NEW ISSUE - BOOK-ENTRY ONLY

Delivery of the 1998 Series A Bonds is conditioned upon receipt of an approving opinion of Hawkins, Delafield & Wood, Bond Counsel, dated the date of delivery of the 1998 Series A Bonds, stating that, in the opinion of Bond Counsel, under existing statutes and court decisions, and assuming compliance with certain tax covenants and procedures, interest on the 1998 Series A Bonds is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the 1998 Series A Bonds is treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals, corporations and other taxpayers. No opinion will be expressed as to the noninclusion in gross income of interest on any 1998 Series A Bond during a period in which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a substantial user of the facilities for which the 1998 Series A Bonds are used or who is a related person to any such substantial user. Although not a condition to delivery of the 1998 Series A Bonds, if true at the time of delivery, such opinion shall also state that under then existing statutes, interest on the 1998 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

$87,650,000

CONNECTICUT RESOURCES RECOVERY AUTHORITY

Resource Recovery Revenue Bonds

(American REF-FUEL Company of Southeastern Connecticut Project — 1998 Series A)

Dated: Date of Delivery

AMERICAN REF-FUEL™

Due: November 15, as shown below

The above-referenced Bonds (the "1998 Series A Bonds") are being issued to refund certain bonds issued by the Authority in 1988 to finance a portion of the costs of a solid waste disposal and resources recovery and electric generation facility (the "Facility") located in Preston, Connecticut. The Facility is leased by the Authority to American REF-FUEL Company of Southeastern Connecticut (the "Company"). The Facility is operated by the Company pursuant to a Service Agreement dated as of December 1, 1987 between the Authority and the Company (as amended, the "Service Agreement") for the purpose of processing solid waste from the Connecticut municipalities of East Lyme, Griswold, Groton, Ledyard, Montville, New London, North Stonington, Norwich, Sprague, Stonington and Waterford (the "Participating Municipalities") and certain other municipalities. The Company also processes merchant waste at the Facility. The Facility is part of a solid waste management system (the "System") operated for the benefit of the Participating Municipalities and such other municipalities.

The scheduled payment of principal of and interest on the 1998 Series A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 1998 Series A Bonds by MBIA Insurance Corporation.

MBIA

The 1998 Series A Bonds will be issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). So long as DTC or a successor depository acts as the securities depository with respect to the 1998 Series A Bonds, purchases of beneficial interests in the 1998 Series A Bonds, in denominations of $5,000 or any integral multiple thereof, will be made in book-entry form only. Payments of the principal of and premium, if any, and interest (payable each May 15 and November 15, commencing November 15, 1998) on the 1998 Series A Bonds will be paid directly to DTC. Disbursement of such payments to beneficial owners of 1998 Series A Bonds will be the responsibility of DTC and DTC's participants.

The 1998 Series A Bonds are subject to optional, extraordinary optional and special mandatory redemption prior to maturity as set forth herein.

The 1998 Series A Bonds are special obligations of the Authority, payable solely from revenues derived by the Authority in connection with certain municipal solid waste disposal contracts, the lease of the Facility to the Company and certain other funds and accounts (including the Special Capital Reserve Fund) held by the Trustee under the Indenture, together with all other moneys legally available therefor, including amounts, if any, certified by the Chairman of the Authority as necessary to restore the Special Capital Reserve Fund to the Special Capital Reserve Fund Requirement, which are deemed appropriated from the State's general fund to be paid to the Authority pursuant to the Act, all as more fully described herein. The Authority has no taxing power. Neither the faith and credit nor the taxing power of the State or any municipality is pledged to the payment of principal of or interest on the 1998 Series A Bonds, and the 1998 Series A Bonds do not constitute a debt or liability of the State or any municipality.

The 1998 Series A Bonds are expected to be delivered on August 18, 1998 (the "Delivery Date"). Delivery on such date is subject only to the conditions that on the Delivery Date there shall have been delivered certain opinions and certificates, including the opinion of Bond Counsel referred to herein. If such conditions are satisfied, each purchaser of 1998 Series A Bonds will be obligated to pay on the Delivery Date the purchase price of 1998 Series A Bonds purchased by it, notwithstanding any changes which have occurred since its agreement to purchase such bonds and confirmation of such purchase by the Underwriter, including, without limitation, any change in the market price or marketability of the 1998 Series A Bonds or in the business, affairs, assets, revenues or expenses of the Authority, SCRRRA, the Company, BFI, Duke Capital, the Participating Municipalities, the State of Connecticut, the Insurer, The Connecticut Light and Power Company, the Facility or the System, any downgrading or withdrawals of the credit rating on the 1998 Series A Bonds, any change in federal or state tax laws other than a change which prevents Bond Counsel from delivering its opinion referred to herein, or the occurrence of any other adverse condition. See the information under the heading "DELAYED DELIVERY" herein.

MORGAN STANLEY DEAN WITTER

Dated: March 6, 1998

$87,650,000

Connecticut Resources Recovery Authority

Resource Recovery Revenue Bonds

(American REF-FUEL Company of Southeastern Connecticut Project — 1998 Series A)

Year (November 15)	Principal Amount	Interest Rate	Price
1999	$3,340,000	5.00%	100.830%
2000	3,500,000	5.00	101.260
2001	3,670,000	5.00	101.485
2002	3,860,000	5.50	103.424
2003	4,060,000	5.50	103.906
2004	4,280,000	5.50	104.276
2005	4,510,000	5.50	104.542
2006	4,755,000	5.50	104.710
2007	5,000,000	5.50	104.787
2008	5,270,000	5.50	104.778
2009	5,550,000	5.50	104.251
2010	5,845,000	5.50	103.600
2011	6,150,000	5.375	101.561
2012	6,470,000	5.375	100.660
2013	6,790,000	5.125	97.666
2014	7,125,000	5.125	97.042
2015	7,475,000	5.125	96.387

The 1998 Series A Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Hawkins, Delafield & Wood, New York, New York and Hartford, Connecticut, Bond Counsel, and by Murtha, Cullina, Richter and Pinney LLP, Hartford, Connecticut, General Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Company by Dewey Ballantine LLP, New York, New York, special counsel to the Company, and LeBoeuf, Lamb, Greene & MacRae L.L.P., special Connecticut counsel to the Company, and for the Underwriter by Updike, Kelly & Spellacy, P.C., Hartford, Connecticut.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Connecticut Resources Recovery Authority (the "Authority"), the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA"), American REF-FUEL Company of Southeastern Connecticut (the "Company), Browning-Ferris Industries, Inc. ("BFI"), Duke Capital Corporation ("Duke Capital") or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 1998 Series A Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 1998 Series A Bonds in any jurisdiction in which such offer, solicitation or sale is not qualified under applicable law or to any person to whom it is unlawful to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the 1998 Series A Bonds implies that the information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Authority, SCRRRA, the Company, BFI, Duke Capital and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the Underwriter. Information about the Facility, the System, the Authority, SCRRRA, the Company, BFI and Duke Capital contained herein is believed to be accurate as of the date of this Official Statement, but no representation is made as to the accuracy of this information as of any other date.

IN CONNECTION WITH THE OFFERING OF THE 1998 SERIES A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1998 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 1998 SERIES A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

There follows in this Official Statement certain information concerning the Facility and the principal participants regarding the operation of the Facility and the refinancing, together with descriptions of the terms of the 1998 Series A Bonds, the principal documents related to the security for the 1998 Series A Bonds and certain applicable laws. Capitalized terms used herein are defined in **Appendix A** — "Definitions". All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the 1998 Series A Bonds, and all references to the 1998 Series A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture.

TABLE OF CONTENTS

OFFICIAL STATEMENT

$87,650,000
CONNECTICUT RESOURCES RECOVERY AUTHORITY
Resource Recovery Revenue Bonds
(American REF-FUEL Company of Southeastern Connecticut Project — 1998 Series A)

INTRODUCTION

This Official Statement, including the cover page and Appendices, is furnished in connection with the offering of $87,650,000 principal amount of Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1998 Series A) (the "1998 Series A Bonds") of the Connecticut Resources Recovery Authority (the "Authority"). Certain capitalized terms used herein and not defined have the meanings given in **Appendix A** hereto.

Authorization

The 1998 Series A Bonds are authorized and issued pursuant to the State Solid Waste Management Services Act, constituting Chapter 446e, sections 22a-257 through 22a-282 of the Connecticut General Statutes, as amended (the "Act"), a resolution of the Authority adopted February 19, 1998 and an Indenture of Mortgage and Trust, dated as of December 1, 1988, as amended and supplemented (as so supplemented, the "Indenture"), between the Authority and State Street Bank and Trust Company, as Trustee.

Purpose

The 1998 Series A Bonds will be issued to provide a portion of the money required to refund the entire outstanding principal amount (other than the principal amount maturing on November 15, 1998) of the Authority's Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A) (the "Original Bonds"). The Original Bonds were issued to finance a portion of the costs of acquisition and construction of a solid waste disposal, resource recovery and electric generation facility (the "Facility"), located in the Town of Preston, Connecticut and certain related facilities and costs.

The Authority

The Authority is a public instrumentality of the State of Connecticut (the "State") that is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. The Authority has developed four regional solid waste management systems which together serve over 100 cities and towns within the State. In addition to the System described below, the Authority has developed (i) the Mid-Connecticut system, including a 2,000 ton per day refuse derived fuel resources recovery facility serving 63 communities in the greater Hartford area and around the State, (ii) the Bridgeport system, including a 2,250 ton per day mass burn resources recovery facility serving 18 communities in the southwest and south central part of the State, and (iii) the Wallingford system, including a 420 ton per day mass burn resources recovery facility serving five towns in New Haven County. Each of the Authority's regional solid waste

management systems is operated and financed independently of the others, and (i) revenues of the Mid-Connecticut, Bridgeport and Wallingford systems are not pledged or available to secure the 1998 Series A Bonds or any other bonds issued for the System and (ii) revenues of the System are not pledged or available for other Authority systems. See "THE AUTHORITY" herein.

The Facility and the Company

The Facility is located on an approximately twelve-acre site in the Town of Preston, Connecticut and was designed and constructed by American REF-FUEL Company of Southeastern Connecticut (the "Company"), a Connecticut general partnership whose general partners are indirect, wholly-owned subsidiaries of either Browning-Ferris Industries, Inc. ("BFI") or Duke/UAE Ref-Fuel, LLC ("DUR"). DUR is owned in part by United American Energy Corp. ("UAE") and indirectly in part by Duke Capital Corporation ("Duke Capital"). Duke Capital, together with BFI, provides certain credit support to the Company. BFI and Duke Capital, each a Delaware corporation, are together referred to herein as the "Parents". The Facility utilizes a mass-burn technology developed and owned by Deutsche Babcock Anlagen AG ("DBA") and marketed in the United States by American REF-FUEL Company. Components of the Facility include two identical and independently operated furnace/boiler units and a turbine-generator nominally rated at 16 MW. The Facility has a permitted processing capacity of approximately 690 tons per calendar day. The Facility passed its acceptance test in 1992. The Company operates and maintains the Facility and, to the best knowledge of the Company, all governmental licenses, permits and approvals applicable to the Facility and material to its operation are in full force and effect. *See* "THE SYSTEM AND ITS OPERATION — The Facility" and " — Authority Operations".

The System

The Authority and the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA"), have established a regional system (the "System") of solid waste management, disposal and resources recovery to serve municipalities in the southeastern area of the State. Municipalities utilizing the services of the System include the Connecticut municipalities of East Lyme, Griswold, Groton, Ledyard, Montville, New London, North Stonington, Norwich, Sprague, Stonington and Waterford (the "Participating Municipalities" and, each a "Participating Municipality"). In addition, (i) the municipalities of Guilford and Madison utilize the services of the System pursuant to an agreement that is substantially the same as that of the Participating Municipalities except that Guilford and Madison have the right to terminate their agreement, upon two years' prior notice, on December 31, 2001 or on any June 30 thereafter, and (ii) the municipality of Preston utilizes the services of the System pursuant to a contract on a basis similar to that of the Participating Municipalities except that Preston has no minimum commitment and receives certain host community benefits. Facilities included as part of the System include the Facility, the Facility site, and an ash landfill located in the Town of Montville.

The Lease Agreement

The Facility is owned by the Authority and leased to the Company under a Lease Agreement between the Authority and the Company dated as of December 1, 1988 (as amended, the "Lease Agreement"). The Company is obligated under the Lease Agreement to make Lease Rental payments to the Trustee for the account of the Authority in amounts which, together with other funds available therefor under the Indenture, will be sufficient to pay, when due, the principal of, premium, if any, and interest on bonds issued under the Indenture, including the 1998 Series A Bonds (excluding, as long as the Authority is obligated to pay the Service Fee under the Service Agreement, Bonds Allocable to Authority Purposes) and restore the Special Capital Reserve Fund to the Special Capital Reserve Fund Requirement. Such obligation is subject, however,

to termination in certain circumstances as described herein. The principal of, premium, if any, and interest on Bonds Allocable to Authority Purposes is payable by the Authority so long as the Authority is obligated to pay the Service Fee under the Service Agreement. *See* "Lease Agreement" under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE 1998 SERIES A BONDS" below and "The Lease Agreement" in **Appendix B** hereto.

The Facility Site

The Facility site is owned by SCRRRA and leased by SCRRRA to the Company for an initial term ending November 11, 2015 pursuant to a Site Lease Agreement dated as of December 1, 1988 (the "Site Lease Agreement"). The Company has an option to renew the Site Lease Agreement prior to the end of its initial term. *See* "The Site Lease Agreement" in **Appendix C** hereto.

The Service Agreement

The Company and the Authority have entered into a Service Agreement dated as of December 1, 1987 (as amended, the "Service Agreement"), for a term ending on November 11, 2015 unless sooner terminated or extended as provided therein. Pursuant to the Service Agreement, the Company is obligated to operate and maintain the Facility and process Acceptable Waste delivered thereto. The Authority is obligated to deliver or cause to be delivered for processing or disposal by the Company all Acceptable Waste generated within the Participating Municipalities throughout the term of the Service Agreement, and to pay, solely from revenues received from the Participating Municipalities under the Municipal Service Agreements, the Service Fee to the Company for such disposal service. The Company has agreed to accept and process such Acceptable Waste up to the capacity of the Facility. Upon the occurrence of certain events described below, the Service Agreement may be terminated, and the 1998 Series A Bonds may be subject to special redemption as a result. *See* "The Service Agreement" in **Appendix C** hereto and "THE 1998 SERIES A BONDS — Special Redemptions at Par" *and* "— Termination of the Service Agreement" below.

The Municipal Service Agreements

SCRRRA has entered into substantially similar Solid Waste Management Services Contracts (the "Municipal Service Agreements") with each of the Participating Municipalities under which each of the Participating Municipalities has agreed to cause to be delivered to the System all or any portion of the Solid Waste generated within its boundaries, at the direction of SCRRRA. Each Participating Municipality has agreed to make Service Payments required under its Municipal Service Agreement to SCRRRA for the term of its Municipal Service Agreement. Each Participating Municipality has pledged its full faith and credit to the payment of such Service Payments. Under the Municipal Service Agreements, SCRRRA is obligated to accept and dispose of Acceptable Waste delivered by each Participating Municipality. Each of the Municipal Service Agreements will expire in accordance with its terms no earlier than November 12, 2015, or such prior date on which there shall be no Bonds Outstanding. *See* "The Municipal Service Agreements" in **Appendix C** hereto. In addition, (i) the municipalities of Guilford and Madison together have entered into a solid waste management services contract with SCRRRA that is substantially the same as the Municipal Service Agreements except that Guilford and Madison have the right to terminate their agreement, upon two years' prior notice, on December 31, 2001 or on any June 30 thereafter and (ii) the municipality of Preston has entered into a contract for disposal services at the System on a basis similar to that of the Participating Municipalities except that Preston has no minimum commitment and receives certain host community benefits.

Parent Support

The Company's performance of certain obligations under the Service Agreement will be supported by the Parents pursuant to an Amended and Restated Company Support Agreement (the "Company Support Agreement") and an Amended and Restated Parent Undertaking (the "Parent Undertaking") among the Company and the Parents, each dated as of March 1, 1998 pursuant to which each of the Parents will be severally, but not jointly and severally, obligated to provide certain financial support to the Company. The Company Support Agreement similarly supports certain obligations of the Company under the Lease Agreement. *See* "The Company Support Agreement" and "The Parent Undertaking" under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE 1998 SERIES A BONDS" below and "The Company Support Agreement" and "The Parent Undertaking" in **Appendix C** hereto.

The Electric Power Purchase Agreement

The Company has agreed to produce specified amounts of electricity which is sold to The Connecticut Light and Power Company ("CL&P") pursuant to an Electrical Energy Purchase Agreement (the "Energy Sales Agreement") among CL&P, the Company, SCRRRA and the Authority. *See* "THE SYSTEM AND ITS OPERATIONS — Energy Sales — *Information Concerning the Energy Purchaser*" and "The Energy Sales Agreement" in **Appendix C** hereto.

SCRRRA

SCRRRA was created through the adoption of a joint resolution enacted by the Participating Municipalities. In May 1994, the town of Preston became an additional member of SCRRRA and in December 1996, the towns of Guilford and Madison became additional members of SCRRRA. While the towns of Preston, Guilford and Madison are currently members of SCRRRA, they are not Participating Municipalities as the term is used in this Official Statement. SCRRRA is a body politic and corporate established pursuant to Chapter 103b of the Connecticut General Statutes as a public instrumentality and a political subdivision of the State with authority to implement a long-term regional solid waste management program through a resource recovery facility in accordance with the State Solid Waste Management Plan and applicable statutes and regulations.

The Bridge and Management Agreement

The Authority and SCRRRA have entered into a Bridge and Management Agreement dated as of December 1, 1987 (the "Bridge and Management Agreement") pursuant to which SCRRRA is obligated to deliver or cause to be delivered to the Facility all Acceptable Waste generated within the boundaries of the Participating Municipalities and other municipalities with which SCRRRA enters into contracts for the acceptance and disposal of Acceptable Waste. *See* "The Bridge and Management Agreement" in **Appendix C** hereto.

Current System Parity Debt; Additional Bonds

As of the date of issuance and delivery of the 1998 Series A Bonds, the Authority expects to have the following bonds outstanding that will be secured on a parity with the 1998 Series A Bonds: $2,520,000 Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A), maturing on November 15, 1998 and $3,235,000 Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1989 Series A), maturing

November 15, 1998 through November 15, 2011. In addition, the Indenture permits the issuance of Additional Bonds on a parity with the 1998 Series A Bonds, subject to conditions more fully described herein. *See* "SECURITY FOR AND SOURCES OF PAYMENT OF THE 1998 SERIES A BONDS — Additional Bonds".

Special Capital Reserve Fund

Bonds issued under the Indenture (other than Subordinated Bonds), including the 1998 Series A Bonds, are secured by a Special Capital Reserve Fund. The Special Capital Reserve Fund Requirement is equal to the maximum amount of principal, Sinking Fund Installment and interest maturing and becoming due on outstanding Bonds (other than Subordinated Bonds) on scheduled maturity and payment dates in the year in which such computation is made or in any single succeeding calendar year. If at any time any interest on the Bonds (other than Subordinated Bonds) or the principal, Redemption Price or any Sinking Fund Installment therefor has become due and payable and payment thereof in full has not been made or provided for, the Trustee shall withdraw from the Special Capital Reserve Fund, to the extent moneys are available therein, an amount which together with other amounts available for such payment shall be sufficient to provide for such payment in full. The Act states that: "On or before December first, annually, there is deemed to be appropriated from the state general fund such sums, if any, as shall be certified by the chairman of the authority to the secretary of the office of policy and management and treasurer of the state, as necessary to restore each such special capital reserve fund to the amount equal to the required minimum capital reserve of such fund, and such amounts shall be allotted and paid to the authority". *See* "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS — Special Capital Reserve Fund".

