.60	\$ 45.21
Water Cost per Average Customer	\$ 1,520	\$ 1,575	\$ 1,633	\$ 1,693	\$ 1,756	\$ 1,821
Total Cost per Average Customer	\$ 1,520	\$ 1,575	\$ 1,633	\$ 1,693	\$ 1,756	\$ 1,821
Percentage Increase		3.64%	3.66%	3.68%	3.69%	3.71%
Zone Q - Greenbush						
# Customers	239	239	239	239	239	239
Water Demand (in 1,000 gal.)	16,530	16,530	16,530	16,530	16,530	16,530
Water Sale Revenues	\$ 178,775	\$ 185,616	\$ 192,751	\$ 200,193	\$ 207,957	\$ 216,057
Trial Water Rate (\$/kgal)	\$ 10.82	\$ 11.23	\$ 11.66	\$ 12.11	\$ 12.58	\$ 13.07
Water Cost per Average Customer	\$ 541	\$ 561	\$ 583	\$ 606	\$ 629	\$ 654
Total Cost per Average Customer	\$ 541	\$ 561	\$ 583	\$ 606	\$ 629	\$ 654
Percentage Increase		3.83%	3.84%	3.86%	3.88%	3.89%
Zone S - Greenfields						
# Customers	281	281	281	281	281	281
Water Demand (in 1,000 gal.)	11,884	11,884	11,884	11,884	11,884	11,884
Water Sale Revenues	\$ 245,541	\$ 254,596	\$ 264,028	\$ 273,854	\$ 284,092	\$ 294,761
Trial Water Rate (\$/kgal)	\$ 20.66	\$ 21.42	\$ 22.22	\$ 23.04	\$ 23.91	\$ 24.80
Water Cost per Average Customer	\$ 874	\$ 906	\$ 940	\$ 975	\$ 1,011	\$ 1,049
Total Cost per Average Customer	\$ 874	\$ 906	\$ 1,011	\$ 1,099	\$ 1,189	\$ 1,279
Percentage Increase		3.69%	11.56%	8.74%	8.17%	83.25%
Zone A/B/C/D/L/R/028A - Hyde Park						
# Customers	2,239	2,242	2,251	2,254	2,257	2,260
Water Demand (in 1,000 gal.)	259,654	259,834	263,518	263,698	263,878	264,058
Water Sale Revenues	\$ 3,292,417	\$ 3,486,455	\$ 3,624,817	\$ 3,769,455	\$ 3,920,667	\$ 4,078,764
Trial Water Rate (\$/kgal)	\$ 12.68	\$ 13.42	\$ 13.76	\$ 14.29	\$ 14.86	\$ 15.45
Water Cost per Average Customer	\$ 634	\$ 671	\$ 688	\$ 715	\$ 743	\$ 772
Total Cost per Average Customer	\$ 957	\$ 981	\$ 1,004	\$ 1,032	\$ 1,062	\$ 1,132
Percentage Increase		2.50%	2.31%	2.85%	2.89%	6.57%
Zone U - Quaker Hill						
# Customers	109	128,314	132,927	311,733	316,740	109
Flat Rate System						
Water Sale Revenues	\$ 123,886	\$ 128,314	\$ 132,927	\$ 137,733	\$ 142,740	\$ 147,958
Flat Rate System				\$174,000.00	\$174,000.00	
Water Cost per Average Customer	\$ 1,137	\$ 1	\$ 1	\$ 0	\$ 0	\$ 1,357
Total Cost per Average Customer	\$ 1,137	\$ 1	\$ 1	\$ 0	\$ 0	\$ 1,357
Percentage Increase		-99.91%	0.00%	-55.82%	2.00%	301110.47%
Zone F - Rokeby						
# Customers	56	56	56	56	56	56
Water Demand (in 1,000 gal.)	2,078	2,078	2,078	2,078	2,078	2,078
Water Sale Revenues	\$ 71,563	\$ 74,245	\$ 77,038	\$ 79,950	\$ 82,984	\$ 86,147
Trial Water Rate (\$/kgal)	\$ 34.44	\$ 35.73	\$ 37.07	\$ 38.47	\$ 39.93	\$ 41.46
Water Cost per Average Customer	\$ 1,278	\$ 1,326	\$ 1,376	\$ 1,428	\$ 1,482	\$ 1,538
Total Cost per Average Customer	\$ 1,278	\$ 1,326	\$ 1,376	\$ 1,428	\$ 1,482	\$ 1,538
Percentage Increase		3.75%	3.76%	3.78%	3.80%	3.81%
Zone J - Shore Haven						
# Customers	97	97	97	97	97	97
Water Demand (in 1,000 gal.)	2,675	2,675	2,675	2,675	2,675	2,675
Water Sale Revenues	\$ 242,203	\$ 251,036	\$ 260,228	\$ 269,794	\$ 279,753	\$ 290,120
Trial Water Rate (\$/kgal)	\$ 90.54	\$ 93.85	\$ 97.28	\$ 100.86	\$ 104.58	\$ 108.46