SOURCES AND USES OF FUNDS

Proceeds of the 1998 Series A Bonds will be applied, together with other funds available under the Indenture or otherwise paid to the Trustee for such purposes, to refund the Original Bonds, which will be redeemed (other than those maturing on November 15, 1998, which will be paid at maturity) on November 16, 1998 at a redemption price of 103% of the principal amount thereof, plus accrued interest thereon.

The following table sets forth the estimated sources and uses of funds in connection with the refinancing of the Facility.

Sources of Funds	
Principal Amount of 1998 Series A Bonds	$ 87,650,000
Net Original Issue Premium	1,465,786
Special Capital Reserve Fund (allocable to Refunded Bonds)	9,830,700
Equity Contribution	2,247,660
Project Fund Balances	403,130
Debt Service Fund	1,781,051
TOTAL SOURCES	$103,378,327
Uses of Funds	
Deposit to the Escrow Deposit Fund	$94,887,277
Underwriting Fee and Bond Insurance Premium	473,137
Special Capital Reserve Fund (allocable to 1998 Series A Bonds)	8,017,913
TOTAL USES	$103,378,327

DELAYED DELIVERY

The 1998 Series A Bonds are expected to be delivered on or about August 18, 1998 (the "Delivery Date"). The Underwriter has entered into a Bond Purchase Agreement with the Authority, SCRRRA and the Company that provides, subject to certain conditions, for the issuance by the Authority and the purchase by the Underwriter on the Delivery Date of all (but not less than all) of the 1998 Series A Bonds.

The conditions to the purchase of the 1998 Series A Bonds will be satisfied if, among other things, (i) Bond Counsel issues an opinion substantially in the form attached hereto as **Appendix J** (provided that such opinion need not address the exclusion of interest on the 1998 Series A Bonds from State taxable income for purposes of the State income tax on individuals, trusts and estates and exclusion from amounts on which the net State minimum tax is based and shall be deemed to be in substantially such form notwithstanding that the actual opinion delivered may state that federal legislative proposals are pending or may be advanced which, if enacted into law, would impair the exclusion from gross income of the interest on the 1998 Series A Bonds for federal income tax purposes or would otherwise adversely affect the market value thereof), (ii) no changes in law are adopted which cause the issuance, offering or sale of the 1998 Series A Bonds to be in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or which require registration of such offering or sale of the 1998 Series A Bonds under any such acts, (iii) no governmental orders are issued to the effect that issuance, offering or sale of the 1998 Series A Bonds would violate federal securities laws, (iv) the Bond Insurer issues the municipal bond insurance policy for the 1998 Series A Bonds and (v) participants in the refinancing deliver those certificates or opinions required under the Indenture as a condition of issuance of the 1998 Series A Bonds.

Execution of Delayed Delivery Contract

In order to evidence its obligation to purchase a beneficial ownership interest in the 1998 Series A Bonds from the Underwriter, each initial purchaser will be required to execute and return to the Underwriter a Delayed Delivery Contract in the form attached hereto as **Appendix K**.

During the period of time between the date hereof and the issuance and delivery of the 1998 Series A Bonds (the "Delayed Delivery Period"), certain information contained in this Official Statement could change in a material respect. In such event, the Authority, SCRRRA, the Company, BFI and Duke Capital have agreed to supplement this Official Statement, and the Underwriter intends to provide such supplemental information to prospective purchasers of the 1998 Series A Bonds on or prior to the Delivery Date. Purchases of the 1998 Series A Bonds are subject to certain risks, some of which are described herein. Except for providing such supplemental information, if any, the Authority, SCRRRA, the Company, BFI, Duke Capital and the Underwriter do not intend to supplement the information contained in this Official Statement during the period prior to the Delivery Date. Notwithstanding any information that may be provided to a purchaser in such Official Statement or any supplement thereto, upon the satisfaction of the conditions for delivery of the 1998 Series A Bonds on the Delivery Date, purchasers will be obligated to accept the delivery of the 1998 Series A Bonds purchased and pay the purchase price thereof.

Rating Risk

As of the date hereof, the rating assigned to the 1998 Series A Bonds by Moody's Investors Service ("Moody's") is "Aaa" and the rating assigned to the 1998 Series A Bonds by Standard & Poor's Ratings

Services ("S&P") is "AAA". The ratings of the 1998 Series A Bonds on the Delivery Date could be lower than the ratings assigned to the 1998 Series A Bonds on the date of this Official Statement.

Secondary Market Risk

The Underwriter is not obligated to make a secondary market in the 1998 Series A Bonds, and no assurances can be given that a secondary market will exist for the 1998 Series A Bonds during the Delayed Delivery Period. Prospective purchasers of the 1998 Series A Bonds should assume that the 1998 Series A Bonds will be illiquid throughout the Delayed Delivery Period.

Market Value Risk

The delay in the issuance and delivery of the 1998 Series A Bonds from the date hereof to the Delivery Date may have significant consequences to the investors therein. The market value of the 1998 Series A Bonds on the date of issuance and delivery thereof is unlikely to be the same as, and probably will be greater or less than, the initial offering price of such 1998 Series A Bonds, and the difference may be substantial. Several events or factors may adversely affect the market price of the 1998 Series A Bonds including, but not limited to, a general increase in interest rates, any proposed or adopted change in the federal tax laws affecting the relative benefits of owning tax-exempt securities instead of other types of investments, such as fully taxable obligations, or any adverse development with respect to the Authority, the Company, either Parent, SCRRRA, the Participating Municipalities, the State, the Bond Insurer, CL&P or the operations or financial condition of the Facility or the System. In addition, although the delivery of the opinion of Bond Counsel that is a condition to the issuance and delivery of the 1998 Series A Bonds is dependent on, among other matters, the facts and circumstances at the time of such delivery and the provisions of the Code and other applicable law as then in effect, there are or may be a variety of changes or proposed changes in the federal tax laws or regulations or judicial interpretations thereof which could adversely affect generally the market value of tax-exempt securities similar to the 1998 Series A Bonds but would not prevent the delivery of the 1998 Series A Bonds. Conditions to the delivery of the opinion of Bond Counsel and certain other matters are more fully described herein under "TAX MATTERS". None of the Authority, SCRRRA, the Company, BFI, Duke Capital or the Underwriter makes any representation as to the market price of the 1998 Series A Bonds on the Delivery Date.

Satisfaction of Delivery Conditions

Upon the satisfaction of the conditions to delivery of the 1998 Series A Bonds on the Delivery Date, and notwithstanding any event which may have occurred between the date hereof and the Delivery Date, including, without limitation, any adverse changes in the business, affairs, assets, revenues or expenditures of the Authority, SCRRRA, the Company, BFI, Duke Capital, the Participating Municipalities, the State, the Bond Insurer, CL&P, the Facility or the System, any adverse effect on the market price or marketability of the 1998 Series A Bonds, any downgrading or withdrawals of the credit rating on the 1998 Series A Bonds, any change in federal or state tax laws (other than any change, or proposed change including court decisions, regulations, proposed regulations or filings or actions of administrative agencies in federal (but not State) tax law which prevents Bond Counsel from delivering its opinion referred to herein, or the occurrence of any other adverse condition, the Underwriter shall be obligated to pay for and take delivery of the 1998 Series A Bonds and each purchaser of 1998 Series A Bonds shall also be obligated to pay for and take delivery of its beneficial ownership interests in the 1998 Series A Bonds so purchased.

THE 1998 SERIES A BONDS

General Description of The 1998 Series A Bonds

The 1998 Series A Bonds will initially be dated their date of delivery, with interest accruing from such date, payable on May 15 and November 15 of each year, commencing November 15, 1998. The 1998 Series A Bonds will mature in the amounts and in the years and bear interest at the rates set forth on the inside cover page of this Official Statement.

General Optional Redemption

The 1998 Series A Bonds shall be subject to redemption prior to maturity on and after November 15, 2008 at the option of the Authority (which option, if the Lease Agreement is then in effect, shall be exercised upon the giving of notice by the Company of its intention to prepay rental payments due under the Lease Agreement) as a whole at any time or in part on any Interest Payment Date, at the Redemption Prices (expressed as a percentage of the principal amount of the 1998 Series A Bonds or portions thereof to be so redeemed) set forth opposite the applicable period in the table below, in each case together with accrued interest to the redemption date:

Redemption Period (Both Dated Inclusive)	Redemption Price
November 15, 2008 to November 14, 2009	101 %
November 15, 2009 to November 14, 2010	100.5
November 15, 2010 and thereafter	100

Special Redemptions at Par

The 1998 Series A Bonds are subject to redemption prior to maturity, without premium, following the occurrence of certain circumstances described below. For a more complete summary of special redemptions arising under the Service Agreement and under a Corporate Guaranty Agreement, *see* "The Service Agreement" and "The Company Support Agreement" in **Appendix C** hereto.

Extraordinary Optional Redemption

The 1998 Series A Bonds shall be subject to redemption in their entirety at the option of the Authority (which option shall be exercised and may only be exercised upon the giving of notice by the Company of its intention to prepay rental payments due under the Lease Agreement) at any time, at a Redemption Price of 100% of the principal amount thereof, without premium, together with interest accrued thereon to the date of redemption, if any one or more of the following events shall have occurred:

(i) The Facility shall have been damaged or destroyed to the extent that, as evidenced by a certificate of the Authorized Representative of the Company filed with the Authority and the Trustee, (a) the Facility cannot be reasonably restored within a period of one year from the date of such damage or destruction to a condition of at least equivalent value, function and operating efficiency to that condition immediately preceding such damage or destruction, or (b) the Company

is prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of at least one year from the date of such damage or destruction;

(ii) Title to, or the temporary use of, all or substantially all of the Facility shall have been taken or condemned by a competent authority, which taking or condemnation results, or is likely to result, in the Company being thereby prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of at least one year from the date of such taking or condemnation, as evidenced by a certificate of the Authorized Representative of the Company filed with the Authority and the Trustee;

(iii) As a result of changes in or in the interpretation of the Constitution of the United States of America or of the State of Connecticut or of legislative, executive, or regulatory action of the State of Connecticut or any political subdivision thereof or of the United States of America or any taxing authority of any of the foregoing or by final decree or judgment of any court, the Lease Agreement, the Service Agreement, the Site Lease Agreement or any of the Municipal Service Agreements become void or unenforceable or impossible to perform in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the Company by reason of the operation of the Facility; or

(iv) Technological or other changes (including, without limitation, changes in environmental requirements or requirements relating to the generation, purchase or sale of electricity or changes in availability of Acceptable Waste) shall have occurred which, in the opinion of the Company, render the completion, operation or continued operation of all or a substantial portion of the Facility no longer economic or desirable for its intended purposes.

Mandatory Redemption from Excess Insurance or Condemnation Proceeds

The 1998 Series A Bonds are subject to mandatory redemption prior to maturity, in whole at any time or in part on any Interest Payment Date, in the event and to the extent excess property insurance proceeds or condemnation awards are deposited in the Redemption Account of the Debt Service Fund in accordance with the Lease Agreement, at a Redemption Price of 100% of the principal amount of the 1998 Series A Bonds to be redeemed, together with the interest accrued thereon to the date of redemption, provided that if such amount is less than $100,000, no such redemption need occur.

Special Redemptions Arising Under the Service Agreement

At the option of the Authority (which option shall be exercised by the Authority to the extent payments with respect to the 1998 Series A Bonds shall be required of, or may be made by, and in either case have been made by, the Company or the Authority pursuant to the Service Agreement), the 1998 Series A Bonds (except for that portion of the 1998 Series A Bonds guaranteed by the Parents) are subject to redemption prior to maturity at a Redemption Price of 100% of the principal amount of the 1998 Series A Bonds to be redeemed, as set forth below, together with interest accrued thereon to the date of redemption:

(i) In full at any time or in part on any Interest Payment Date from payments made by the Company under certain circumstances (including payments from funds received by the Company from the Authority) upon election by the Authority to terminate the Service Agreement due to certain Company non-performance events and election by the Company to pay the Trustee the amounts required by the Service Agreement;

(ii) In full at any time or in part on any Interest Payment Date from payments to be made by the Authority at its option, upon election by the Authority to terminate the Service Agreement following Acceptance due to certain increased disposal costs resulting from a change in the legal classification of Residue to Hazardous Waste; or

(iii) In full at any time at the election of the Authority upon any termination of the Service Agreement.

See "THE 1998 SERIES A BONDS - Termination of the Service Agreement" below.

Special Redemption Arising Under a Corporate Guaranty Agreement

The 1998 Series A Bonds shall be subject to mandatory redemption, in whole or in part at any time, at a Redemption Price of 100% of the principal amount to be redeemed together with accrued interest thereon to the date of redemption, from moneys paid to the Trustee by a Parent that has executed a Corporate Guaranty Agreement, following an acceleration of amounts due under such Corporate Guaranty Agreement upon the occurrence of certain events relating to the bankruptcy or insolvency of such Parent pursuant to the terms of such Corporate Guaranty Agreement.

Selection of 1998 Series A Bonds to be Redeemed

If less than all of the 1998 Series A Bonds are to be redeemed, 1998 Series A Bonds to be redeemed shall be selected in inverse order of maturity or such other order of maturity as the Authority and the Company may mutually direct (except for an aggregate principal amount of 1998 Series A Bonds equal to $1,000,000 due on the longest maturity of the 1998 Series A Bonds, which shall be redeemed last) and within a maturity shall be selected as the Trustee, in its discretion, may deem fair, except that the 1998 Series A Bonds to be redeemed from Sinking Fund Installments shall be selected by lot.

Notice of Redemption

The Trustee will mail notice of any redemption of the 1998 Series A Bonds to all registered owners of such 1998 Series A Bonds which are to be redeemed not less than 30 days (or 125 days in the case of a special redemption resulting from moneys paid to the Trustee by a Parent under a Corporate Guaranty Agreement following an acceleration of amounts due under such Corporate Guaranty Agreement upon the occurrence of certain events relating to the bankruptcy or insolvency of such Parent pursuant to the terms of such Corporate Guaranty Agreement) before the redemption date, but any defect in such notice shall not affect the validity of the redemption. No further interest will accrue on the principal of any 1998 Series A Bonds called for redemption after the date fixed for the redemption if, on the redemption date, moneys sufficient to redeem such 1998 Series A Bonds called for redemption are held by the Trustee for such purpose, and the owners thereof will have no rights with respect thereto except to receive payment of the Redemption Price thereof and unpaid interest accrued to the date fixed for redemption.

Termination of the Service Agreement

The Service Agreement contains provisions permitting its termination in the circumstances and with the consequences described below:

a. Termination Initiated by the Authority.

(i) *Uncontrollable Circumstances.* The Authority may terminate the Service Agreement if the cumulative irremediable effect of all Uncontrollable Circumstances is that the Facility cannot Process Waste at the Minimum Acceptance Criteria without the resulting Service Fee Estimate exceeding the Service Fee Cap.

(ii) *Company Default.* Upon the occurrence of certain defaults by the Company under the Service Agreement, the Authority may elect (1) to require the Company to either, at the Company's election, (A) pay to the Trustee sufficient funds to redeem or defease all Bonds Deemed Outstanding (to the extent not guaranteed as provided in clause (B) below), or (B) cause the Parents to guarantee all Bonds Deemed Outstanding (to the extent the payment provided in clause (A) is not made), or (C) both of (A) and (B), or (2) to purchase the Facility Interests from the Company. Upon the taking of such action or the occurrence of such purchase, as the case may be, the Service Agreement will terminate.

(iii) *Change in Classification of Residue.* The Authority may terminate the Service Agreement if (1) as a result of a change in law, ash from the Facility is classified as hazardous waste, which reclassification causes or caused the Total Disposal Cost to exceed the Total Disposal Cost Cap, and (2) the Authority pays to the Company an amount equal to the sum of (A) Bonds Deemed Outstanding, which amount shall be paid to the Trustee and applied to the redemption of such Bonds Deemed Outstanding, and (B) Net Equity.

b. Termination Initiated by the Company.

(i) *Authority Default.* The Company may terminate the Service Agreement if there shall have occurred certain defaults under the Service Agreement by the Authority.

c. Certain Consequences of Service Agreement Termination.

(i) Upon a termination of the Service Agreement described in paragraph a. (i) or paragraph b. (i) above, the Company's Lease Rental obligation under the Lease Agreement will terminate.

(ii) Upon a termination of the Service Agreement described in clause (2) of paragraph a. (ii) above, the Company's Lease Rental obligation under the Lease Agreement will terminate with respect to a principal amount of Bonds Deemed Outstanding equal to the Facility Interests Purchase Price, if (A) the Authority elects not to provide the funds for the redemption or defeasance of such Bonds Deemed Outstanding or (B) if the Authority provides such funds and they are applied to redeem or defease such Bonds Deemed Outstanding.

(iii) Except as otherwise provided above, upon the termination of the Service Agreement, the application of funds provided by the Company or the Authority to redemption or defeasance of all Outstanding Bonds shall terminate the Lease Rental payment obligation of the Company under the Lease Agreement; provided, however, that a guarantee by the Parents of any such Outstanding Bonds will not result in any such termination.

Book-Entry Only System

The information contained in this section concerning DTC and DTC's book-entry system has been obtained from materials furnished by DTC. None of the Authority, SCRRRA, the Company, BFI, Duke Capital or the Underwriter make any representation or warranty as to the accuracy or completeness of such information.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1998 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1998 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 1998 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1998 Series A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 1998 Series A Bonds except in the event that use of the book-entry system for the 1998 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 1998 Series A Bonds are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1998 Series A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1998 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1998 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices and notices of mandatory tender for purchase shall be sent to Cede & Co. If less than all of the 1998 Series A Bonds of any series are being redeemed or purchased, DTC's practice is to

determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed or purchased.

Neither DTC nor Cede & Co. will consent to vote with respect to 1998 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1998 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and purchase price payments on the 1998 Series A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and purchase price to DTC is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1998 Series A Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificates for the 1998 Series A Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers though DTC (or a successor securities depository). In that event, certificates for the 1998 Series A Bonds will be printed and delivered.

For every transfer and exchange of a beneficial ownership interest in the 1998 Series A Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE AUTHORITY, SCRRRA, THE COMPANY, BFI, DUKE CAPITAL OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE 1998 SERIES A BONDS. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC, A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS AN INTEREST IN THE 1998 SERIES A BONDS, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE 1998 SERIES A BONDS, REFERENCES HEREIN TO THE BOND OWNERS OR REGISTERED OWNERS OF THE 1998 SERIES A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS. THEREFORE, THE PROVISIONS IN THIS OFFICIAL STATEMENT SUMMARIZING THE TERMS OF PAYMENT AND REDEMPTION OF THE 1998 SERIES A BONDS,

THE REQUIREMENTS OF NOTICE TO BOND OWNERS AND RIGHTS OF BOND OWNER CONSENT SHALL APPLY TO CEDE & CO., AS BOND OWNER.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

Special Obligations

The Bonds, including the 1998 Series A Bonds, are special obligations of the Authority secured by and payable solely from the revenues and other sources pledged therefor under the Indenture, the Lessee Guaranty and Security Agreement, the Mortgage Deed and the SCRRRA Pledge and Security Agreement, including (i) Lease Rentals payable by the Company under the Lease Agreement in an amount such that the Trustee shall have on deposit in the Debt Service Fund an amount sufficient to pay when due, the principal of, premium, if any, and interest on the Bonds (other than, as long as the Authority is obligated to pay the Service Fee pursuant to the Service Agreement, Bonds Allocable to Authority Purposes), the payment of which Lease Rentals are supported by the Parents under the Company Support Agreement; (ii) amounts in the Funds and Accounts held under the Indenture, including the Special Capital Reserve Fund, and investment earnings on the foregoing; (iii) Revenues derived by the Company from the operation of the Facility, including the Service Fee payable by the Authority under the Service Agreement, and Revenues received under the Energy Sales Agreement; (iv) certain Revenues derived by the Authority and SCRRRA from the operation of the System, including Service Payments received from the Participating Municipalities under the Municipal Service Agreements; and (v) all right, title and interest of the Authority in and to the Company Support Agreement.

Special Capital Reserve Fund

Pursuant to the Act, the Authority has established under the Indenture a Special Capital Reserve Fund for the Bonds, including the 1998 Series A Bonds. The Indenture provides that Bonds (other than Subordinated Bonds) shall not be issued unless there is on deposit in the Special Capital Reserve Fund established by the Indenture an amount equal to the Special Capital Reserve Fund Requirement, which is equal to the maximum amount of principal, Sinking Fund Installment and interest maturing and becoming due on outstanding Bonds (other than Subordinated Bonds) on scheduled maturity and payment dates in the year in which such computation is made or in any single succeeding calendar year. If at any time any interest on the Bonds (other than Subordinated Bonds) or the principal, Redemption Price or any Sinking Fund Installment therefor has become due and payable and payment thereof in full has not been made or provided for, the Trustee under the Indenture shall withdraw from the Special Capital Reserve Fund, to the extent moneys are available therein, an amount which together with other amounts available for such payment shall be sufficient to provide for such payment in full.

The Act states that:

> "On or before December first, annually, there is deemed to be appropriated from the state general fund such sums, if any, as shall be certified by the chairman of the authority to the secretary of the office of policy and management and treasurer of the state, as necessary to restore each such special capital reserve fund to the amount equal to the required minimum capital reserve of such fund, and such amounts shall be allotted and paid to the authority".

In the opinion of Bond Counsel, such appropriation and payment from the general fund of the State does not require further legislative approval. Events of Default under the Indenture include (i) the failure or refusal of the Authority to comply with the provisions of the Act regarding such certification and (ii) the failure of the State to allot or pay in full the amounts so certified to the Authority prior to the second day succeeding the final adjournment of the first session of the General Assembly of the State convening after such certification shall have been made.

The Act further provides that the manner in which certain amounts shall be deemed appropriated from the State general fund to restore the Special Capital Reserve Fund to the Special Capital Reserve Fund Requirement may constitute a portion of the contract of the Authority with the Owners of the Bonds (other than Subordinated Bonds). The pledges and covenants made in the Indenture, including those relating to the Special Capital Reserve Fund, are for the equal and ratable benefit and security of the Owners of all Bonds (other than Subordinated Bonds).

In addition to the Authority, the Connecticut Housing Finance Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority and the Connecticut Health and Educational Facilities Authority are authorized to issue and have issued bonds secured by special capital reserve funds for which amounts may be deemed appropriated from the State's general fund under similar circumstances. To date, no authority has certified any deficiency in any such special capital reserve fund to the State.

In connection with the issuance of its bonds, the State is subject to continuing secondary disclosure requirements promulgated by the Securities Exchange Commission. Reference is made to annual financial and other information regarding the State which is filed with and can be obtained from the same nationally recognized municipal securities information repositories (each a "NRMSIR") whose addresses are listed in Exhibit A to the Continuing Disclosure Agreement that will be executed in connection with the delivery of the 1998 Series A Bonds. See "Form of Continuing Disclosure Agreement" in **Appendix I**.

Covenants as to Special Capital Reserve Fund

The Authority has covenanted in the Indenture that it shall at all times maintain the Special Capital Reserve Fund and do and perform or cause to be done and performed each and every act and thing with respect to the Special Capital Reserve Fund required to be done or performed by or on behalf of the Authority or the Trustee under the terms and provisions of the Indenture or of the Act.

The Authority has further covenanted in the Indenture that it shall cause its Chairman annually on or before December 1 of each year, to make and deliver to the Secretary of the Office of Policy and Management and the Treasurer of the State his certificate stating such sum, if any, as is necessary to restore the Special Capital Reserve Fund to an amount equal to the Special Capital Reserve Fund Requirement and requesting that such sum be paid directly to the Trustee for the account of the Authority for deposit in the Special Capital Reserve Fund. The Authority is required to cause all moneys due the Authority from the State in accordance with the provisions of the Act pursuant to any such certification to be paid directly to the Trustee for deposit to the Special Capital Reserve Fund.

Non-Recourse to the State or any Municipality Thereof

The 1998 Series A Bonds do not constitute a debt or liability of the State or any municipality thereof, including the Participating Municipalities, or constitute bonds issued or guaranteed by the State within the meaning of Section 3-21 of the Connecticut General Statutes. Neither the State nor any municipality therein is obligated to pay, and neither the faith and credit nor the taxing power of the State or any municipality therein is pledged to the payment of the principal of, premium, if any, or Sinking Fund Installments or interest on the 1998 Series A Bonds. The Authority has no taxing or assessing power.

Non-Recourse to General Partners or Parents

The Bonds, and the obligations of the Company under the Lease Agreement and the Lessee Guaranty and Security Agreement, do not constitute a debt of BFI Energy Systems of Southeastern Connecticut, Inc., Air Products REF-FUEL of Connecticut (S.E), Inc., BFI Energy Systems of Southeastern Connecticut Limited Partnership or Air Products Ref-Fuel of Southeastern Connecticut L.P. (the "General Partners") or of the Parents. Satisfaction of the rental obligations of the Company under the Lease Agreement shall be solely from the separate assets and property of the Company. The liability of any of the General Partners of the Company with respect to the Company's obligations under the Lease Agreement or the Lessee Guaranty and Security Agreement is limited to their respective interests in the separate assets and property of the Company and any unpaid capital contributions required by the Partnership Agreement between the General Partners (the "Partnership Agreement"), and no recourse shall be had in the event of any non-performance by the Company of any such obligations to: (i) any assets or properties of the General Partners other than the respective interests of the General Partners in the separate assets and properties of the Company and any unpaid capital contributions required by the Partnership Agreement; (ii) any assets of the Parents except to the extent provided in the Company Support Agreement, pursuant to which, under certain circumstances as set forth in the Indenture and the Service Agreement, any or all of the Outstanding Bonds may be guaranteed by either Parent (or severally by both Parents, each to the extent of 50% of the principal of and interest on the Outstanding 1998 Series A Bonds) in lieu of payment in full by the Company of the Bonds, or (iii) to the extent such non-recourse is permitted by law, any of the officers, directors or stockholders of the Parents, any of the officers or directors of the General Partners or any officers or employees of the Company.

Lease Agreement

The Company was established for the sole purpose of constructing, owning and operating the Facility. Under the Lease Agreement, to the extent not available from other sources therefor, the Company is obligated to pay Lease Rentals in an amount equal to the principal of, Sinking Fund Installments for, premium, if any, and interest on the Bonds (other than, as long as the Authority is obligated to pay a Service Fee under the Service Agreement, Bonds Allocable to Authority Purposes) and all amounts required to restore the Special Capital Reserve Fund to the Special Capital Reserve Fund Requirement, less amounts available for such payments under the Indenture. The Lease Rentals payable by the Company under the Lease Agreement are expected to be derived, in part from Service Fees paid by the Authority under the Service Agreement for the Company's operation of the Facility as provided in the Service Agreement, from revenues received from the sale of energy produced at the Facility, and, if required, from amounts received from the Parents pursuant to the Company Support Agreement. The obligation of the Company to pay Lease Rentals is absolute and unconditional, provided that it shall terminate: (i) upon termination of the Service Agreement at the Company's option due to certain events of default or non-performance by the Authority or failure of the Authority to provide Special Capital Reserve Fund protection for Additional Bonds (which are not Subordinated Bonds) to the extent required by the Service Agreement, (ii) upon termination of the Service Agreement, at the Authority's option, in the event of certain Uncontrollable Circumstances or (iii) upon termination of the Service Agreement, at the Authority's option, due to certain events of default or

non-performance by the Company and the exercise by the Authority of its option to purchase the Facility interests (provided that, in the case of (iii), such termination of the Company's Lease Rental payment obligation under the Lease Agreement with respect to Bonds Deemed Outstanding as provided in the Service Agreement shall occur only to the extent of the Facility Interests Purchase Price).

Lessee Guaranty and Security Agreement and Mortgage Deed

Pursuant to a Lessee Guaranty and Security Agreement, the Company will, among other things, (i) guarantee the payment of the principal of, premium, if any, and interest on the 1998 Series A Bonds when and as the same shall come due and payable, whether at the stated maturity thereof, by acceleration, redemption or otherwise, except that the scope of such payment obligation of the Company is only to the extent that the Company is otherwise required to pay Lease Rentals under the Lease Agreement (but excluding any disaffirmance or avoidance of such Lease Rental obligation by reason by any bankruptcy or similar proceedings affecting the Company), and (ii) pledge, assign and grant a security interest to the Trustee in all of the Company's right, title and interest in the Lessee Collateral (which includes generally, among other things, its interest in the Service Agreement, the Energy Sales Agreement and the Facility). Pursuant to the Mortgage Deed, the Company will mortgage to the Trustee all of the Company's right, title and interest in and to the real property contained in the Facility.

The Company Support Agreement

The Parents will each be obligated, pursuant to the Company Support Agreement, to provide on a several basis (each to the extent of one-half of the total obligations) amounts required by the Company in order to perform certain of its obligations under the Service Agreement and the Lease Agreement, subject to certain limitations and exceptions. In general, the principal Company obligations supported in this manner are: (i) the payment of periodic Lease Rentals under the Lease Agreement, (ii) the funding of any excess of the Company's monthly Operation and Maintenance Expense over the Base Operating Cost, (iii) the Company's obligation in respect of a limited amount of Pro Rata Equity Capital required to implement plans for the financing of Capital Projects and (iv) in circumstances where the Company is required to cause the Bonds to be redeemed or defeased, the funding of such redemption or defeasance.

The Company Support Agreement will terminate upon the earliest of (i) the occurrence of certain bankruptcy events with respect to Participating Municipalities controlling more than 50% of the Guaranteed Tonnage resulting in an alteration of the obligations of the Authority and the Company under the Service Agreement which is materially adverse to the Company, (ii) the giving by the Company of notice of termination of the Service Agreement because of a default or Authority non-performance, (iii) the Company Release Date or (iv) the giving of notice by the Authority of the exercise of its right to terminate the Service Agreement due to the occurrence of Uncontrollable Circumstances or as a result of the reclassification of Residue as Hazardous Waste.

The Company Support Agreement will also terminate (i) with respect to a Parent which has executed a Corporate Guaranty Agreement covering 50% of the Outstanding Bonds or (ii) with respect to both Parents if a Parent has executed a Corporate Guaranty Agreement covering 100% of the Outstanding Bonds. If the Company Support Agreement has not earlier been terminated as described above, it will continue until there are no Bonds Outstanding and the Company's obligations under the Service Agreement and the Lease Agreement have been fully discharged.

The Parent Undertaking

Each Parent will be obligated under the Parent Undertaking to (a) provide the Company Support Agreement or an equally creditworthy letter of credit, guaranty or other credit support for up to $15,000,000 principal amount (for an aggregate total of up to $30,000,000 amount for both Parents) of Bonds issued to finance capital improvements to remedy the causes or effects of Uncontrollable Circumstances on the Facility and (b) contribute one-half of the funds required for the Company to pay the Authority for overpayments of the Service Fee, as determined upon the annual reconciliation of the Service Fee obligation and after the final stated maturity of the Bonds, and to make certain advances to the Trustee on the Authority's behalf.

If the Authority terminates the Service Agreement due to a Company default, each Parent is obligated under the Parent Undertaking to support performance of the Company's obligation under the Service Agreement to pay up to $2,000,000 to the Authority, by each contributing equity capital of up to $1,000,000.

The support obligations of a Parent shall not be enlarged by the failure of the other Parent to make timely payment of amounts which it is obligated to pay in respect of such other Parent's support obligations.

The Parent Undertaking shall terminate upon the occurrence of the same events (and shall terminate as to a Parent executing a guarantee in the same manner) that would cause a termination of the Company Support Agreement (or a termination of such agreement as to such Parent). *See* "The Company Support Agreement" above.

If the Parent Undertaking has not sooner been terminated as described above, it shall continue until there are no Bonds Outstanding and the Company's obligations under the Service Agreement and the Lease Agreement have been fully discharged.

SCRRRA Pledge and Security Agreement

Pursuant to a SCRRRA Pledge and Security Agreement, SCRRRA will, among other things, grant a security interest to the Trustee in all right, title and interest of SCRRRA in and to the Service Agreement, the Municipal Service Agreements, all Revenues derived from the Municipal Service Agreements, the Site Lease Agreement and the Bridge and Management Agreement, except to the extent any of the foregoing have been previously assigned.

Additional Bonds

As of the date of issuance and delivery of the 1998 Series A Bonds, the Authority is expected to have the following bonds outstanding that will be secured on a parity with the 1998 Series A Bonds: $2,520,000 Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A), maturing on November 15, 1998 and $3,235,000 Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1989 Series A), maturing November 15, 1998 through November 15, 2011. The Indenture also permits the issuance of one or more series of Additional Bonds on a parity with such Outstanding Bonds or as Subordinated Bonds. Each series of Additional Bonds issued pursuant to and secured by the Indenture shall, except for Subordinated Bonds, be equally and ratably secured under the Indenture with all Outstanding Bonds and other Additional Bonds, if any, except for Subordinated Bonds, without preference, priority or distinction of any of the Bonds or Additional Bonds over any other Bonds or Additional Bonds except as expressly provided in or permitted by the Indenture.

Substitution of Security

The Indenture provides that under the circumstances set forth below, all liens, pledges and encumbrances on the Facility, the Lessee's Revenues, the Lessee Collateral and other security pledged pursuant to the Indenture (other than the SCRRRA Pledge and Security Agreement, any Corporate Guaranty Agreement and the Funds and Accounts created under the Indenture including, without limitation, the Special Capital Reserve Fund), the Lessee Guaranty and Security Agreement and the Mortgage Deed shall terminate and be discharged, provided that, in the case of an event described in clause a below, the Lease Agreement may be amended to delete certain security rights of the Trustee with respect to the Facility, and the guaranty provisions and certain limited security provisions of the Lessee Guaranty and Security Agreement shall survive:

a. if either (i) one Parent shall have executed a Corporate Guaranty Agreement unconditionally guaranteeing 100% of the principal of and interest on the Outstanding Bonds and the Redemption Price, if any, thereof upon any redemption requested by the Parent or (ii) one Parent shall have executed a Corporate Guaranty Agreement guaranteeing 50% of the principal of and interest on the Outstanding Bonds and the Redemption Price, if any, thereof upon any redemption requested by the Parent and the other Parent shall have made payments in an amount sufficient to redeem the balance of the Outstanding Bonds, or (iii) both Parents shall have executed Corporate Guaranty Agreements unconditionally guaranteeing 100% of the principal of and interest on the Outstanding Bonds and the Redemption Price, if any, thereof upon any redemption requested by a Parent; or

b. the Company is excused from paying Lease Rentals pursuant to the Lease Agreement.

The Indenture also provides that the security interest created by the SCRRRA Pledge and Security Agreement will terminate and be discharged upon a termination of the Service Agreement for Company fault, if the Authority does not elect to purchase the Facility Interests.

THE MBIA INSURANCE CORPORATION INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix L for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 1998 Series A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 1998 Series A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 1998 Series A Bond. The Insurer's policy does not under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; or (iii) any Preference relating to (i) or (ii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 1998 Series A Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 1998 Series A Bonds.

Upon receipt of telephone or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a 1998 Series A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 1998 Series A Bonds or presentment of such other proof of ownership of the 1998 Series A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 1998 Series A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 1998 Series A Bonds in any legal proceeding related to payment of insured amounts on the 1998 Series A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such 1998 Series A Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company ("MBIA Inc."). MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

Effective February 17, 1998, MBIA Inc. acquired all of the outstanding stock of Capital Markets Assurance Corporation ("CMAC"), a New York domiciled financial guarantee insurance company, through a merger with its parent CapMAC Holdings Inc. Pursuant to a reinsurance agreement, CMAC has ceded all of its net insured risks, as well as its unearned premiums and contingency reserves, to the Insurer and the Insurer has reinsured CMAC's net outstanding exposure. MBIA Inc. is not obligated to pay the debts of or claims against CMAC.

As of December 31, 1996 the Insurer has admitted assets of $4.4 billion (audited), total liabilities of $3.0 billion (audited), and total capital and surplus of $1.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1997, the insurer had admitted assets of $5.1 billion (unaudited), total liabilities of $3.4 billion (unaudited), and total capital and surplus of $1.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the claims paying ability of the Insurer and CMAC "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer and CMAC "AAA".

Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.) rates the claims paying ability of the Insurer "AAA". (CMAC has not requested a rating from Fitch IBCA, Inc.)

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 1998 Series A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 1998 Series A Bonds. The Insurer does not guaranty the market price of the 1998 Series A Bonds nor does it guaranty that the ratings on the 1998 Series A Bonds will not be revised or withdrawn.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Section 7 of the Connecticut Financial Guaranty Act.

THE AUTHORITY

The Authority is a body politic and corporate, created by the Act as a public instrumentality and political subdivision of the State. The Authority's primary purpose is to provide solid waste facilities and solid waste management services pursuant to contracts with municipalities, regions and persons at such facilities on a self-sustaining basis. The State established the Authority in 1973 to develop a short-term and long-term comprehensive plan of solid waste disposal and to conserve and preserve Connecticut's environment. The Authority is not a department, institution or agency of the State.

Under the Act, the Authority has responsibility for implementing solid waste disposal and resources recovery systems and facilities throughout the State in accordance with the State Solid Waste Management Plan established by DEP pursuant to Section 22a-228 of the Connecticut General Statutes, as amended (the "State Plan"). The Authority may implement the purposes of the Act by providing solid waste disposal services utilizing private industry and producing sufficient revenues to support the Authority and its projects on a self-sustaining basis. To accomplish its purposes and within the limitations of the State Plan, the Authority is empowered to determine the location of and construct solid waste management projects, to own, operate and maintain waste management projects and make provisions for their management, to contract with municipal and regional authorities and State agencies to provide waste management services and to plan, design, construct, manage, operate and maintain solid waste disposal and processing facilities on their behalf.

In order to discharge its responsibilities and accomplish the purposes and exercise the powers mentioned above, the Authority is authorized to issue and sell its bonds and notes including the 1998 Series A Bonds.