Water Cost per Average Customer	\$ 2,497	\$ 2,588	\$ 2,683	\$ 2,781	\$ 2,884	\$ 2,991
Total Cost per Average Customer	\$ 4,322	\$ 4,413	\$ 4,507	\$ 4,606	\$ 4,709	\$ 4,816
Percentage Increase		2.11%	2.15%	2.19%	2.23%	2.27%
Zone X- Tivoli Water						
# Customers	469	470	470	471	471	472
Water Demand (in 1,000 gal.)	15,436	15,436	15,436	15,436	15,436	15,436
Water Sale Revenues	\$ 302,537	\$ 316,004	\$ 329,836	\$ 341,761	\$ 354,202	\$ 367,183
Trial Water Rate (\$/kgal)	\$ 19.60	\$ 20.47	\$ 21.37	\$ 22.14	\$ 22.95	\$ 23.79
Water Cost per Average Customer	\$ 980	\$ 1,024	\$ 1,068	\$ 1,107	\$ 1,147	\$ 1,189
Total Cost per Average Customer	\$ 1,184	\$ 1,228	\$ 1,272	\$ 1,311	\$ 1,351	\$ 1,393
Percentage Increase		3.68%	3.65%	3.04%	3.07%	3.11%
Zone W- Traditions Water						
# Customers	54	66	78	90	102	102
Water Demand (in 1,000 gal.)	2,168	2,650	3,132	3,614	4,095	4,095
Water Sale Revenues	\$ 61,779	\$ 75,602	\$ 174,000	\$ 174,000	\$ 174,000	\$ 174,000
Trial Water Rate (\$/kgal)	\$ 28.49	\$ 28.53	\$ 55.56	\$ 48.15	\$ 42.49	\$ 42.49
Water Cost per Average Customer	\$ 1,144	\$ 1,145	\$ 2,231	\$ 1,933	\$ 1,706	\$ 1,706
Total Cost per Average Customer	\$ 1,144	\$ 1,145	\$ 2,231	\$ 1,933	\$ 1,706	\$ 1,706
Percentage Increase		0.12%	94.75%	-13.33%	-11.76%	0.00%
Zone VDW- Valley Dale Water						
# Customers	164	164	164	164	164	164
Water Demand (in 1,000 gal.)	8,339	8,339	8,339	8,339	8,339	8,339
Water Sale Revenues	\$ 193,122	\$ 194,491	\$ 201,129	\$ 208,049	\$ 215,262	\$ 222,783
Trial Water Rate (\$/kgal)	\$ 23.16	\$ 23.32	\$ 24.12	\$ 24.95	\$ 25.81	\$ 26.72
Water Cost per Average Customer	\$ 1,178	\$ 1,186	\$ 1,226	\$ 1,269	\$ 1,313	\$ 1,358
Total Cost per Average Customer	\$ 1,178	\$ 1,186	\$ 1,226	\$ 1,269	\$ 1,313	\$ 1,358
Percentage Increase		0.71%	3.41%	3.44%	3.47%	3.49%
Zone Z- PEACH ROAD WATER						
# Customers	2	2	2	2	2	2
Water Demand (in 1,000 gal.)	5,603	5,603	5,603	5,603	5,603	5,603
Water Sale Revenues	\$ 40,445	\$ (110,320)	\$ 43,681	\$ 45,402	\$ 47,196	\$ 49,066
Trial Water Rate (\$/kgal)	\$ 7.22	\$ (19.69)	\$ 7.80	\$ 8.10	\$ 8.42	\$ 8.76
Water Cost per Average Customer	\$ 20,223	\$ (55,160)	\$ 21,840	\$ 22,701	\$ 23,598	\$ 24,533
Total Cost per Average Customer	\$ 20,223	\$ 21,015	\$ 108,840	\$ 109,701	\$ 110,598	\$ 111,533
Percentage Increase		3.92%	417.92%	0.79%	0.82%	0.85%

Dutchess County Water and Wastewater Authority Projected Water System Expenses												
Year	2025	2026	2027	2028	2029	2030						
<u>Zone O - Arbors Water</u>												
Total Expenses	\$	81,722	\$	84,535	\$	87,519	\$	90,630	\$	93,874	\$	97,257
Operation/Maintenance		70,763		73,028		75,437		77,944		80,554		83,270
Administration		10,959		11,507		12,082		12,686		13,321		13,987
Total Debt Service Expenses		0		0		0		0		0		0
<u>Airport Water Line</u>												
Total Expenses	\$	119,037	\$	120,447	\$	124,510	\$	126,233	\$	130,623	\$	135,187
Operation/Maintenance		112,623		113,712		117,439		118,808		122,827		127,001
Administration		6,414		6,735		7,071		7,425		7,796		8,186