The Authority is governed by a board of thirteen directors. The Secretary of the Office of Policy and Management, the Commissioner of Transportation and the Commissioner of Economic Development of the State are *ex-officio* directors. Four additional directors are appointed by the Governor and of such four members, two shall be first selectmen, mayors or managers of Connecticut municipalities, one from a municipality with a population of less than fifty thousand and one from a municipality with a population of more than fifty thousand, and two shall be without official governmental office or status but with extensive [illegible] experience in municipal or corporate finance, business or industry. Not more than two of the [illegible] appointees can be from the same political party. The Chairman of the Authority is designated by the Gover[illegible] with the advice and consent of both houses of the general assembly. The remaining six directors are selected as follows: two are appointed by the president *pro tempore* of the State Senate, two are appointed by the Speaker of the State House of Representatives, one is selected by the Minority Leader of the State Senate and one is selected by the Minority Leader of the State House of Representatives. The directors of the Authority serve without pay. The names of the directors of the Authority and their positions or affiliations are as follows:

Name	Date of Appointment or Reappointment	Position	Occupation
James F. Abromaitis	September 26, 1997	Chairman and Ex-Officio Director	Commissioner of Economic and Community Development
Richard O. Belden	January 13, 1997	Director	State Representative, Ombudsman/Real Estate Manager, Sikorsky Aircraft Corp.
John C. Chapin, Jr.	January 1, 1997	Director	Director of Business Development, Tunxis Management Company
Kathleen Collins	January 13, 1997	Director	Retired Teacher
Gary F. Flynn	January 13, 1997	Director	Director of Marketing and Communications, Greater Hartford Chamber of Commerce
Michael W. Kozlowski	October 18, 1996	Ex-Officio Director	Secretary, Office of Policy and Management
Frank N. Nicastro	January 1, 1997	Director	Mayor of Bristol, Connecticut
Edward B. St. John	January 1, 1997	Director	First Selectman of Middlebury, Connecticut
Bernard Schilberg	May 15, 1995	Director	Executive Vice President, Schilberg Integrated Metals Corp.
Bernard Sullivan	January 27, 1997	Director	Chief of Staff to the Speaker of the House of Representatives
James Sullivan	February 1, 1997	Ex-Officio Director	Commissioner of Transportation
Theodore T. Tansi	January 1, 1997	Director	Consultant
Louis Timolat	January 13, 1997	Director	Vice President, Falls Village Sawmill, Inc.

The Act provides that members of the Authority board may designate representatives to perform their duties in their absence. The Act provides for the appointment of additional *ad hoc* directors to represent facilities operated by the Authority, who shall vote only on matters concerning the resource recovery facility with reference to which they were appointed. Each facility is to be represented by two such *ad hoc* directors. The *ad hoc* directors serving in connection with the System are Milton Suzich and Thomas Rylander.

The Authority maintains offices at 179 Allyn Street, Hartford, Connecticut and its telephone number is (860) 549-6390. Robert E. Wright is the Acting President of the Authority. He was appointed Acting President on January 16, 1997 and prior to serving as Acting President had served as Executive Vice President and General Counsel since 1992. In addition to the Acting President, the Authority has a legal and technical staff, an operations staff and a finance and administrative staff. The Authority has continuing arrangements for professional advice with independent certified public accountants.

Information extracted from the audited financial statements of the Authority is included as **Appendix E** hereto.

SCRRRA

SCRRRA was created in 1985 through the adoption of a joint resolution of the Participating Municipalities. In May 1994, the municipality of Preston became an additional member of SCRRRA. In December 1996, the municipalities of Guilford and Madison became additional members of SCRRRA. SCRRRA is governed by a board which consists of representatives of each of the fourteen member municipalities. Voting is weighted according to the population of each municipality as of the last census. SCRRRA maintains its offices at the Facility and its telephone number is (860) 887-9643. Gerald Tyminski is the Executive Director of SCRRRA, a position he has held since November 1995. In addition to the Executive Director, the operations staff includes an accountant, an administrative assistant and a recycling coordinator. SCRRRA has continuing arrangements for professional advice with legal counsel, an engineering firm and an independent certified accountant.

Under the Municipal Service Agreements, the Participating Municipalities are required to pay the net costs of operating the System, including debt related thereto. SCRRRA is responsible for ensuring that the Participating Municipalities and other municipalities under contract to SCRRRA make timely payments under their contracts. SCRRRA also monitors the operations of the Facility and contracts for the operation of the ash landfill in Montville, Connecticut.

The audited financial statements for SCRRRA for the years ended June 30, 1997 and June 30, 1996 are included in **Appendix F** hereto.

THE COMPANY

The Company is a Connecticut general partnership indirectly owned 50 percent by BFI, and 49.9 percent by DUR. DUR is indirectly owned 65 percent by Duke Capital and 35 percent by UAE. DUR has an option to acquire the 0.1 percent interest in the Company that is indirectly owned by Air Products and Chemicals, Inc. ("APCI"). The Company was established for the sole purpose of designing, constructing and operating the Facility and engaging in related activities. The Parents, pursuant to the Company Support Agreement and the Parent Undertaking, have obligated themselves to support the performance of certain of the Company's obligations under the Service Agreement and the Lease Agreement, subject to the terms and conditions set forth therein.

The audited financial statements of the Company for the years ended September 30, 1997 and September 30, 1996 are included as **Appendix D** hereto.

THE PARENTS

American REF-FUEL Company

American REF-FUEL Company ("American REF-FUEL") is a general partnership originally formed by indirect and wholly owned subsidiaries of BFI and APCI primarily to market resource recovery projects primarily using certain technology licensed to it by Deutsche Babcock Anlagen, AG of Germany. DUR has succeeded to substantially all of the interests formerly owned by APCI in American REF-FUEL and in resource recovery projects which are implemented through project-specific partnerships, such as the Company.

Duke Capital

Duke Capital, a wholly owned subsidiary of Duke Energy Corporation ("Duke Energy") is a provider of energy and related services worldwide. Duke Capital serves as the parent company to a number of Duke Energy affiliates. Pan Energy Corp., one of such affiliates, is a holding company whose subsidiaries are primarily engaged in the interstate transportation and storage of natural gas, in the gathering, processing, marketing and intrastate transportation and storage of natural gas, natural gas liquids and crude oil and in natural gas and electric power marketing and risk management services.

Other Duke Capital subsidiaries, Duke Energy International, Inc. and Duke Energy Services, Inc. develop, own, and manage and operate energy facilities worldwide. Duke Engineering & Services, Inc. and the Duke/Fluor Daniel Group, a 50/50 partnership with Fluor Daniel, Inc. provide engineering, environmental services, project management, construction management, and operating and maintenance services for utilities, industry and government worldwide. For further information concerning Duke Capital, see **Appendix G** hereto.

UAE

UAE, a privately held national energy firm, focuses on adding value to energy assets through ownership and management. UAE's principal activities involve acquiring and managing independent power production projects that require specialized project management for complex market situations. As of September 1997, UAE owned and/or operated 14 projects representing 390 megawatts of installed capacity.

Browning-Ferris Industries, Inc.

BFI, a Delaware corporation, is one of the largest publicly-held companies that engages, through its subsidiaries and affiliates, in providing waste services. BFI collects, transports, treats and/or process, recycles and disposes of commercial, residential and municipal solid waste and industrial wastes. BFI is also involved in waste-to-energy conversion, medical waste services, portable restroom services, and municipal and commercial sweeping operations.

BFI (including unconsolidated affiliates) operates in approximately 420 locations in North America and approximately 270 locations outside North America and employs approximately 40,000 persons. No single customer or district accounts for a material amount of BFI's revenue or net income. BFI has announced the signing of a definitive agreement for the sale of all of its operations located outside the United States, Puerto Rico, Canada and Mexico to SITA, S.A., a societe anonyme formed under the laws of the Republic of France. For further information concerning BFI, *see* **Appendix H** hereto.

THE SYSTEM AND ITS OPERATION

Certain System Financial Information

Pursuant to the Indenture and the other security documents relating to the Bonds, gross revenues of the System, including revenues of the Authority, SCRRRA and the Company and revenues from the sale of electricity to CL&P are pledged to secure the Bonds. All such revenues are deposited each month in the Revenue Fund established under the Indenture. Each month, gross System revenues deposited in the Revenue Fund are transferred first to the Company to pay the monthly Base Operating Cost. The balance in the Revenue Fund after such transfer is then deposited in the Debt Service Fund to the extent of the Indenture requirements. After the Debt Service Fund is funded at the required level in each month, the remaining balance in the Revenue Fund is generally available to fund any deficiencies in the Special Capital Reserve Fund and for distribution to the Company and the Authority for specified costs. Amounts in excess of those specified costs are retained in the Operating Surplus Fund and redeposited in the Revenue Fund on a monthly basis until they are released for distribution to the Company and the Authority on each June 30. See "The Indenture" in **Appendix B**.

The following table sets forth the gross System revenues deposited in the Revenue Fund, transfers to the Company to pay estimated Base Operating Cost and amounts available for payment of principal of and interest on the Bonds for each of the fiscal years of the Authority ended June 30, 1995, 1996 and 1997.

System Revenues, Estimated Base Operating Cost and Debt Service Data

	Fiscal Years Ended June 30 ($Millions) Actual		
	1995	1996	1997
Deposits to Revenue Fund	30.3	34.8	31.7
Withdrawals for Estimated Base Operating Cost	7.1	7.2	7.5
Amounts Available for Debt Service	23.2	27.6	24.2
Deposits to Principal and Interest Accounts	10.1	10.1	10.1

The Facility

Solid waste is delivered to the Facility by the Participating Municipalities and other municipalities, their respective contractual agents and private collectors. Packer trucks and transfer trailers enter the fully enclosed tipping hall area and discharge solid waste into the refuse storage bunker, utilizing one of eight tipping bays. The refuse storage bunker is designed to store approximately a three day supply of solid waste.

Two overhead traveling cranes lift the solid waste from the refuse storage bunker to the charging hoppers of two identical furnace/boiler/air pollution control trains or units. Each unit has a permitted processing capacity of approximately 345 tons per day of solid waste of a higher heating value of 5,000 BTU/lb.

From the charging hoppers, solid waste is gravity fed through a chute onto an inclined series of roller grates. Waste travels from the top to the bottom of the inclined grates with combustion occurring primarily in the middle zone. Over and under fire air is provided to ensure optimum conditions for complete combustion of the waste and to ensure long grate bar life.

From the combustion zone, the hot gases move through the vertical pass boiler and superheater where steam is generated and directed to a condensing turbine and a nominal 16 MW generator producing electricity for sale to CL&P. After passing through the boiler, the combustion gases proceed through an air pollution control train consisting of a dry scrubber for acid gas control, a baghouse for particulate control, and then through a 240-foot stack.

The residue remaining on the grates after burnout is quenched in a water bath or quench tank. The combined stoker siftings and boiler bottom ash is removed by a submerged flight drag conveyor to the transfer conveyors which further convey the residue to a storage and transfer area. Fly ash removed from the flue gas in the boilers, and from the air pollution control train, is also conveyed to the storage and transfer area. Currently the ash residue is transported by truck to the landfill sites provided by SCRRRA and the Company.

Company Operations

The Company operates and maintains the Facility pursuant to the Service Agreement. The Facility passed acceptance in February, 1992.

The Company believes that it has adopted management practices that provide reliable, long-term service at the Facility in a safe and environmentally sound manner. Waste throughput and electric power production at the Facility have consistently exceeded the design criteria and forecasts prepared prior to the commencement of Facility operations. The Company utilizes annual budgeting, 5-year maintenance planning and other systematic technical and cost review techniques to manage the Facility.

A comprehensive safety management system called the "Structured Safety Process" was implemented at the Facility in 1995. In May, 1995, the Facility achieved OSHA's Voluntary Protection Program Star Status for its outstanding safety program and accident record.

The Facility operates under a number of environmental operating permits, chiefly air and solid waste permits issued by the DEP. There have been no significant violations or other operating conditions that would lead the Company to believe that the Facility will not continue to demonstrate environmental and regulatory compliance.

The Facility is a Municipal Waste Combustor (MWC) facility subject to EPA's new emission guidelines contained in 40CFR60, Subpart Cb, which include more stringent emissions limitations and operative monitoring. The DEP's state plan to implement these guidelines is expected to be proposed in February 1998, with the new requirements taking effect in 1999 and 2000. Based on the expected requirements, the Company believes that the Facility will be able to meet the more stringent emissions limitations and operative monitoring with the addition of a carbon injection system for mercury control and a selective non-catalytic reduction system (SNCR) for NO_x control. It is possible that emissions trading may be used in lieu of SNCR for NO_x control. Both technologies are considered demonstrated on MWC facilities and the Company operates such technologies at other facilities. The Company's preliminary estimate of costs of compliance with the foregoing requirements include capital costs of approximately $1.5 million and increased annual operating costs of approximately $350,000.

Company Financial and Operating Information

The performance of the Facility and certain other key operating and financial information with respect to the Facility is summarized below:

Operating Information	Fiscal Years Ended September 30[1] Actual		
	1995	1996	1997
Availability	97%	97%	97%
Waste Processed (thousand Tons)	244	251	249
Power Sold (thousand MWH's)	127	128	126
Net kwh/Ton	526	514	521
Average Tipping Fees ($/Ton)			
Company Waste	48	49	51
Average Power Sales Price (¢/kwh)	8.9	8.2	9.6

[1] Provided by the Company from the Company's internal operating data.

Selected Financial Information	Fiscal Years Ended September 30[1] ($Millions) Actual		
	1995	1996	1997
Revenues			
SCRRRA Service Fee:			
Base Fees	15.7	15.8	16.0
Less Power Share	7.4	6.9	7.1
Less Waste Share	0.8	1.1	0.5
Service Fee	7.5	7.8	8.4
Third Party Tipping Fees	4.2	4.8	4.3
Power Sales	11.3	10.5	12.4
Other	1.0	0.6	0.7
Total	24.0	23.7	25.8
Expenses			
Operating and Maintenance[2]	7.2	7.3	6.9
General and Administrative[3]	1.3	1.4	1.4
Total	8.5	8.7	8.3
Company Lease Payments[4]	8.6	8.6	8.6

[1] The information set forth in this table is based on the Company's audited financial statements.

[2] Includes Capital Additions, excludes non-cash charges.

[3] Additional General and Administrative charges reflected in the Company's financial statements are subordinate to lease payments and are not reflected in this table.

[4] Excludes payments for Bonds Allocable to Authority Purposes portion of 1988 Series A Bonds debt service and 100% of 1989 Series A Bonds debt service.

Authority Operations

Certain System Financial Information

The following table sets forth the consolidated revenues and expenses of the Authority and SCRRRA for the System for the fiscal years ended June 30, 1995 through 1997, and revenues available for debt service on the Bonds.

Selected Financial Information	Fiscal Years Ended June 30[1] ($Millions) Actual		
	1995	1996	1997
Revenues			
Service Charges - Members	17.0	14.5	13.8
Service Charges - Other	1.0	0.5	1.0
Interest & Other	0.5	0.4	1.1
Total	18.5	15.4	15.9
Expenses			
Service Fee	9.1	8.7	8.2
Montville Landfill	1.6	2.0	1.7
Administration & Other	1.3	1.5	1.3
Debt Service[2]	3.9	2.9	4.1
Total	15.9	15.1	15.3
Excess of Revenues over Expenses	2.6	0.3	0.6

[1] The information set forth in this table is based on the Authority's audited financial statements.

[2] Debt service includes 11.146% of 1988 Series A Bonds, 100% of 1989 Series A Bonds and 100% of Landfill Bonds. Debt service for fiscal 1996 excludes $7.3 million in early redemption of 1988 Landfill Bonds due to an excess proceeds call.

The Waste

SCRRRA has entered into Municipal Service Agreements with the Participating Municipalities, under which the Participating Municipalities are obligated to deliver to the Facility all of the Acceptable Waste generated within such municipalities and to make the Service Payments required by the Municipal Service Agreements for such disposal service. Pursuant to the Bridge and Management Agreement, SCRRRA has assigned to the Authority all of its rights, obligations and remedies under the Municipal Service Agreements to ensure that the Municipal Service Agreements are enforced.

The following table sets forth the minimum commitments of each Participating Municipality that has entered into a Municipal Service Agreement, and the municipalities of Guilford and Madison, and the actual tons of solid waste delivered by each municipality in each of the fiscal years ending June 30, 1995 through 1997.

	Minimum Commitment	Municipal Solid Waste Deliveries[1] (Fiscal Years Ended June 30) 1995	1996	1997
East Lyme	7,249	5,611	5,215	4,622
Griswold	5,260	5,290	5,913	6,098
Groton	29,481	22,788	19,193	17,461
Guilford and Madison	21,082	21,095	17,800	16,086
Ledyard	7,029	6,370	6,689	6,898
Montville	9,110	8,305	9,349	12,577
New London	14,873	11,888	13,700	16,166
North Stonington	2,159	2,128	2,277	2,352
Norwich	23,367	19,236	18,303	20,001
Sprague	2,809	1,971	1,709	1,430
Stonington	10,150	8,631	9,645	8,541
Waterford	16,432	15,097	17,243	15,457
Member Total	149,001	128,410	127,036	127,689
Other SCRRRA Waste	n/a	34,341	23,993	34,306
Authority Total	149,001	162,751	151,029	161,995
Merchant Waste (Company)	n/a	86,097	98,313	82,636
Facility Total	149,001	248,848	249,342	244,631

[1] Based on weighing information provided by the Company.

The Aggregate Minimum Commitment, that is, the aggregate of the Minimum Commitments of all of the Participating Municipalities, and the minimum commitments of Guilford and Madison (together equal to 149,001 tons of Acceptable Waste) will be committed to the Facility during any Contract Year (subject to the rights of Guilford and Madison to terminate their agreement as described herein). Each of the Participating Municipalities has agreed in its Municipal Service Agreement, and Guilford and Madison have agreed in their agreement with SCRRRA, to make Service Payments to SCRRRA for the term of such agreement based upon its Minimum Commitment of Acceptable Waste, whether such Acceptable Waste is actually delivered or not.

The following table sets forth the per ton disposal fees charged to the Participating Municipalities and Guilford and Madison during the fiscal years ending June 30, 1992 through 1998, as well as the per ton fee adopted for the fiscal year ending June 30, 1999.

Fiscal Year	Per Ton Service Fee for Participating Municipalities
1992	$65.00
1993	$79.00
1994	$98.00
1995	$87.00
1996	$86.00
1997	$84.00
1998	$79.00
1999	$75.50 Adopted[1]

[1] The adopted per ton service fee for the fiscal year ending June 30, 1999 does not reflect debt service savings which will result from the refinancing described in this Official Statement.

Minimum Commitment Billing

The Municipal Service Agreements require that a Participating Municipality be billed for Service Payments in an amount equal to the product of (i) the per ton fee charged by SCRRRA and (ii) the greater of (a) the number of tons of Solid Waste delivered by the Participating Municipality or (b) the difference between the cumulative number of tons for which the Participating Municipality was billed for the Contract Year through the previous Billing Period and the cumulative Minimum Commitment allocable to the Participating Municipality for the Contract Year through the current Billing Period.

Presently, several Participating Municipalities have solid waste delivery volumes which are below their Minimum Commitments (*see* "Authority Operations — The Waste"). These municipalities are paying on a minimum commitment basis and are current in their obligations. Enforcement of the minimum commitment provisions of the Municipal Service Agreements provides stability to Service Payment cash flows and predictability in setting tipping fees and gives these municipalities an economic incentive to increase deliveries.

In 1994, the municipalities of Guilford and Madison claimed that the Carbone decision (*see* "Limitations on the Control of Solid Waste" below) invalidated their obligations under their disposal agreement with SCRRRA and unilaterally began paying a reduced tipping fee. SCRRRA initiated suit against these municipalities; they responded with a broad-based defense to their actions. In 1996 this litigation was settled with Guilford and Madison agreeing that their disposal agreement with SCRRRA was valid and enforceable and that they would pay all of the service fees which were in arrears. SCRRRA agreed that Guilford and Madison could terminate their disposal agreement with SCRRRA on December 31, 2001 or on any June 30 thereafter by providing two years' advance notice. The original contract provided that SCRRRA could terminate the disposal agreement after ten years of operation; SCRRRA agreed to waive this right. As a result of the settlement, Guilford and Madison became members of SCRRRA.