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone K - Birch Hill</u>												
Total Expenses	\$	231,964	\$	237,695	\$	243,667	\$	249,891	\$	256,379	\$	263,143
Operation/Maintenance		130,213		134,390		138,731		143,243		147,933		152,808
Administration		31,069		32,622		34,254		35,966		37,765		39,653
Total Debt Service Expenses		70,682		70,682		70,682		70,682		70,682		70,682
<u>Zone H - Dalton Farms</u>												
Total Expenses	\$	356,982	\$	369,805	\$	373,185	\$	387,146	\$	401,716	\$	416,923
Operation/Maintenance		309,545		319,996		320,885		332,232		344,056		356,380
Administration		47,437		49,809		52,299		54,914		57,660		60,543
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone E - Schreiber</u>												
Total Expenses	\$	86,919	\$	97,034	\$	96,514	\$	99,614	\$	102,840	\$	106,196
Operation/Maintenance		75,275		77,558		76,426		78,885		81,436		84,085
Administration		11,644		12,226		12,838		13,479		14,153		14,861
Total Debt Service Expenses		0		7,250		7,250		7,250		7,250		7,250
<u>Zone M - Fairways</u>												
Total Expenses	\$	73,578	\$	76,251	\$	79,033	\$	81,931	\$	84,950	\$	88,094
Operation/Maintenance		63,743		65,924		68,190		70,546		72,995		75,542
Administration		9,835		10,327		10,843		11,385		11,955		12,552
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone Q - Greenbush</u>												
Total Expenses	\$	188,410	\$	195,491	\$	202,873	\$	210,569	\$	218,593	\$	226,958
Operation/Maintenance		163,322		169,149		175,214		181,527		188,098		194,939
Administration		25,088		26,342		27,660		29,042		30,495		32,019
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone S - Greenfields</u>												
Total Expenses	\$	251,383	\$	260,584	\$	290,166	\$	315,146	\$	340,541	\$	618,821
Operation/Maintenance		217,869		225,395		233,217		241,349		249,805		258,598
Administration		33,514		35,190		36,949		38,797		40,736		42,773
Total Debt Service Expenses		0		0		20,000		35,000		50,000		317,450
<u>Zone A/B/C/D/L/R - Hyde Park</u>												
Total Expenses	\$	5,960,513	\$	6,054,966	\$	6,240,399	\$	6,399,398	\$	6,565,011	\$	7,039,508
Operation/Maintenance		2,705,551		2,799,553		2,897,592		2,999,852		3,106,526		3,217,817
Administration		797,985		837,884		879,778		923,767		969,956		1,018,454
Total Debt Service Expenses		2,456,977		2,417,529		2,463,029		2,475,779		2,488,529		2,803,237
<u>Zone U - Quaker Hill</u>												
Total Expenses	\$	125,936	\$	130,415	\$	135,081	\$	139,940	\$	145,003	\$	150,278
Operation/Maintenance		109,122		112,761		116,543		120,476		124,566		128,818
Administration		16,814		17,655		18,537		19,464		20,438		21,459
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone F - Rokeby</u>												
Total Expenses	\$	72,588	\$	75,295	\$	78,115	\$	81,054	\$	84,115	\$	87,306
Operation/Maintenance		62,892		65,114		67,425		69,829		72,330		74,931
Administration		9,696		10,181		10,690		11,224		11,786		12,375
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone J - Shore Haven</u>												
Total Expenses	\$	424,518	\$	433,484	\$	442,812	\$	452,519	\$	462,621	\$	473,136
Operation/Maintenance		196,936		203,058		209,400		215,971		222,781		229,839
Administration		56,881		59,725		62,711		65,847		69,139		72,596
Total Debt Service Expenses		170,701		170,701		170,701		170,701		170,701		170,701
<u>Zone X- Tivoli Water</u>												
Total Expenses	\$	408,477	\$	419,558	\$	433,513	\$	445,565	\$	458,136	\$	471,250
Operation/Maintenance		255,412		263,770		274,867		283,918		293,337		303,142
Administration		54,449		57,171		60,030		63,032		66,183		69,492
Total Debt Service Expenses		98,616		98,616		98,616		98,616		98,616		98,616
<u>Zone W- Traditions Water</u>												
Total Expenses	\$	61,948	\$	75,775	\$	84,255	\$	92,897	\$	101,711	\$	103,844
Operation/Maintenance		53,678		67,091		75,137		83,324		91,659		93,289
Administration		8,270		8,684		9,118		9,574		10,052		10,555
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone VDW- Valley Dale Water</u>												
Total Expenses	\$	196,914	\$	198,378	\$	205,114	\$	212,133	\$	219,449	\$	227,074
Operation/Maintenance		170,619		170,768		176,123		181,693		187,487		193,515
Administration		26,295		27,610		28,990		30,440		31,962		33,560
Total Debt Service Expenses		0		0		0		0		0		0
<u>Zone Z- Peach Road Water</u>												
Total Expenses	\$	40,708	\$	42,299	\$	217,957	\$	219,685	\$	221,486	\$	223,363
Operation/Maintenance		36,139		37,501		38,919		40,395		41,932		43,531
Administration		4,569		4,798		5,038		5,289		5,554		5,832
Total Debt Service Expenses		0		0		174,000		174,000		174,000		174,000
<u>WATER SYSTEM TOTALS</u>												
Total Expenses	\$	8,681,597	\$	8,872,012	\$	9,334,714	\$	9,604,353	\$	9,887,048	\$	10,728,337
Operation/Maintenance		4,733,702		4,898,769		5,061,548		5,239,992		5,428,320		5,617,504
Administration		1,150,919		1,208,465		1,268,888		1,332,333		1,398,950		1,468,897
Total Debt Service Expenses		2,796,976		2,764,778		3,004,278		3,032,028		3,059,778		3,641,936

Dutchess County Water and Wastewater Authority
Projected Water System Revenues

Year	2025	2026	2027	2028	2029	2030
<u>Zone O - Arbors Water</u>						
Gross County Service Fee Payment	\$ 81,722	\$ 84,535	\$ 87,519	\$ 90,630	\$ 93,874	\$ 97,257
System Revenues	\$ 81,722	\$ 84,535	\$ 87,519	\$ 90,630	\$ 93,874	\$ 97,257
Sales of Water	81,466	84,272	87,250	90,354	93,591	96,967
Other Revenue	256	263	269	276	283	290
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Airport Water Line</u>						
Gross County Service Fee Payment	\$ 119,037	\$ 120,447	\$ 124,510	\$ 126,233	\$ 130,623	\$ 135,187
System Revenues	\$ 119,037	\$ 120,447	\$ 124,510	\$ 126,233	\$ 130,623	\$ 135,187
Sales of Water	118,832	120,237	124,295	126,013	130,397	134,955
Other Revenue	205	210	215	221	226	232
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone K - Birch Hill</u>						
Gross County Service Fee Payment	\$ 231,964	\$ 237,695	\$ 243,667	\$ 249,891	\$ 256,379	\$ 263,143
System Revenues	\$ 159,485	\$ 167,013	\$ 172,985	\$ 179,209	\$ 185,697	\$ 192,461