Limitations on the Control of Solid Waste

Only a portion of waste generated within the Participating Municipalities is collected by the Participating Municipalities or by private haulers under contract with such Participating Municipalities. Most waste generated within the Participating Municipalities is collected by private haulers under private arrangements with waste generators. The Participating Municipalities have each enacted an ordinance directing that all solid waste (including privately collected waste) originating within their boundaries be delivered to the Facility. In 1994, in C&A Carbone v. Town of Clarkstown ("Carbone"), the United States Supreme Court issued an opinion that has since been interpreted as treating laws and ordinances of the type described above as being impermissible violations of the commerce clause of the United States Constitution, and, consequently, as being invalid. While the above-referenced laws and ordinances have not been directly challenged, it is unlikely that, if challenged, such laws and ordinances will be upheld. The Participating Municipalities may not through legislative or regulatory action direct that such waste be delivered to the Facility.

The commerce clause issues relating to "legislated" or "regulatory" control of solid waste have not extended to waste that is municipally collected or that is collected on behalf of a municipality by a private party under contract with the municipality. On September 9, 1995, the United States Court of Appeals for the Second Circuit, in SSC Corp. v. Town of Smithtown ("Smithtown"), confirmed a governmental entity's authority to include in a contract for solid waste collection by a private company a provision requiring such company to deliver such solid waste to facility specified by the governmental entity. The court held that such contractual designation of a disposal site did not violate the commerce clause. The Authority believes this ruling confirms the ability of municipalities contracting with private entities to collect waste within their jurisdiction to require that such waste be delivered to a particular facility, such as the Facility. In a separate opinion issued on the same day, in USA Recycling Inc. v. Town of Babylon ("Babylon"), the same court affirmed the ability of a governmental entity to take over collection of waste from commercial establishments, contract for such waste collection with a private entity, and give such entity free disposal rights at a specified facility. The decision in Babylon indicates that a governmental program of collection of waste, if properly structured, could be implemented as a means of assuring that solid waste generated within a municipality is delivered to a certain facility.

The United States Supreme Court has declined to review Smithtown and Babylon, and, consequently such decisions reflect the law in the Second Circuit, which has jurisdiction over the geographic area in which the Participating Municipalities are located. No assurances can be given, however, that the issues addressed in Smithtown and Babylon will not be addressed by the United States Supreme Court at a later date with the possibility of a different conclusion.

The Participating Municipalities use a variety of mechanisms to direct Solid Waste to the Facility, including the following: pickup and delivery by the municipality, contracts between the municipality and private haulers similar to those used by Smithtown and Babylon which have withstood the legal challenge summarized above and subsidy for payment of all or a portion of the tipping fee out of tax revenues. The strict enforcement of Minimum Commitment billing has encouraged municipalities to explore and implement strategies to control Solid Waste deliveries.

Ash Disposal

Currently, the primary location for disposal of ash generated by the Facility is a landfill owned by SCRRRA located in Montville, Connecticut less than two miles from the Facility (the "Montville Landfill"). The Montville Landfill is restricted to the disposal of ash from resource recovery facilities and has accepted

ash only from the Facility. In addition, the Company transports a portion of the ash from the Facility for which it is responsible to a landfill owned by BFI in Fall River, Massachusetts.

The Montville Landfill is scheduled to reach its capacity in November 2000 at the current rate of ash disposal. SCRRRA presently has multiple options for ash disposal which may be utilized for Facility ash at that time. These include, but are not limited to, a contract for the development of an ash recycling facility in the southeast region of the State, assuming certain requirements, including environmental permits, are met and (ii) possible contractual arrangements for the disposal of Facility ash at private in State or out of State disposal sites.

Energy Sales

Energy Deregulation. At present, in most states, including Connecticut, the legislature grants franchises for electric and utility companies to provide service with designated areas. Various state and federal regulatory bodies regulate the construction and expansion of electric power plants, the generation, transmission and distribution of electric power, and the level and structure of electric rates charged by the electric utility companies. As a consequence of this regulatory scheme, power operators other than the franchised utility generally have been unable to provide alternate retail utility services to consumers in the franchised areas. Certain state and federal legislative proposals would require each utility to separate its generation, transmission and distribution facilities into separate entities, and require all utilities to cooperate in the transmission and distribution of electric power so as to increase consumer choice. Electric utility companies and others have raised concerns that restructuring the electric power industry could have an adverse effect on the financial condition of electric utility companies, since their cost structure and return on investment have been based on utility rates which could be substantially reduced under most restructuring proposals. Most such proposals attempt to address this concern by the inclusion of deregulatory measures and other measures aimed at reducing costs and the inclusion of transitional service fees on users, which would enable the utility companies to recover or refinance at least a portion of their historical cost structure. Utility companies maintain that the purchase of electricity from independent power producers, such as the Facility, impose unnecessarily high costs on the generation of electric power. At least one legislative proposal at the federal level would provide utilities the right to terminate such contracts, but most proposals recognize the adverse financial effect such terminations would have on other financing arrangements and therefore address the concern in other ways. Current legislative proposals which have been introduced in the State would maintain the obligation of utilities, such as CL&P, to honor existing contractual commitments for the purchase of electricity from qualifying facilities, such as the Facility, while providing for restructured rates, extension of contract terms, and the availability of low cost sources of funds, which would enable electric utilities to reduce the cost of independent power purchase contracts. The ultimate impact of any such proposals, if enacted, on the electric utility industry in the State, including CL&P, is complicated and unclear. While the State may enact some form of electric utility industry restructuring legislation, there can be no assurance as to the content and timing of such legislation or its impact on the finances of CL&P or the Energy Sales Agreement among the Authority, SCRRRA, the Company and CL&P. Moreover, because the payments for power produced by the Facility are based upon the retail rate paid by certain municipalities for power, restructuring legislation which modifies the structure and level of payments to the Seller could result in an increase in Service Payments payable by the Participating Municipalities. In the event of a reduction in the CL&P payments under the Energy Sales Agreement, Service Payments under such Municipal Service Agreements are subject to whatever increase may be necessary to pay or provide for any increased cost of operation of the System.

Energy Rate Litigation. The Energy Sales Agreement obligates CL&P to pay for electrical energy generated at the Facility at a rate based on the rate which the municipalities providing waste pay CL&P for

electricity (the "Municipal Rate"). CL&P challenged the approval of the Municipal Rate in both State and federal courts on the ground that it exceeds CL&P's avoided costs in violation of federal law (the "Municipal Retail Rate Litigation"). In 1989, the State Supreme Court approved the Energy Sales Agreement based on a modified interpretation of the statute authorizing the Municipal Rate. CL&P then instituted an action in the U.S. District Court in Connecticut raising the same issue it had raised in the State courts. At the request of the Court, the Federal Energy Regulatory Commission in 1995 issued an advisory ruling that the Municipal Rate was invalid if it exceeded the applicable avoided costs. That ruling was appealed to the U.S. Court of Appeals for the D.C. Circuit, which dismissed the appeal in 1997 for lack of jurisdiction, stating that the U.S. District Court in Connecticut was the proper court to review the ruling. If the courts finally rule that the Municipal Rate is invalid, the Seller under the Energy Sales Agreement could elect a rate based on CL&P's 1986 projection of avoided costs. In such case, the Seller would be required to pay CL&P over time for excess revenues received to date.

There are two other cases involving the Energy Sales Agreement pending in the courts. The first is an attempt by CL&P to limit the application of the Municipal Rate to only Participating Municipalities within its service territory and to Guilford and Madison (the "Service Territory Litigation"). The State Department of Public Utility Control ("DPUC") issued a declaratory ruling in 1994 rejecting CL&P's interpretation. An appeal of this ruling has been stayed pending the outcome of the Municipal Rate litigation described above, which could render the issue moot. In another action, CL&P sought to limit the amount of electricity subject to the Energy Sales Agreement to the nameplate capacity stated in the Energy Sales Agreement. The DPUC issued a ruling in 1995 supporting this limitation, but in 1997 the Connecticut Superior Court reversed on appeal, and the matter is now pending before the State Supreme Court. Any reductions in Energy Revenues which may result from the Municipal Retail Rate Litigation or the Service Territory Litigation may result in an increase in Service Payments payable by the Participating Municipalities.

Information Concerning the Energy Purchaser. CL&P is a wholly owned operating subsidiary of Northeast Utilities ("NU"), an investor-owned utility holding company. NU is not itself an operating company. The NU system is operated on an integrated basis under which the directors and principal officers of each operating subsidiary are (with various exceptions) the same. CL&P is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and must file reports and other information with the Securities and Exchange Commission (the "Commission") pursuant thereto. Reference is made to CL&P's most recent annual report on form 10-K and to all subsequent periodic reports filed by CL&P. Such reports and other information concerning CL&P are on file with the Commission and can be inspected and copied at the public reference facilities maintained by the Commission at 450 5th Street, N.W., Washington, D.C.; and copies of such material can also be obtained at prescribed rates from the Public Reference Section of the Commission, Washington, D.C. 20549. None of the Authority, SCRRRA, the Company, BFI, Duke Capital or the Underwriter make any representation or warranty as to the accuracy or completeness of such information.

ABSENCE OF BOND LITIGATION

There is no controversy or litigation of any nature now pending or, to the best of the Authority's knowledge, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 1998 Series A Bonds, or in any way contesting or affecting the validity of the 1998 Series A Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the 1998 Series A Bonds, or the existence or powers of the Authority insofar as they relate to the authorization, sale and issuance of the 1998 Series A Bonds or such pledge or application of moneys and security.

LEGALITY FOR INVESTMENT

Bonds issued by the Authority under the provisions of the Act are securities in which all public officers and public bodies of the State and its political subdivisions, all Connecticut insurance companies, credit unions, building and loan associations, investment companies, banking associations, trust companies, executors, administrators, trustees and other fiduciaries and pension, profit sharing and retirement funds may properly and legally invest funds, including capital in their control or belonging to them. Such bonds are made securities which may properly and legally be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is now or may hereafter be authorized by law.

CONTINUING DISCLOSURE

The Authority, SCRRRA, the Company, BFI and Duke Capital have each undertaken (provided that neither BFI nor Duke Capital shall have any obligations with respect to the matters described herein as long as it is a reporting company under the Securities Exchange Act of 1934 as amended), in a written agreement with State Street Bank and Trust Company, as Trustee and dissemination agent (the "Dissemination Agent"), for the benefit of the Beneficial Owners of the 1998 Series A Bonds, to provide certain financial information to the Dissemination Agent within seven months after the end of their respective fiscal years. The Dissemination Agent, in turn, is obligated to provide such information to each nationally recognized municipal securities information repository ("NRMSIR") and any State information depository ("SID"), in each case within 10 Business Days after receipt by the Dissemination Agent. If not provided as part of the annual financial information required to be delivered, each of the Authority, SCRRRA, the Company, BFI and Duke Capital shall provide its audited financial statements when and if available, to the Dissemination Agent, who is required to forward each such audited financial statement to each NRMSIR and any SID within 10 Business Days after receipt by the Dissemination Agent. For a description of the financial information required to be provided by the Authority, SCRRRA, the Company, BFI and Duke Capital, *see* "Form of Continuing Disclosure Agreement" in **Appendix I** hereto.

If a Material Event (as defined in the "Form of Continuing Disclosure Agreement" contained in **Appendix I** hereto) occurs, the Company and the Authority (each to the extent it has actual knowledge of such Material Event) is required to notify the Dissemination Agent. The Dissemination Agent is required to notify (i) either the Municipal Securities Rulemaking Board ("MSRB") or each NRMSIR, and (ii) any SID, in each case within 10 Business Days after receipt of notice of the Material Event by the Dissemination Agent. For a description of the "Material Events", *see* "Form of Continuing Disclosure Agreement" in **Appendix I** hereto.

Any failure by the Authority, SCRRRA, the Company, BFI, Duke Capital or the Dissemination Agent to perform their respective obligations with respect to continuing disclosure shall not constitute an Event of Default under the Indenture or the 1998 Series A Bonds. The respective officers, directors, employees and shareholders, to the extent applicable, of the Authority, SCRRRA, the Company, BFI and Duke Capital shall have no liability for any act or failure to act under the Continuing Disclosure Agreement. The rights of the holders of the 1998 Series A Bonds and of the Dissemination Agent to enforce the continuing disclosure provisions shall be limited to a right to compel performance. The Authority, SCRRRA, the Company, BFI and Duke Capital reserve the right to modify their performance under the Continuing Disclosure Agreement to the extent not inconsistent with the valid and effective provisions of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. *See* "Form of Continuing Disclosure Agreement" in **Appendix I** hereto.

TAX MATTERS

Certain Requirements of the Code

The Code as currently in effect establishes certain requirements which must be met subsequent to the issuance and delivery of the 1998 Series A Bonds in order that the interest on the 1998 Series A Bonds be and remain excluded from gross income pursuant to Section 103 of the Code. Noncompliance could cause interest on the 1998 Series A Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. Pursuant to the Tax Regulatory Agreement, the Authority and the Company will covenant to take certain actions to comply with such requirements. Changes in federal tax law occurring after the date hereof may increase, diminish or otherwise modify such requirements.

Opinion of Bond Counsel

The Bond Purchase Agreement entered into by the Authority, SCRRRA, the Company and the Underwriter in connection with the 1998 Series A Bonds provides that, as a condition to the acceptance and delivery of the 1998 Series A Bonds, an opinion of Hawkins, Delafield & Wood, Bond Counsel, be delivered on the Delivery Date to the effect that interest on the 1998 Series A Bonds is not included in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion need be expressed as to the exclusion from gross income for federal income tax purposes of interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities for which proceeds of the 1998 Series A Bonds were issued, or is a "related person" of such a "substantial user". Such opinion will state that interest on the 1998 Series A Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

In rendering the foregoing opinion, Bond Counsel will rely upon and assume (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the tax status of interest on the 1998 Series A Bonds, and (ii) compliance by the Authority and the Company with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

Although not a condition to delivery of the 1998 Series A Bonds, the opinion of Bond Counsel may also state that, under existing statutes, interest on the 1998 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Prospective purchasers of the 1998 Series A Bonds should be aware that the exclusion of interest on the 1998 Series A Bonds from gross income for federal income tax purposes will be dependent upon the facts and circumstances in existence on the date of issuance of the 1998 Series A Bonds and the provisions of the Code and the Act and other applicable law as then in effect. Based upon a review of existing statutes and court decisions and assuming that the Authority and the Company execute and deliver the Tax Regulatory Agreement in the forms reviewed by Bond Counsel and that other relevant facts and circumstances do not differ from those currently anticipated in any material respect, Bond Counsel has advised the Authority that it expects to be able to render the opinion described above, including the above-described opinion concerning the exclusion from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and the exclusion from amounts on which the net Connecticut minimum tax is based in the

case of individuals trusts and estates required to pay the federal alternative minimum tax. However, there can be no assurance that such facts and circumstances will not differ from those currently expected and reflected in the draft Tax Regulatory Agreement or that the provisions of the Code, the Act and other relevant law will not change prior to the issuance of the 1998 Series A Bonds or that as a consequence, such opinions will be rendered or will be rendered in the form set forth in **Appendix J**. In addition, there can be no assurance if such opinions are rendered in the form set forth in **Appendix J** that other changes to the Code will not have occurred which affect other federal income tax consequences of ownership of the 1998 Series A Bonds, such as those described under "Certain Additional Federal Tax Consequences" below.

Discount Bonds

Bond Counsel is of the opinion that the excess, if any, of the principal amount payable when a maturity of 1998 Series A Bonds is scheduled to come due over the initial public offering price of such maturity constitutes original issue discount ("OID") that is not includable in gross income for Federal tax purposes to the same extent as interest on the 1998 Series A Bonds. For purposes of the preceding sentence, the "initial public offering price" refers to the initial offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the 1998 Series A Bonds comprising a maturity was sold.

OID accrues in accordance with a constant interest method based on the compounding of interest, and an owner's adjusted basis in a 1998 Series A Bond having OID (a "Discount Bond") for purposes of determining gain or loss on disposition will be increased by the amount of any such accrual. A portion of the OID that accrues in each year to an owner of a Discount Bond will be included in the calculation of the federal alternative minimum tax liability. Consequently, owners of a Discount Bond should be aware that the accrual of OID in each year may result in an alternative minimum tax liability even though such owners have not received a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of OID accrued upon sale or redemption of Discount Bonds, and with respect to the state and local tax consequences of owning Discount Bonds.

Original Issue Premium

The excess, if any, of the price (excluding accrued interest) paid by the first owner of a 1998 Series A Bond over the principal amount due to be repaid at the maturity of such 1998 Series A Bond (an "OIP Bond") is original issue premium. Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of bond premium, the owner of an OIP Bond may realize a taxable gain upon its disposition even though the OIP Bond is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of OIP Bonds are advised to consult with their tax advisors with respect to the federal, state and local tax consequences of owning such bonds.

Certain Additional Federal Tax Consequences

The following is a brief discussion of certain federal income tax matters with respect to the 1998 Series A Bonds under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a 1998 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 1998 Series A Bonds.

As noted above, interest on the 1998 Series A Bonds may be taken into account in determining the tax liability of taxpayers subject to the federal alternative minimum tax imposed by Section 55 of the Code. Interest on the 1998 Series A Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of 1998 Series A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

Legislation affecting municipal bonds is regularly considered by the United State Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 1998 Series A Bonds will not have an adverse effect on the tax-exempt status or market price of the 1998 Series A Bonds.

UNDERWRITING

The Underwriter, Morgan Stanley & Co. Incorporated, has agreed, subject to certain conditions, to purchase the 1998 Series A Bonds on the Delivery Date at a purchase price equal to $89,115,785.75. The Underwriter will be paid a fee of $316,137.50. The Underwriter will be obligated to purchase all of the 1998 Series A Bonds if any of such 1998 Series A Bonds are purchased. The initial public offering prices and concessions in transactions with securities dealers may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 1998 Series A Bonds to certain dealers (including dealers depositing such 1998 Series A Bonds into investment trusts, accounts or funds) and others at prices lower than such initial public offering prices.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the 1998 Series A Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, and Hartford, Connecticut, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Murtha, Cullina, Richter and Pinney LLP, Hartford, Connecticut, General Counsel to the Authority; for SCRRRA by Silverstone & Koontz, P.C., Hartford, Connecticut; and for the Company by Dewey Ballantine LLP, New York, New York, special counsel to the Company, and LeBoeuf, Lamb, Greene & MacRae L.L.P., special Connecticut counsel to the Company, and for the Underwriter by Updike, Kelly & Spellacy, P.C., Hartford, Connecticut.

COVENANT OF THE STATE

Pursuant to the Act, the State has pledged and agreed with the holders of any bonds and notes issued under the Act that the State will not limit or alter the rights vested in the Authority until such obligations, together with interest thereon, are fully met and discharged, provided nothing shall preclude such limitation

or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes.

FINANCIAL ADVISOR

Public Financial Management, Inc., of Philadelphia, Pennsylvania, serves as financial advisor to the Authority in connection with the issuance and sale of the 1998 Series A Bonds. Public Financial Management, Inc. is not obligated to undertake, and has neither undertaken an independent verification of, or assumed responsibility for the accuracy, completeness or fairness of, the information contained in this Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

ADDITIONAL INFORMATION

This Official Statement is submitted in connection with the issuance and sale of the 1998 Series A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 1998 Series A Bonds.

CONNECTICUT RESOURCES RECOVERY AUTHORITY

/s/Robert E. Wright
Acting President

[This page intentionally left blank]

APPENDIX A

DEFINITIONS

As used in this Official Statement, the following terms shall have the following meanings:

"Acceptable Waste" means that portion of Solid Waste which is not Non-Processible Waste, not Unacceptable Waste and not Solid Waste which is recycled in accordance with any local, regional, or State solid waste management program. If substances which are not included as of December 14, 1987 within this definition of Acceptable Waste because they are considered Hazardous Waste, Non-Processible Waste or Unacceptable Waste are, subsequent to December 14, 1987, determined not to be Hazardous Waste, Non-Processible Waste or Unacceptable Waste, then, if the Company and the Authority jointly agree that such substances shall be Acceptable Waste, such substances shall be Acceptable Waste for purposes of the Service Agreement as of the effective date of such joint agreement.

"Access Rights" means all easements and property rights of the Lessee reasonably necessary for the operation of the Facility.

"Account" means any account established pursuant to the Indenture.

"Accrued Aggregate Interest" means, as of any date of calculation, an amount equal to the sum of interest on all series of Bonds and Additional Bonds accrued and unpaid and to accrue (or estimated to accrue in the case of variable rate Bonds) to the last day of the calendar month next succeeding the month in which such date occurs.

"Act" means the Solid Waste Management Services Act, codified as Chapter 446e of the Connecticut General Statutes, as such may be amended from time to time.

"Additional Bonds" means one or more series of Additional Bonds, including Subordinated Bonds, other than the 1988 Series A Bonds, the 1989 Series A Bonds and the 1998 Series A Bonds, issued, executed, authenticated and delivered under the Indenture.

"Additional Municipal Contracts" means any contract between SCRRRA and any municipality that is not a Participating Municipality, providing for disposal of Acceptable Waste of such municipality by SCRRRA.

"Adjusted Fair Market Value" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person.

"Aggregate Minimum Commitment" means the aggregate of the Minimum Commitments of all of the Participating Municipalities for any Contract Year.

"Aggregate Service Payments" means, with respect to any period, the aggregate of the Service Payments of all of the Participating Municipalities for such period.

"Alternate Disposal Site" means any disposal site other than the Facility Site used by the Company for the disposal of waste or Residue as provided in the Service Agreement.

"Annual Budget" means the budget or amended budget for a Contract Year as adopted by SCRRRA.

"Annual Energy Output Guaranty" means the annual energy production guaranties for processing waste set forth in the Service Agreement.

"Authority" means the Connecticut Resources Recovery Authority, a body politic and corporate constituting a public instrumentality and political subdivision of the State established, created and existing under the laws of the State, including the Act, and any board, body, commission, department, officer, agency or other successor of the State which shall hereafter succeed to the powers, duties and functions thereof.

"Authority Purposes" means those authorized purposes for which the Authority has expended or expends money in connection with the development of the System and the costs of which are to be paid from the proceeds of bonds issued pursuant to the Indenture.

"Authority Responsibility Costs" or "ARC" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Authority's Reserved Rights" means, collectively,

(i) the right of the Authority in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Authority under the Lease Agreement, the Service Agreement and the Bridge and Management Agreement;

(ii) the right of the Authority to grant or withhold any consents or approvals required of the Authority under the Lease Agreement, the Service Agreement, the Municipal Service Agreements and the Bridge and Management Agreement;

(iii) the right of the Authority to enforce or otherwise exercise in its own behalf all agreements of the Lessee with respect to ensuring that the Facility shall always constitute a qualified "waste management project" as defined in and as contemplated by the Act; and

(iv) the right of the Authority in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under certain provisions of the Lease Agreement;

provided, however, that no such Reserved Rights of the Authority shall be construed to restrict the rights of the Trustee to enforce remedies available therefor upon the occurrence of an event of default under the Indenture.

"Authorized Investments" means and includes the following:

1. Direct obligations of or obligations guaranteed by the United States of America, whether or not the obligations are issued or held in book entry form on the books of the United States Department of the Treasury;

2. Any bond, debenture, note, participation or other similar obligations issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers' Home Administration, Export-Import Bank and Federal Financing Bank;

3. Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by a federal agency backed by the full faith and credit of the United States of America other than as provided in (1) above;

4. Any other obligation of the United States of America or any federal agency which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;

5. Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

6. Direct and general obligations of or obligations guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged;

7. (a) Deposits in interest-bearing time or demand deposits or certificates of deposit secured to the extent not insured by the Federal Deposit Insurance Corporation, or by the Federal Savings and Loan Insurance Corporation or similar corporation chartered by the United States of America by obligations described in paragraphs (1), (2), (3), (4), (5), (6) or (9) herein having a market value (exclusive of accrued interest) not less than the uninsured amount and lodged in trust at an appropriate institution independent of the issuer of the investment security pursuant to a written security agreement; or

(b) repurchase agreements with respect to obligations listed in paragraphs (1), (2), (3), (4), (5) or (6) above if entered into with a bank, including the Trustee, trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price, (ii) a prior perfected security interest in the obligations which are the subject of such

repurchase agreement has been granted to the Trustee, (iii) such obligations are free and clear of any adverse third party claims, and (iv) such repurchase agreement is a "repurchase agreement" as defined in the Bankruptcy Amendments and Federal Judgeship Act of 1984, as amended, as follows: repurchase agreements providing for the transfer of certificate of deposit, eligible bankers' acceptances or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States against transfer of funds by the transferee of such certificates of deposit, eligible bankers' acceptances or securities with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers' acceptances or securities as described above, at a date certain not later than one year after such transfers or on demand, against the transfer of funds; or

(c) investment agreements continuously secured by the obligations listed in paragraphs (1), (2), (3), (4), (5), (6) or (9) herein, with any bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation if (i) such obligations are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder, (ii) a prior perfected security interest in the obligations which are securing such agreement has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third party claims;

8. Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971; and

9. Obligations the interest on which is exempt from federal income taxation, that are fully and irrevocably secured as to principal and interest by United States government securities held in trust for the payment thereof, and which have been rated by either Moody's or S&P in their respective highest Rating Category and which municipal securities are serial bonds or term bonds non-callable prior to maturity except at the option of the holder thereof.

"Authorized Officer" means the Chairman, Vice-Chairman, President or Secretary of the Authority or any officer or employee of the Authority, authorized to perform specific acts or duties by resolution adopted by the Authority.

"Available Indenture Funds" means amounts available under the Indenture for the payment of Bonds Deemed Outstanding.

"Base Operating Cost" or "BOC" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Baseline Permit Conditions" means those conditions set forth in the Service Agreement used as a baseline for measuring whether change has occurred.

"Baseline Service Fee Estimate" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"BFI" means Browning-Ferris Industries, Inc., a corporation organized and existing under the laws of the State of Delaware and its permitted successors and assigns.

"Billing Period" means each calendar month, except that the first Billing Period shall begin on the Effective Date and shall continue to the last day of the month in which such date occurs.

"BOC" means Base Operating Cost.

"Bond Year" means a twelve-month period commencing on November 16 and ending on the following November 15, during which any Bonds are Outstanding.

"Bondholder", "Holder of Bonds", "Bondowner", "Holder", "holder" or "Owner" or words of similar import means any Person who shall be the registered owner of any Outstanding Bond or Bonds.

"Bonds" means the 1988 Series A Bonds, the 1989 Series A Bonds, the 1998 Series A Bonds (when issued) and any Additional Bonds.

"Bonds Allocable to Authority Purposes" means that portion of the principal amount of the Bonds which shall be allocated to Authority Purposes, which is (i) the aggregate principal amount of 1989 Series A Bonds Outstanding and (ii) as of the date of this Official Statement, 11.146% of the sum of the aggregate principal amounts of the 1988 Series A Bonds Outstanding. Upon the issuance of the 1998 Series A Bonds, the percentage set forth in clause (ii) will refer to the Outstanding 1988 Series A Bonds and 1998 Series A Bonds at such time, and the percentage may change by an insubstantial amount.

"Bonds Deemed Outstanding" means the aggregate principal amount of Outstanding Bonds together with interest accrued and unpaid on such Bonds to the date of termination.

"Bridge and Management Agreement" means the agreement dated as of December 1, 1987 by and between SCRRRA and the Authority, as such agreement may from time to time be amended, modified, or supplemented in accordance with its terms, subject to the applicable provisions of the Service Agreement.

"BTU" means British Thermal Unit.

"Business Day" means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the principal office of the Trustee is located are authorized by law to close.

"Bypassed Waste" means the Acceptable Waste not Processed by the Company in each Contract Year which the Authority either delivered or caused to be delivered to the Facility pursuant to the Service Agreement's waste delivery schedule, or which the Authority was prepared to deliver or cause to be delivered to the Facility pursuant to the Service Agreement waste delivery schedule.

"Bypassed Waste Allowance" means the specified amount of Waste which the Company is permitted to fail to Process without penalty.

"Capitalized Interest Account" means the special trust account so designated and established pursuant to the Indenture.

"Capital Project" means, those capital improvements made by the Company in accordance with the Service Agreement. A Capital Project shall include interest accruing on the 1988 Series A Bonds during a Permitted Delay Period.

"Change in Law" means:

a. the enactment or promulgation after the Contract Date of any federal, State, and within the State, any city, county or other local law, ordinance, code, rule, regulation or similar legislation;

b. the amendment after the Contract Date of any federal, State, and within the State, any city, county or other local law, ordinance, code, rule, regulation or similar legislation which exists on the Contract Date;

c. the rendering after the Contract Date of a final order or judgment of a federal, State or local court, administrative agency or governmental body which modifies any federal, State, and within the State, city or other local law, ordinance, code, rule, regulation or similar legislation, or administrative or judicial decision, or the interpretation of any of the foregoing, any of which exists on the Contract Date, except to the extent that such final order, judgment or interpretation is the result of the willful or negligent action or inaction of the party relying thereon, *provided, however,* that neither the contesting in good faith of any such order, judgment or interpretation nor the failure so to contest shall constitute or be construed as a willful or negligent action or inaction of such party provided, further, that for the purposes of this paragraph (c), the rendering after the Contract Date of such order, judgment or interpretation (to the extent such order, judgment or interpretation does not modify any law, ordinance, code, rule, regulation, or similar legislation) by any State or local court, administrative agency or governmental body with respect to any of the Permits issued on or before the Contract Date shall not be a Change in Law if such order or judgment results from an administrative appeal taken by any person under State law from the order or decision under which any of such Permits was issued;

d. the imposition after the Contract Date of any material condition on the issuance, continuation or renewal of any official permit, license or approval in addition to or other than those set forth in the Service Agreement whether or not such imposition results from any event which also may be referred to in any portion of (a), (b), or (c) above; or

e. a taking for public use of all or a material portion of the Facility or the Facility Site (including the taking of rights of access preventing access or use of the Facility Site) by exercise of the power of eminent domain, condemnation or other comparable proceedings (provided a taking shall not include a closing of or a restriction of operations of the Facility for failure of the Facility or the Facility Site to meet applicable material and nondiscriminatory health, environmental, safety or other governmental requirements);

which, in the case of paragraph (a), (b), (c), (d) or (e) above, (i) causes a material adverse effect on the Facility or on the Company's right, title, and interest in and to the Facility or on the construction or operation of the Facility, or (ii) establishes requirements restricting the operation of the Facility or affecting the operating or capital costs of the Facility itself, or (iii) affects the disposal, transportation, or handling costs

to the Company of Bypassed Waste or Residue, and, in the case of either (i), (ii) or (iii) referred to herein, which are more burdensome than those in effect on the Contract Date or agreed to by the Company as set forth in the Service Agreement. The term "license" as used in this definition of Change in Law does not include any license for technology. A judicial interpretation of a term or provision of this Agreement shall be deemed a Change in Law only if such interpretation is predicated upon an action which would be a Change in Law under paragraph (a), (b), (c), (d) or (e) above and would produce one or more of the effects herein referred to in (i), (ii) or (iii). The exercise by the Authority of its rights under the Service Agreement shall not in and of itself constitute a Change in Law.

"Change in the Classification of Residue" means, on or after the Contract Date, the occurrence of any enactment, amendment or interpretation of any federal, state, city, county or any other local law, ordinance, code, rule, regulation or similar legislation, or the rendering of a final order or judgment of a federal, state or local court, administrative agency or governmental body, as a result of which any substance constituting Residue shall thereafter as a matter of law constitute Hazardous Waste.

"CL&P" means the Connecticut Light and Power Company.

"Code" means the Internal Revenue Code of 1986, as such may be amended from time to time, and any successor provisions.

"Company" means American REF-FUEL Company of Southeastern Connecticut, and its permitted successors and assigns.

"Company Fault Costs" or "CFC" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Company Release Date" means the later of (i) the earlier of (x) the date on which the Authority notifies the Company (or is deemed under the Service Agreement to have notified Company) of the exercise of its option to terminate the Service Agreement as a result of the occurrence or anticipated occurrence of a State Change in Law and (y) the date on which Company notifies the Authority of the exercise of its option to terminate the Service Agreement as a result of the occurrence of a Section 6.03 Termination Event, and (ii) the date of final resolution in accordance with the Service Agreement, of any dispute regarding the exercise of any such option referred to in clause (i)(x) or (y) above, which results in a termination of the Service Agreement.

"Company Support Agreement" means the Amended and Restated Company Support Agreement among BFI, Duke Capital and the Company, dated as of March 1, 1998, as amended.

"Construction Account" means the special trust account so designated and established pursuant to the Indenture.

"Construction Contracts" means all contracts relating to the acquisition, construction, equipping and installation of Facility (other than the Lease Agreement, the Facility Site Lease and the Service Agreement), as the same may hereafter be modified, amended or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Construction Escalation Factor" means the formula for escalating certain construction costs set forth in the Service Agreement.

"Consulting Engineer" means a nationally recognized independent engineer, firm or firms of engineers of sound reputation for skill and experience with respect to resource recovery facilities, selected by the Authority with the concurrence of SCRRRA, the Company and the Trustee.

"Contingency Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of March 1, 1998 among the Authority, SCRRRA, the Company, BFI, Duke Capital and the Trustee.

"Contract Date" means the date of the signing of the Service Agreement.

"Contract Year" means each 12-month period beginning on July 1 and ending on June 30, except that the last Contract Year shall end on the date the Service Agreement, or any extension thereof, terminates or expires.

"Corporate Guaranty Agreement" means a Corporate Guaranty Agreement executed by a Parent and the Trustee, substantially in the form of the Exhibit to the Company Support Agreement, and includes any and all amendments thereof and supplements thereto made in conformity therewith and with the Indenture.

"Cost of Operation" means, with respect to any period, the sum of all costs and expenses of SCRRRA and the Authority resulting from or necessitated by the ownership, operation and maintenance of and renewals and replacements to the System or any portion thereof or the rendering of services by SCRRRA or the Authority pursuant to the Municipal Service Agreements, including, but not limited to, the following items of cost or expense:

a. expenses of operation and maintenance of the System whether or not incurred under an Operating Contract, including, without limitation, insurance, taxes, municipal charges or payments in lieu thereof, renewals, replacements, repairs, extensions, enlargements, alterations or improvements;

b. any amounts to be paid or accrued to retire the principal of, pay the interest or redemption premiums, if any, or other costs of all bonds issued by the Authority to finance the Cost of the System or to refund the same, from time to time outstanding;

c. the amounts of any deficits of SCRRRA or the Authority resulting from the failure to receive sums payable to the Authority or SCRRRA by any Participating Municipality or any person, partnership, firm or public or private corporation, with respect to services provided by SCRRRA or the Authority or to the System, when and as due;

d. amounts necessary to maintain such reserves or sinking funds to provide for expenses of operation and maintenance of the System or for any interest, principal, redemption premium or cost payment due or to become due on bonds issued by the Authority to finance the cost of the System or to refinance the same or for any purpose deemed necessary or desirable by SCRRRA; and

e. all other costs of accepting, delivering, storing, disposing and marketing of Solid Waste and Recovered Products (including, but not limited to, ordinary operation and maintenance

costs) not accounted for by payments out of the funds and reserves maintained by the Authority under the Resolution and properly chargeable to the System in accordance with generally accepted accounting principles, as well as any administrative fee in consideration of costs of management or administration of the System and the responsibility of SCRRRA or the Authority pursuant to obligations to the Participating Municipalities or related System undertakings.

"Cost of System" means all costs of acquisition, construction, financing and placing in operation of the System, including, but not limited to, the Facility, any landfill and any other structures and equipment, site or sites for processing or disposal of Solid Waste, including any repairs, additions, alterations and improvements thereto and shall include, but shall not be limited to, funds required for the acquisition, construction, financing and placing in operation of the Facility, the disposal site or sites, and of structures and equipment for the storage and processing of fuel and such other costs as SCRRRA and the Authority may determine in accordance with generally accepted accounting principles.

"Cost Substantiation" means, with respect to any cost, except for those categories of similar costs in any Billing Period which do not exceed $10,000 in the aggregate for any one category, a certificate signed by an authorized representative of the Company setting forth the amount of such cost, stating that such cost was incurred by the Company as a direct result of an event giving the Authority the right to Cost Substantiation, and stating that such cost is a competitive price for the service or material supplied. The certificate shall include invoices and other pertinent documentation.

"Credited Merchant Waste" means Acceptable Waste obtained by the Company in any Contract Year pursuant to the Service Agreement, to the extent that such Acceptable Waste, together with CRRA Waste delivered in such Contract Year, does not exceed the Throughput Guaranty. For the purposes of determining the source and applicable tip fees for Credited Merchant Waste: (i) the first 10,000 tons per year of such Waste shall be deemed to have a per ton tip fee equal to the average tip fee for all Waste brought to the Facility by the Company pursuant to the provision of the Service Agreement permitting the Company to accept Waste other than CRRA Waste at the Facility ("Other Waste") and shall be allocated between municipalities within and without the service area of CL&P on the same percentage basis as that for all Other Waste: (ii) to the extent that the Company has brought to the Facility Other Waste which has not been approved by SCRRRA under the Bridge and Management Agreement ("Non-Approved Company Waste"), Credited Merchant Waste in excess of the 10,000 tons per year described above shall be deemed to have a per ton tip fee for all such Non-Approved Company Waste equal to the average tip fee for all Non-Approved Company Waste and shall be allocated between municipalities within and without the service area of CL&P on the same percentage basis as that for all Non-Approved Company Waste: (iii) all additional Credited Merchant Waste not covered by (i) and (ii) above shall be deemed to have a per ton tip fee equal to the average tip fee for all Other Waste which has been approved by SCRRRA under the Bridge and Management Agreement ("Approved Company Waste") and shall be allocated between municipalities within and without the service area of CL&P on the same percentage basis as that for all Approved Company Waste.

For purposes of this definition, an average tip fee shall be determined by dividing the total tip fee revenues by the total tons delivered for the relevant type of Waste.

"CRRA" means the Authority.

"CRRA Loans" means amounts owed by the Company to the Authority in accordance with the annual reconciliation provisions contained in the Service Agreement, which are described in "The Service Agreement" in **Appendix C** hereto.

"CRRA Waste" or "CRRAW" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"DEP" means the State Department of Environmental Protection.

"Debt Service" or "DS" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Debt Service Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Debt Service Requirement", as used to refer to payments of principal of, Sinking Fund Installments for, and interest on Bonds means, as of any date of calculation and with respect to any Bond Year, an amount equal to the sum of (i) interest scheduled to accrue (or in the case of Bonds bearing a variable interest rate, estimated to accrue) on the Bonds Outstanding as of the date of calculation during such Bond Year (except to the extent that such interest shall be provided for out of proceeds of Bonds, including investment income thereon designated to pay interest), and (ii) that portion of each Principal Installment for the Bonds which would accrue during such Bond Year if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment Payment Date for the Bonds (or, if there shall be no such preceding Principal Installment Payment Date, then from a date one year preceding the date of such Principal Installment or from the date of issuance of the Bonds, whichever is later). Such interest and Principal Installment shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"Delivery Date" shall mean August 18, 1998, or such other date as the 1998 Series A Bonds are issued and delivered.

"Disposal Agreements" means the Service Agreement, and includes any and all amendments thereof and supplements thereto hereafter made in accordance therewith and with the Indenture.