Sales of Water	157,948	165,437	171,370	177,553	184,000	190,721
Other Revenue	1,538	1,576	1,615	1,656	1,697	1,740
Net County Service Fee Payment	\$ 72,479	\$ 70,682	\$ 70,682	\$ 70,682	\$ 70,682	\$ 70,682
<u>Zone H - Dalton Farms</u>						
Gross County Service Fee Payment	\$ 356,982	\$ 369,805	\$ 373,185	\$ 387,146	\$ 401,716	\$ 416,923
System Revenues	\$ 356,982	\$ 369,805	\$ 373,185	\$ 387,146	\$ 401,716	\$ 416,923
Sales of Water	347,603	360,192	363,331	377,046	391,363	406,312
Other Revenue	9,379	9,613	9,854	10,100	10,352	10,611
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone E - Schreiber</u>						
Gross County Service Fee Payment	\$ 86,919	\$ 97,034	\$ 96,514	\$ 99,614	\$ 102,840	\$ 106,196
System Revenues	\$ 86,919	\$ 89,784	\$ 89,264	\$ 92,364	\$ 95,590	\$ 98,946
Sales of Water	85,689	88,523	87,972	91,040	94,232	97,554
Other Revenue	1,230	1,261	1,292	1,325	1,358	1,392
Net County Service Fee Payment	\$ 0	\$ 7,250	\$ 7,250	\$ 7,250	\$ 7,250	\$ 7,250
<u>Zone M - Fairways</u>						
Gross County Service Fee Payment	\$ 73,578	\$ 76,251	\$ 79,033	\$ 81,931	\$ 84,950	\$ 88,094
System Revenues	\$ 73,578	\$ 76,251	\$ 79,033	\$ 81,931	\$ 84,950	\$ 88,094
Sales of Water	72,963	75,620	78,387	81,269	84,271	87,398
Other Revenue	615	630	646	662	679	696
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone Q - Greenbush</u>						
Gross County Service Fee Payment	\$ 188,410	\$ 195,491	\$ 202,873	\$ 210,569	\$ 218,593	\$ 226,958
System Revenues	\$ 188,410	\$ 195,491	\$ 202,873	\$ 210,569	\$ 218,593	\$ 226,958
Sales of Water	178,775	185,616	192,751	200,193	207,957	216,057
Other Revenue	9,635	9,876	10,123	10,376	10,635	10,901
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone S - Greenfields</u>						
Gross County Service Fee Payment	\$ 251,383	\$ 260,584	\$ 290,166	\$ 315,146	\$ 340,541	\$ 618,821
System Revenues	\$ 251,383	\$ 260,584	\$ 270,166	\$ 280,146	\$ 290,541	\$ 301,371
Sales of Water	245,541	254,596	264,028	273,854	284,092	294,761
Other Revenue	5,843	5,989	6,138	6,292	6,449	6,610
Net County Service Fee Payment	\$ 0	\$ 0	\$ 20,000	\$ 35,000	\$ 50,000	\$ 317,450
<u>Zone A/B/C/D/L/R - Hyde Park</u>						
Gross County Service Fee Payment	\$ 5,960,513	\$ 6,054,966	\$ 6,240,399	\$ 6,399,398	\$ 6,565,011	\$ 7,039,508
System Revenues	\$ 3,441,866	\$ 3,637,437	\$ 3,777,370	\$ 3,923,619	\$ 4,076,482	\$ 4,236,271
Sales of Water	3,292,417	3,486,455	3,624,817	3,769,455	3,920,667	4,078,764
Other Revenue	149,450	150,982	152,554	154,164	155,815	157,507
Net County Service Fee Payment	\$ 2,518,647	\$ 2,417,529	\$ 2,463,029	\$ 2,475,779	\$ 2,488,529	\$ 2,803,237
<u>Zone U - Quaker Hill</u>						
Gross County Service Fee Payment	\$ 125,936	\$ 130,415	\$ 135,081	\$ 139,940	\$ 145,003	\$ 150,278
System Revenues	\$ 125,936	\$ 130,415	\$ 135,081	\$ 139,940	\$ 145,003	\$ 150,278
Sales of Water	123,886	128,314	132,927	137,733	142,740	147,958
Other Revenue	2,050	2,101	2,154	2,208	2,263	2,319
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone F - Rokeby</u>						