"Disposal Site" means any site for the disposal of Residue or Bypassed Waste.

"DTC" means The Depository Trust Company, New York, New York, a New York State limited trust company, subject to regulation by the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System and the New York State Banking Department.

"Duke Capital" means Duke Capital Corporation, a corporation organized and existing under the laws of the State of Delaware and its permitted successors and assigns.

"Energy Adjustment" or "EA" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Energy Contracts" means all contracts now or hereafter entered into relating to the sale or other compensable disposition of steam or electricity or thermal energy in other forms derived from the operation of the Facility, and includes any and all amendments of and supplements to each such agreement and each such other contract made in conformity therewith and with the Indenture.

"Energy Revenues" means the revenues with respect to the sale or other compensable disposition of steam or electricity or thermal energy in other forms derived from the operation of the Facility.

"Energy Sales Agreement" means the Electrical Energy Purchase Agreement among CL&P, the Company, SCRRRA and the Authority, providing for the sale of electricity produced by the Facility, as the same may from time to time be amended, modified or supplemented in accordance with its terms.

"Energy Share" or "ES" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Facility" means the mass-burn solid waste disposal and resource recovery facility built by the Company on the Facility Site, and all additions, replacements, and improvements thereto and includes, collectively, the Facility Realty and the Facility Equipment.

"Facility Equipment" means those fixtures and items of machinery, equipment (including the electrical power interconnection with CL&P) and other tangible personal property acquired and installed as part of the Facility pursuant to the Lease Agreement and pursuant to the Service Agreement and described in the Description of Facility Equipment in Appendix B to the Indenture and the Lease Agreement as said descriptions may be modified from time to time pursuant to the Indenture and the Lease Agreement, together with all repairs, replacements, improvements, substitutions, extensions or renewals thereof or additions thereto, all parts, additions and accessories incorporated therein or affixed thereto, and all Facility Improvements constituting equipment. Facility Equipment shall, in accordance with the provisions of the Lease Agreement, include all property substituted for or replacing items of Facility Equipment and exclude all items of Facility Equipment so substituted for or replaced.

"Facility Improvement" means any additions, enlargements, improvements, extensions, alterations (including, without limitation, fixtures, equipment, land, structures, facilities or appurtenances), repairs, replacements, substitutions or renewals to or of the Facility, such Facility Improvement becoming and being deemed part of the Facility, including but not limited to those of the foregoing authorized by the Service Agreement.

"Facility Interests" means all of the Company's right, title and interest, actual or contingent, in and to (i) the Facility, (ii) the Facility Lease (iii) the Facility Site Lease and (iv) the Energy Sales Agreement.

"Facility Interests Purchase Price" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Facility Lease" means the Lease Agreement.

"Facility Realty" means all structures, buildings, foundations, related facilities, fixtures (other than as described as Facility Equipment) including any part of the electrical power interconnection with CL&P constituting real property and other improvements now or at any time made, erected or situated on the Facility Site pursuant to the Lease Agreement and pursuant to the Service Agreement (including any Facility Improvement constituting real property made, erected or situated on the Facility Site).

"Facility Secured Indebtedness" means indebtedness secured by any mortgage on or security interest in the Facility or a pledge of the revenues therefrom.

"Facility Site" means the land and the rights or interests therein or appertaining thereto described in the Description of Facility Site in Appendix A to the Indenture, together with all other rights or interests therein or appertaining to such land, as the same may be amended from time to time in accordance with the Site Lease Agreement, but excluding, however, any real property or right or interest therein or appertaining thereto properly released and removed pursuant to the Lease Agreement or the Site Lease Agreement.

"Facility Site Lease" means the lease agreement dated December 1, 1988 providing for the lease of the Facility Site from SCRRRA to the Company, and includes any and all amendments thereto and modifications thereof hereafter made in accordance therewith and with the Indenture.

"Fair Market Value" or "FMV" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Federal Tax Law Surcharge" or "FTLS" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Fund" means any Fund or Account established pursuant to the Indenture.

"General Partners" means BFI Energy Systems of Southeastern Connecticut, Inc., Air Products REF-FUEL of Connecticut (S.E.), Inc., BFI Energy Systems of Southeastern Connecticut, Limited Partnership and Air Products Ref-Fuel of Southeastern Connecticut, L.P., and their respective permitted successors and assigns.

"Guaranteed Tonnage" or "GT" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Hazardous Waste" means waste which is defined as hazardous waste in the Solid Waste Disposal Act, 42 U.S.C. 6901 *et seq.*, and the regulations promulgated thereunder (the "WDA"), or waste which is similar to hazardous waste as defined in the WDA and which is regulated by other federal statutes and the regulations promulgated thereunder, or by any State statutes and the regulations promulgated thereunder.

"Indenture" means the Indenture of Mortgage and Trust dated as of December 1, 1988 by and between the Authority and the Trustee as from time to time amended or supplemented in accordance with the Indenture.

"Independent Accountant" means Arthur Andersen & Co. or such other firm of independent certified public accountants (not an employee of the Authority, the Company or any Affiliate thereof), selected by the Company and approved, in writing, by the Trustee (which approval shall not be unreasonably withheld).

"Independent Engineer" means a nationally recognized consulting engineer or nationally recognized consulting engineering firm, with demonstrated experience in the area of mass burn solid waste resource recovery facilities, selected jointly by the Authority and the Company and reasonably acceptable to the Trustee.

"Independent Third Party" or "ITP" means the Person selected in such capacity in accordance with the Service Agreement.

"Initial Equity Capital" means commitment of initial equity required from the Company pursuant to the Service Agreement.

"Interest Account" means the special trust account so designated, and established pursuant to the Indenture.

"Interest Payment Date" means any date on which interest on the 1998 Series A Bonds issued pursuant to the Indenture is payable.

"Interim Payments" means, with respect to any Participating Municipality, the amount due to SCRRRA pursuant to the Municipal Service Agreement for such Participating Municipality to pay or provide for the costs incurred by SCRRRA in processing and disposing of Solid Waste and residue thereof delivered at the direction of SCRRRA prior to the first Contract Year.

"Landfill" means any landfill caused to be made available by or on behalf of the Authority in accordance with the Service Agreement, to receive Residue, Bypassed Waste or both from the Facility.

"Landfill Agreements" means any agreements of SCRRRA or the Authority for the use of any Landfills.

"Landfill Bonds" means the Authority's Southeastern Connecticut Regional Resource Recovery System Municipal Service Fee Revenue Bonds - 1988 Series A.

"Landfill Costs" or "LC" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Lease Agreement" means the Lease Agreement dated as of December 1, 1988 entered into between the Authority and the Lessee, and includes any and all amendments thereof and modifications thereto hereafter made in conformity therewith and with the Indenture.

"Lease Rentals" means all payments made by or on behalf of the Company under the Lease Agreement with respect to the payment of the principal of, Sinking Fund Installments for, redemption premium, if applicable, and interest on the Bonds and any reserves with respect thereto, including the Special Capital Reserve Fund.

"Lessee" means the Company and its permitted successors and assigns as provided in the Lease Agreement and the Service Agreement.

"Lessee Collateral" means all of the right, title and interest of the Lessee in all Access Rights, Construction Contracts, Disposal Agreements, Energy Contracts, Lessee Property, Licenses, Net Proceeds, Operating Manuals, Permits (to the extent permitted by law), Project Plans, Residue Disposal Contracts, Revenues, Support Services Agreements, Warranties and Security Documents whether any such right, title or interest is presently held by the Lessee or is hereafter acquired by the Lessee, together with all charges, fees, receipts and other revenues which may be received by the Lessee pursuant to any of the foregoing, and to the accounts, contract rights, chattel paper, instruments and proceeds thereof and to all rights and remedies, and all choses in action and choses in possession, whether now or hereafter existing, which the Lessee might exercise with respect thereto, excluding certain rights of the Company with respect thereto.

"Lessee Guaranty and Security Agreement" means the Lessee Guaranty and Security Agreement, dated as of December 1, 1988, between the Company and the Trustee, and includes any and all amendments thereof and modifications thereto made in conformity therewith and with the Indenture.

"Lessee Property" means all items of tangible personal property of the Company at any time installed or located on the Facility Site.

"Licenses" means all licenses, rights of use, covenants or otherwise benefitting or permitting the use and operation of the Facility or any part thereof.

"Loss Event" means the occurrence of any damage to the Facility or any partial or total destruction of the Facility, or the taking of title or temporary use of the Facility in part or in whole by a competent authority for any public use or purpose.

"Minimum Acceptance Criteria" means those minimum criteria for Acceptance set forth in the Service Agreement.

"Minimum Commitment" means, with respect to each Participating Municipality:

a. For the first Contract Year (which may be a partial year) the amount in tons of acceptable Solid Waste to be delivered by or on behalf of such Participating Municipality to the System, as estimated by SCRRRA and approved by the Participating Municipality;

b. For the second Contract Year and each subsequent Contract Year, the amount in tons of acceptable Solid Waste to be delivered by such Participating Municipality to the System as set forth in the Municipal Service Agreement executed thereby; provided, however, that in the event that the Participating Municipality anticipates that it will not for good cause established be capable of satisfying such Minimum Commitment for any subsequent Contract Year it shall so inform SCRRRA no later than 180 days prior to the beginning of such Contract Year and the Participating Municipality's Minimum Commitment for such Contract Year shall be such lesser amount in tons of such acceptable Solid Waste, if any, to be delivered to the System as established by SCRRRA in its sole discretion. The Minimum Commitment of the Participating Municipality shall not be reduced so as to cause, individually or in conjunction with any adjustments by other Participating Municipalities, the Aggregate Minimum Commitment to fall below the Aggregate Minimum Commitment as in effect on the Commercial Operation Date.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency as mutually agreed to by the Authority and the Lessee, by notice to the Notice Parties.

"Mortgage Deed" means the Open-End Mortgage and Security Agreement dated as of December 1, 1988 from the Company to the Trustee, as such may be supplemented or amended from time to time in accordance therewith and with the Indenture.

"Mortgaged Property" means the property subject to the Mortgage Deed as described therein.

"Municipal Service Agreements" means the Municipal Solid Waste Management Services Contracts between SCRRRA and each of the Participating Municipalities, as the same may from time to time be amended, modified or supplemented in accordance with the terms thereof and of the Indenture.

"Municipal Service Payments" means payments required to be made by SCRRRA under the Bridge and Management Agreement or by a Participating Municipality under a Municipal Service Agreement.

"Nationally Recognized Bond Counsel" means counsel acceptable to the Authority and experienced in matters relating to exclusion from gross income of interest on bonds issued by states and their political subdivisions.

"Net Cost of Operation" means the Cost of Operation less Revenues and less such other receipts (other than Service Payments) of the System with respect to any relevant period which result from the ownership or operation of the System or any renewals or replacements to the System, or which result from the rendering of services by SCRRRA pursuant to the Municipal Service Agreements.

"Net Equity" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Net Proceeds" means, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount from any such proceeds, award, compensation or damages less all expenses (including attorneys' fees and any extraordinary expenses of the Authority, the Lessee or the Trustee) incurred in the collection thereof.

"1988 Series A Bonds" means the Authority's Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project—1988 Series A) issued, executed, authenticated and delivered under the Indenture.

"1989 Series A Bonds" means the Authority's Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project—1989 Series A) issued, executed, authenticated and delivered under the Indenture.

"1998 Series A Bonds" means the Authority's Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project—1998 Series A) issued, executed, authenticated and delivered under the Indenture.

"Non-Processible Waste" means Solid Waste not normally burned in mass-burn facilities comparable to the Facility, the Processing of which would cause damage to the Facility except for ordinary wear and tear, including the following items:

(i) demolition debris, including masonry, brick and stone, structural steel, rebar, and structural shapes;

(ii) items which by virtue of their size are not capable or being Processed at the Facility;

(iii) brush and combustible demolition debris which exceed four-feet in length and four-inches in diameter or four-inches in thickness;

(iv) incinerator residue; and

(v) any other items not normally burned in mass-burn facilities comparable to the Facility, such as whitegoods and engine blocks, the Processing of which would cause damage to the Facility except for ordinary wear and tear.

"Notice Parties" means the Authority, the Company, SCRRRA, the Parents, the Paying Agents and the Trustee.

"Notice to Proceed Date" means December 22, 1988.

"OEF" means Operating Escalation Factor.

"Operating Contract" means an agreement for construction, operation and marketing or other function, for the System or any portion thereof by and between SCRRRA or the Authority and any person.

"Operating Cost Decreases" or "OCD" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Operating Escalation Factor" or "OEF" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Operating Manuals" means the operating manual or manuals for the Facility setting forth in reasonable detail all technical information, not common knowledge among operators of solid waste disposal facilities or included in the Project Plans for the Facility, required for the operation of the Facility at its optimal efficiency.

"Operating Surplus Fund" means the special trust fund so designated, established pursuant to the Indenture.

"Operation and Maintenance Expense" means certain current expenses of the Lessee paid or payable for the operation, maintenance and repair of the Facility.

"Operator" means any company, person or entity which executes an Operating Contract with SCRRRA.

"Opinion of Counsel" means a written opinion of counsel who may (except as otherwise provided in the Indenture and the Lease Agreement) be counsel for the Company or the Authority and who shall be acceptable to the Trustee.

"Other Waste Share" or "OWS" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Outstanding", when used with reference to a Bond or Bonds as of any particular date, means all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion thereof) for the payment or redemption of which there has been separately set aside and held in the Redemption Fund either:

A. moneys, and/or

B. Authorized Investments in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Authorized Investments to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under the Indenture;

in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company or any Affiliate of the Company.

"Parent Corporate Credit Guarantee" means a guarantee in the form set forth in the Indenture issued by a Parent, or separate guarantees, each in the form set forth in the Indenture issued by each of the Parents, which the Lessee shall have delivered or caused to be delivered to the Trustee in accordance with the Lease Agreement and includes any and all amendments thereof and supplements thereto made in conformity therewith and herewith.

"Parent Support" means, with respect to any Bonds, either (a) the Company Support Agreement which includes such Bonds within the definition of "Bonds" contained therein, or (b) a letter of credit, guaranty or other credit support provided by a Parent, in each case having a term at least as long as such Bonds, and issued by an entity at least as creditworthy as such Parent at the time such support is provided, that directly supports payment obligations with respect to such Bonds in the same amounts and subject to the same conditions as that support which would have been provided in such Company Support Agreement if clause (a) were applicable.

"Parent Undertaking" means the Amended and Restated Parent Undertaking among BFI, Duke Capital and the Company, dated as of March 1, 1998, as such Parent Undertaking may be amended from time to time.

"Parents" mean, collectively, BFI and Duke Capital, corporations organized and existing under the laws of the State of Delaware and their respective successors and assigns.

"Participating Municipalities" means the municipalities of East Lyme, Griswold, Groton, Ledyard, Montville, New London, North Stonington, Norwich, Sprague, Stonington and Waterford, Connecticut.

"Partnership Agreement" means the agreement effective December 2, 1985 organizing the Company, as the same may thereafter be modified, amended, restated or supplemented.

"Pass-Through Costs" or "PT" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Paying Agent" means any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

"Permits" means those licenses, approvals, certificates, or authorizations, required from federal, State or local officials as set forth in the Service Agreement.

"Permitted Encumbrances" means:

(i) liens securing claims of contractors, subcontractors, suppliers of goods, materials, equipment or services, or laborers or other like liens arising in the ordinary course of business which are paid or discharged within 60 days of the due date thereof, or which are being contested in good faith by appropriate proceedings so long as such proceedings would be permitted by the last sentence of this definition of Permitted Encumbrances;

(ii) liens arising in connection with workers' compensation, unemployment insurance, old age pensions and social security benefits and liens securing appeal and release bonds, provided that adequate provision for the payment of all such obligations has been made on the books of the Lessee;

(iii) deposits made in the ordinary course of business to secure the performance of tenders, statutory obligations, bids, leases, or government contracts, payment and performance bonds, fee and expense arrangements with trustees and fiscal agents and similar obligations;

(iv) attachment and judgment liens, so long as the same shall have been duly stayed or discharged prior to the earlier of (a) the execution thereof or (b) 60 days after such lien attached, so long as such judgment or attachment shall have been discharged within 60 days after the expiration of any such stay and so long as such proceedings would be permitted by the last sentence of this definition of Permitted Encumbrances;

(v) liens in respect of taxes, assessments, governmental charges or levies on the Facility, as to which interest and penalties have not yet accrued or which are being contested in good faith by appropriate proceedings, so long as such proceedings would be permitted by the last sentence of this definition of Permitted Encumbrances and provided that assessments may be paid in installments if permitted by law;

(vi) the rights of the parties other than the Company under the Security Documents;

(vii) any lien, security interest or encumbrance on any property of the Lessee not constituting part of the Facility or the Lessee Collateral;

(viii) the rights of the Authority under the Lease Agreement and the liens, security interests and mortgages of the Indenture, of the Site Lease Agreement, of the Lessee Guaranty and Security Agreement, of the SCRRRA Pledge and Security Agreement and of any other Security Document;

(ix) any mortgage, lien, security interest or other encumbrance which may exist in favor of the Trustee;

(x) existing easements and title exceptions described in the description of title exceptions as shall be set forth in the Appendices to the Indenture;

(xi) such utility, access and other easements, rights of way, restrictions, exceptions, minor defects or irregularities in or clouds on title or encumbrances not arising out of the borrowing of money or the securing of advances of credit as may be required by law or may be deemed necessary or advisable by the Lessee and which will not, in the written opinion of an Authorized Representative of the Lessee delivered to the Authority and the Trustee (as confirmed by the Independent Engineer upon the request of the Authority or the Trustee in respect any such encumbrance) interfere with or impair in any material respect the utility, operation, use or value of the Facility to the Lessee;

(xii) any mortgage, lien, security interest or other encumbrance which may exist in favor of either or both Parents to secure Subordinated Debt owing by the Company to such Parent or Parents, provided that pursuant to the terms of such Subordinated Debt (A) all indebtedness or other obligations of the Company to the Authority under the Service Agreement or otherwise shall rank prior to such Subordinated Debt to the same extent as provided for the ranking of CRRA Loans in the definition of Subordinated Debt set forth in the Company Support Agreement, and (B) such Subordinated Debt may not be declared to be due and payable prior to the maturity thereof, nor may such Parent or Parents foreclose upon or otherwise enforce such mortgage, lien, security interest or encumbrance, unless at or prior to the time of such declaration, foreclosure or other enforcement (1) all then-existing indebtedness, Lease Rental obligations and other obligations of the Company to which such Subordinated Debt is subordinate and junior in right of payment shall have been declared to be due and payable (a) with respect to obligations owed to the Authority, by the Authority pursuant to the Service Agreement or other agreement under which such indebtedness or obligation arises, and (b) with respect to the Bonds, by the Trustee or Holders of Bonds pursuant to the Indenture and (2) the Service Agreement has been terminated and CRRA has not exercised its option to purchase the Facility Interests within the time period prescribed therefor by the Service Agreement; and

(xiii) the security interest granted by the Company in favor of the Authority and SCRRRA pursuant to the Electrical Sales Contract Responsibilities and Security Agreement dated as of December 1, 1988 among the Authority, the Company, SCRRRA and the Parents.

A contest referred to in this definition shall be permitted only if such contest stays the execution or enforcement of the lien, charge or encumbrance being contested and does not (i) materially adversely affect the ability of the Lessee to perform its obligations under the Lease Agreement or under the Service

Agreement, (ii) involve the immc...n... f any sale, forfeiture or loss of the Facility or the Lessee Collateral or any portion of either thereof, or involve the risk of imposition of any penalties or liabilities, whether civil or criminal, upon the Authority (other than normal accrual of interest) or any material penalties or liabilities upon the Lessee. Notwithstanding the foregoing, the Lessee does not have to contest any of the foregoing unless such failure to contest would result in any of the effects set forth in (i), (ii) or (iii) of the previous sentence.