Gross County Service Fee Payment	\$ 72,588	\$ 75,295	\$ 78,115	\$ 81,054	\$ 84,115	\$ 87,306
System Revenues	\$ 72,588	\$ 75,295	\$ 78,115	\$ 81,054	\$ 84,115	\$ 87,306
Sales of Water	71,563	74,245	77,038	79,950	82,984	86,147
Other Revenue	1,025	1,051	1,077	1,104	1,131	1,160
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone J - Shore Haven</u>						
Gross County Service Fee Payment	\$ 424,518	\$ 433,484	\$ 442,812	\$ 452,519	\$ 462,621	\$ 473,136
System Revenues	\$ 247,533	\$ 256,499	\$ 265,827	\$ 275,534	\$ 285,636	\$ 296,151
Sales of Water	242,203	251,036	260,228	269,794	279,753	290,120
Other Revenue	5,330	5,463	5,600	5,740	5,883	6,030
Net County Service Fee Payment	\$ 176,985	\$ 176,985	\$ 176,985	\$ 176,985	\$ 176,985	\$ 176,985
<u>Zone X - Tivoli Water</u>						
Gross County Service Fee Payment	\$ 408,477	\$ 419,558	\$ 433,513	\$ 445,565	\$ 458,136	\$ 471,250
System Revenues	\$ 307,354	\$ 320,942	\$ 334,897	\$ 346,949	\$ 359,520	\$ 372,634
Sales of Water	302,537	316,004	329,836	341,761	354,202	367,183
Other Revenue	4,818	4,938	5,061	5,188	5,318	5,451
Net County Service Fee Payment	\$ 101,123	\$ 98,616	\$ 98,616	\$ 98,616	\$ 98,616	\$ 98,616
<u>Zone W- Traditions Water</u>						
Gross County Service Fee Payment	\$ 61,948	\$ 75,775	\$ 84,255	\$ 92,897	\$ 101,711	\$ 103,844
System Revenues	\$ 61,948	\$ 75,775	\$ 174,178	\$ 174,182	\$ 174,187	\$ 174,191
Sales of Water	61,779	75,602	174,000	174,000	174,000	174,000
Other Revenue	169	173	178	182	187	191
Net County Service Fee Payment	\$ 0	\$ 0	\$ (89,923)	\$ (81,285)	\$ (72,476)	\$ (70,348)
<u>Zone VDW- Valley Dale Water</u>						
Gross County Service Fee Payment	\$ 196,914	\$ 198,378	\$ 205,114	\$ 212,133	\$ 219,449	\$ 227,074
System Revenues	\$ 196,914	\$ 198,378	\$ 205,114	\$ 212,133	\$ 219,449	\$ 227,074
Sales of Water	193,122	194,491	201,129	208,049	215,262	222,783
Other Revenue	3,793	3,887	3,984	4,084	4,186	4,291
Net County Service Fee Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Zone Z- Peach Road Water</u>						
Gross County Service Fee Payment	\$ 40,708	\$ 42,299	\$ 217,957	\$ 219,685	\$ 221,486	\$ 223,363
System Revenues	\$ 40,708	\$ (110,051)	\$ 43,957	\$ 45,685	\$ 47,486	\$ 49,363
Sales of Water	40,445	(110,320)	43,681	45,402	47,196	49,066
Other Revenue	263	269	276	283	290	297
Net County Service Fee Payment	\$ 0	\$ 152,350	\$ 174,000	\$ 174,000	\$ 174,000	\$ 174,000
<u>WATER SYSTEM TOTALS</u>						
Gross County Service Fee Payment	\$ 8,681,597	\$ 8,872,012	\$ 9,334,714	\$ 9,604,353	\$ 9,887,048	\$ 10,728,337
System Revenues	\$ 5,812,363	\$ 5,948,600	\$ 6,414,075	\$ 6,647,326	\$ 6,893,461	\$ 7,150,464
Sales of Water	5,616,767	5,750,318	6,213,038	6,443,467	6,686,709	6,940,747
Other Revenue	195,596	198,283	201,037	203,859	206,752	209,718
Net County Service Fee Payment	\$ 2,869,234	\$ 2,923,412	\$ 2,920,639	\$ 2,957,027	\$ 2,993,586	\$ 3,577,872

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

August 6, 2025

Dutchess County Water and Wastewater Authority,
State of New York

DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY, NEW YORK
\$2,700,000 SERVICE AGREEMENT REVENUE NOTES, SERIES 2025 (PEACH ROAD WATER
MAIN PROJECT)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Dutchess County Water and Wastewater Authority, New York (the "Authority"), of \$2,700,000 aggregate principal amount of Service Agreement Revenue Notes, Series 2025 (peach Road Water Main Project)(the "Notes"), dated the date of delivery, issued pursuant to a General Revenue Bond Resolution dated as of June 1, 1998 (the "General Resolution") by and between the Authority and The Bank of New York Mellon, as trustee (the "Trustee") and the Authority's Supplemental Resolution dated as of July 15, 2025 (the "Supplemental Resolution") by and between the Authority and the Trustee.

In such connection, we have reviewed the General Resolution, the Supplemental Resolution, the Constitution and statutes of the State of New York, the Tax Certificate of the Authority dated the date hereof (the "Tax Certificate"), a certified copy of proceedings of the finance board of the Authority and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. 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. Our engagement with respect to the Notes has concluded with their issuance, 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 as copies) and the due and legal execution and delivery 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. Furthermore, we have assumed compliance with all covenants and agreements contained in the General Resolution, the Supplemental Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the General Resolution, the Supplemental Resolution, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, 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 entities such as the Authority in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue or waiver provisions contained in the documents described in the second paragraph hereof. Finally, we undertake no responsibility for the

accuracy, completeness or fairness of the offering materials relating to the Notes and express no opinion with respect thereto.

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

1. The Notes constitute the valid and binding limited obligations of the Authority.
2. The General Resolution and Supplemental Resolution have been duly executed and delivered, and constitutes valid and binding agreements of the Authority.
3. The General Resolution and the Supplemental Resolution create a valid pledge to secure the payment of the principal of and interest on the Notes, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the General Resolution, except the Rebate Fund, subject to the provisions of the General Resolution and Supplemental Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein.
4. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 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). Interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Very truly yours,