"Person" means any individual, corporation, partnership, joint venture association, joint-stock c... ny, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal Account" means the special trust account so designated, and established pursuant to the Indenture.

"Principal Installment" for any Bond Year means, as of any date of calculation and with respect to the Bonds Outstanding as of such date, (i) the principal amount, if any, of such Bonds for which no Sinking Fund Installments have been established, due during such Bond Year, or (ii) the unsatisfied balance of any Sinking Fund Installment due during such Bond Year for such Bonds plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds in such Bond Year in a principal amount equal to such unsatisfied balance of such Sinking Fund Installment.

"Principal Installment Payment Date" ... any date upon which a Principal Installment with respect to the Bonds shall be due and payable.

"Process", "Processed" or "Processing" means causing Waste to pass through the combustion chambers of the Facility.

"Product Sales Agreement" means any agreements providing for the sale of Recovered Resources other than electricity, as the same may from time to time be amended, modified, or supplemented in accordance with the terms thereof. Such agreements must be satisfactory to both the Company and the Authority.

"Project Costs" means:

(i) all costs incurred in connection with the acquisition, reconstruction, construction, equipping, startup, acceptance testing and installation of the Facility, including, but not limited to, obligations incurred for razing, clearing and other Facility Site preparation costs, labor, materials, services, supplies, machinery, equipment, furnishings, fixtures, and other expenses and payments to contractors, suppliers, builders and materialmen; all shipping and delivery charges, the restoration, replacement or relocation of property damaged or destroyed in connection with reconstruction or construction; the cost of acquiring by purchase lands, property rights, rights-of-way, franchises, easements or other interests in land; the premium and costs incident to the issuance of title guaranty or bond insurance; costs of advertising, bidding, negotiating and awarding contracts for construction; taxes, fees, charges and expenses due and payable in connection with the development and completion of the Facility and the financing thereof; the costs and fees of architects, engineers, construction managers, the consulting engineer, the Independent Engineer, feasibility consultants and other consultants for services rendered prior to or during the period of development and completion of the Facility; and capitalizing reserve requirements for the Bonds;

(ii) all costs of contract bonds and of insurance of all kinds that may be required or necessary during the course of development and completion of the Facility;

(iii) all costs and test borings, surveys, estimates, plans and specifications and preliminary investigation therefor and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, the Facility;

(iv) all Bond Issuance Costs;

(v) all costs which the Authority, SCRRRA or the Company shall have paid or shall be required to pay, under the terms of any contract or contracts, for the acquisition, reconstruction, construction, installation or equipping of the Facility and related System facilities, for electrical interconnection with CL&P, for access to all utilities required for operation of the Facility, landfill equipment as set forth in an Authority Tax Certificate delivered in connection with the issuance of the Bonds including any amounts required to reimburse the Authority, SCRRRA or the Company for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Facility;

(vi) interest due and payable on the Bonds from the date of issuance through the date of completion of the Facility;

(vii) certain offsite improvements; and

(viii) any other costs and expenses relating to the financing, development and completion of the Facility including legal and financial costs, trustee fees and any other similar costs relating to the Bonds.

"Project Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Project Plans" means all plans, drawings, specifications, renderings and designs related to and necessary for the acquisition, reconstruction, construction, equipping and installation of the Facility.

"Project Supervisor" means the person or persons appointed in such capacity in accordance with the Lease Agreement.

"Pro Rata Equity Capital" means that equity capital required to be provided by the Company to finance a portion of the cost of a Capital Project in accordance with the Service Agreement.

"Prorated Acceptable Waste Surcharge" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Prudent Engineering and Operating Practices" means any of the practices, methods and acts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry) that at a particular time, in the exercise of reasonable judgment in the light of the facts known or that should have been known at the time the decision was made, would have been expected to accomplish the desired result consistent with law, regulation, reliability, safety, economy, environmental protection, and expedition.

"Rating Category" means one of the generic rating categories of either Moody's or S&P without regard to any refinement or graduation of such rating by a numerical modifier or otherwise.

"Receiving Time" means the time during which the Facility is required to accept CRRA Waste.

"Record Date" means, with respect to any Interest Payment Date for the 1998 Series A Bonds, the close of business on the 15th day preceding such Interest Payment Date, or if such day shall not be a Business Day, the immediately preceding Business Day.

"Recovered Products" means the materials or substances including energy which result from the processing of Solid Waste in the System.

"Recovered Resource Credit" or "RRC" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Recovered Resources" means electricity and such other materials, including, without limitation, ash and ferrous materials, which are recovered by the Company.

"Redemption Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Redemption Price" means, with respect to any Bond, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

"Renewal Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Residue" means by-products of the Processing of Waste.

"Residue Disposal Contracts" means all contracts for the disposal of residue remaining after the Processing of Solid Waste at the Facility, as the same may be modified, amended or supplemented from time to time in accordance with the provisions thereof and, to the extent applicable, the Indenture.

"Revenue Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Revenues" (a) when used with respect to the Company, means all Service Fees, Energy Revenues, and all other revenues, income, rent, receipts, payments, proceeds, fees, charges, income or earnings, and other moneys received by or on behalf of the Company and derived from or with respect to the operation, leasing or other disposition or arrangement for use of the Facility or any portion thereof, and all rights to receive the above, whether in the form of accounts, general intangibles or other rights, and the proceeds of such rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and the net proceeds of any insurance covering business interruption losses relating to the cessation or reduction of operation in whole or in part of the Facility provided, however, that Revenues shall not include (i) amounts received by the Company as disbursements from the Revenue Fund or the Operating Surplus Fund pursuant to the Indenture, (ii) certain capital received by the Lessee from either or both of the Parents other than as required under the Company Support Agreement attributable to Company Fault Costs or (iii) proceeds of any policy of liability insurance and (b) when used with respect to the Authority or

SCRRRA means all revenues, income, rent receipts, payment, proceeds, fees, charges, income or earnings (other than Lease Rentals), and other moneys received by or on behalf of and derived by the Authority (other than moneys received by the Authority from the State for deposit in the Special Capital Reserve Fund) or SCRRRA from the operation, leasing or other disposition or arrangement for use of the System or any portion thereof, and all rights to receive the above, whether in the form of accounts, general intangibles or other rights, and the proceeds of such rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired and the net proceeds of any insurance covering business interruption losses relating to the cessation or reduction of operation in whole or in part of the System, including, without limitation, all payments derived under the Municipal Service Agreements and the Bridge and Management Agreement and all fees or service payments collected for disposal of waste at the System, or any portion thereof, provided, however, that Revenues shall not include any amounts received by the Authority as disbursements from the Revenue Fund or the Operating Surplus Fund pursuant to the Indenture. Notwithstanding the foregoing, if one or more Corporate Guaranty Agreements have been executed with respect to all Bonds Outstanding, Revenues shall mean only net earnings on the Funds and Accounts established under the Indenture.

"Revenues Available for Debt Service" means all Revenues, less Operation and Maintenance Expenses received during the periods in question, plus any other revenues that may in the future be pledged to the payment of the Bonds, excluding any nonrecurring extraordinary gains or losses.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency as mutually agreed to by the Authority and the Lessee, by notice to the Notice Parties.

"SCRRRA" means the Southeastern Connecticut Regional Resources Recovery Authority, a body politic and corporate, constituting a public instrumentality and political subdivision established, created and existing under the laws of the State and any other entity that may succeed to the powers, duties and functions thereof.

"SCRRRA Pledge and Security Agreement" means the SCRRRA Pledge and Security Agreement dated as of December 1, 1988 from SCRRRA to the Trustee, and includes any and all amendments thereof and supplements thereto made in conformity therewith and with the Indenture.

"Section 6.03 Termination Event" means the termination of the Service Agreement by the Company for failure of the Authority to pledge a special capital reserve fund for Additional Bonds.

"Security Documents" means, collectively and severally, the Lease Agreement, the Lessee Guaranty and Security Agreement, the Mortgage Deed, the SCRRRA Pledge and Security Agreement, the Company Support Agreement, any Corporate Guaranty Agreement, any Parent Corporate Credit Guarantees (as and if executed) and the Indenture.

"Seller" shall mean the Company, the Authority and SCRRRA pursuant to the Energy Sales Agreement.

"Series" means all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

"Service Agreement" means the Service Agreement dated as of December 1, 1987 between the Authority and the Company, and includes any and all amendments thereof and supplements thereto made in conformity therewith and with the Indenture.

"Service Fee" or "SF" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Service Fee Adjustment" or "SF*" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Service Fee Cap" means the maximum Service Fee that the Authority can be required to pay under the Service Agreement due to the occurrence of Uncontrollable Circumstances as set forth in the Service Agreement.

"Service Fee Estimate" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Service Fees" means the fees payable to the Company for its operation of the Facility as provided in the Service Agreement.

"Service Payments" mean amounts received by SCRRRA from the Participating Municipalities pursuant to the Municipal Services Agreements.

"Sinking Fund Installment" means an amount so designated with respect to any Bond which is subject to mandatory redemption on a date certain pursuant to the Indenture. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to the Indenture toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

"Sinking Fund Installment Account" means the special trust account so designated and established pursuant to the Indenture.

"Sinking Fund Installment Payment Date" means the date upon which a Sinking Fund Installment shall be due with respect to the Bonds.

"Site Lease Agreement" means the lease dated as of December 1, 1988 between SCRRRA and the Company, and includes any and all amendments thereof and supplements thereto made in conformity therewith and with the Indenture.

"Solid Waste" means all materials or substances that, as of the Contract Date or any subsequent date, were generally discarded or rejected as being spent, useless, worthless or in excess to the owners thereof at the time of such discard or rejection, including, but not limited to, garbage, refuse and other discarded materials resulting from industrial and commercial operations and from domestic and commercial activities, rubbish, ashes, contained gaseous materials, but not including sewage and other highly diluted water carried materials or substances and those in gaseous form, special nuclear or by-product materials within the meaning of the Atomic Energy Act of 1954, as amended, and Hazardous Waste.

"Southeastern Project" means the System.

"Special Capital Reserve Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Special Capital Reserve Fund Requirement" means, as of any date of calculation by the Authority, an amount equal to the maximum amount of principal, Sinking Fund Installments and interest maturing and becoming due and, with respect to a Series of Bonds bearing interest at a variable rate, estimated to become due, in the calendar year in which such computation is made or in any single succeeding calendar year on Outstanding Bonds (excluding Subordinated Bonds).

"State" means the State of Connecticut.

"State Change in Law" means a Change in Law which results from (i) a statute enacted by the State, (ii) an action of any State court (or of a federal court effecting a Change in Law with respect to State law), or (iii) an action of any office, agency, department or authority of the State or of any political subdivision of the State, except such a Change in Law which affects the disposal costs (other than handling and transportation costs) of Residue or Bypassed Waste.

"State Change of Law" means a State Change in Law, provided, however, it shall not include any Change in Law resulting from the actions of the Municipalities, SCRRRA or any other local entity.

"State Change of Law Termination Event" shall have the meaning set forth in "The Bridge and Management Agreement" in **Appendix C** hereto.

"Subordinated Bonds" means bonds, notes or other evidences of indebtedness which are not secured by the Special Capital Reserve Fund.

"Subordinated Bonds Debt Service Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Subordinated Bonds Debt Service Reserve Fund" means the special trust fund so designated and established pursuant to the Indenture.

"Subordinated Bonds Debt Service Reserve Fund Requirement" shall have the meaning set forth in a Supplemental Indenture authorizing the issuance of Subordinated Bonds.

"Subordinated Debt" means the Company's indebtedness for borrowed money, including interest thereon, which (i) is held and continues to be held by a Parent, (ii) is marked on Company's books as subordinated and junior in right of payment to the Company's obligations to pay Lease Rentals and CRRA Loans and (iii) is expressly subordinated and junior to the extent and in the manner set forth below:

(x) if there shall occur a default by Company in the payment of such Lease Rentals or CRRA Loans, then so long as such default shall be continuing and shall not have been cured or waived, or unless and until all Lease Rentals and CRRA Loans then due and owing shall have been paid in full, no payment of principal or interest shall be made upon such indebtedness and

(y) in the event of (1) any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to Company or its property, or (2) any proceedings for voluntary liquidation, dissolution or other winding up of Company, whether or not involving insolvency or bankruptcy proceedings, then all Lease Rentals and CRRA Loans then due and owing shall first be paid in full, or payment thereof shall have been provided for, before any payment on account of the principal of or interest on such indebtedness is made.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Authority and the Trustee in accordance with the Indenture.

"Support Services Agreements" means all agreements for the providing of raw water, boiler feed water, electricity, utilities, fuel, oil, sanitary waste treatment and disposal and all other services or supplies in connection with the operation and maintenance of the Facility, and includes any and all amendments thereof and supplements thereto made in accordance with the provisions thereof and the Indenture.

"System" means the Facility and the Landfill and any other equipment structures, site or sites for processing or disposal of solid waste generated within the Participating Municipalities including any alternate disposal provided by the Company pursuant to the Service Agreement.

"Technical Specification" means the technical specifications of the Facility set forth in the Service Agreement.

"Throughput Guaranty" or "TG" means 179,580 TPY, as such amount may be adjusted pursuant to the Service Agreement for (1) changes made in the Facility or (2) changes in the higher heating value of the waste.

"Ton" means a "short ton" of 2,000 pounds.

"Total Disposal Cost" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Total Disposal Cost Cap" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"TPY" means Tons per Contract Year.

"Trust Estate" means the trust estate pledged by the Authority in the granting clauses of the Indenture.

"Trustee" means State Street Bank and Trust Company, as successor in interest to The Connecticut National Bank, in its capacity as Trustee, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

"Unacceptable Waste" means Solid Waste (i) which by reason of its composition or character is harmful, toxic or dangerous as determined pursuant to applicable federal or State laws, rules or regulations, or (ii) which both parties reasonably agree is harmful, toxic or dangerous or likely to impair safety or cause harm, or (iii) which the Independent Third Party determines, pursuant to the procedures outlined in the Service

Agreement, is harmful, toxic or dangerous or likely to impair safety or cause harm or (iv) which is pathological waste.

"Uncontrollable Circumstance" means any act, event or condition that has had, or may reasonably be expected to have, a material adverse effect on the rights or the obligations of the parties under the Service Agreement, or a material adverse effect on the Facility or the construction or operation of the Facility, if such act, event or condition is beyond the reasonable control of the party adversely affected thereby and relying thereon as justification for not performing an obligation or complying with any condition required of such party under the Service Agreement. Uncontrollable Circumstances may include, but shall not be limited to, the following:

a. an act of God, landslide, lightning, earthquake, fire, explosion, flood, natural disaster, acts of a public enemy, war, blockade, insurrection, riot, or civil disturbance or any similar occurrence, but not including reasonably anticipated weather conditions, for the geographic area of the Facility;

b. a strike, walkout, work stoppage, or similar industrial or labor action, except for (i) strikes of the employees of the Company exclusively directed at the Company and/or its affiliates or contractors, (ii) strikes of the Company's affiliates and the Company's contractors, exclusively directed at such affiliates or contractors and/or the Company, (iii) strikes of haulers of Solid Waste to the Facility or (iv) strikes at the Landfill, unless any of these strikes referred to in (i), (ii), (iii) or (iv) otherwise becomes a riot or civil disturbance as described in (a) above. Other strikes, walkouts, work stoppages, or similar industrial or labor actions which are exclusively directed at the Company, any contractor of the Company, either or both of the Parents, any subsidiary or affiliate of the Company or either or both of the Parents, or two or more of any of these parties shall not constitute Uncontrollable Circumstances;

c. a Change in Law except any change in federal or State laws regarding taxes measured by or imposed on net income;

d. the loss of or inability to obtain any utility services, including water, sewerage, fossil fuels and electric power other than that generated by the Facility, necessary for operation of the Facility;

e. any subsurface condition at the Facility Site which shall cause a delay or interruption, or require a redesign or change in the construction or operation of the Facility, except geotechnical conditions which could be discovered by reasonably diligent investigation;

f. a demonstrable change in the normal content of the waste stream from the Municipalities such that the Facility, if operated in accordance with good current operating practices for resource recovery facilities comparable to the Facility, would be unable to Process such waste stream without repeatedly violating the Permits; and

g. damage caused by the inadvertent and non-negligent Processing of Hazardous Waste.

"Uncontrollable Circumstance Costs" or "UCC" shall have the meaning set forth in "The Service Agreement" in **Appendix C** hereto.

"Unprocessibles" means material arriving at the Facility that cannot be processed, for example, oversized bulky items, and that SCRRRA may divert to a landfill.

"Warranties" means all warranties, guarantees, sureties, payment bonds, performance bonds, maintenance, repair or replacement agreements, and other contractual obligations of any contractor, subcontractor, surety, guarantor, manufacturer, dealer, laborer, supplier or materialman made with respect to the acquisition, construction, equipping, installation, repairing or operation of the Facility.

"Waste" means Solid Waste.

APPENDIX B

SUMMARY OF CERTAIN FINANCING DOCUMENTS

Set forth below are summaries of certain provisions of the Indenture, the Lease Agreement, the Lessee Guaranty and Security Agreement, the SCRRRA Pledge and Security Agreement, the Mortgage Deed and the Continuing Disclosure Agreement. Each such summary is in all respects subject to and qualified in its entirety by express reference to the document or documents summarized therein in its complete form, copies of which are available from the Authority.

THE INDENTURE

General descriptions of the Bonds and of the redemption provisions of the Indenture are provided above under the heading "THE 1998 SERIES A BONDS".

Creation and Application of Funds

Pursuant to the Indenture, the Authority has established the following special trust funds and accounts within such funds to be held by the Trustee:

(i) Project Fund

- a. Capitalized Interest Account
- b. Construction Account
- c. Authority Project Cost Account

(ii) Debt Service Fund

- a. Interest Account
- b. Principal Account
- c. Sinking Fund Installment Account

(iii) Special Capital Reserve Fund

(iv) Subordinated Bonds Debt Service Fund

- a. Interest Account
- b. Principal Account

c. Sinking Fund Installment Account

(v) Subordinated Bonds Debt Service Reserve Fund

(vi) Renewal Fund

(vii) Redemption Fund

(viii) Revenue Fund

(ix) Operating Surplus Fund

All of the funds and accounts within such funds shall be held by the Trustee, including one or more depositories in trust for the Trustee. All moneys and investments deposited with the Trustee shall be held in trust and applied only in accordance with the Indenture and shall be trust funds for purposes of the Indenture. The Trustee may establish such additional funds, accounts or sub-accounts as it shall determine to be necessary or desirable.

Project Fund

The Project Fund was established in 1988 to hold proceeds of bonds pending disbursement for Project Costs during the construction period. Amounts in the Project Fund have been spent.

Revenue Fund

All Revenues are to be deposited by the Trustee in the Revenue Fund except earnings on Funds and Accounts held by the Trustee and Revenues constituting that portion of Net Proceeds required to be deposited in the Renewal Fund. All Revenues deposited in the Revenue Fund shall on or before the 8th day of each month be transferred by the Trustee and deposited in and credited to the following funds and accounts or paid to the following persons in order of priority as set forth below:

FIRST — until such time as one or more Corporate Guaranty Agreements have been executed with respect to all Bonds outstanding, to the Company, an amount equal to (BOC x OEF) divided by 12 (as such terms are defined in the Service Agreement) (or, if any Contract Year is less than twelve months long, an amount equal to (BOC x OEF) divided by such number as will result in equal monthly payments of (BOC x OEF) during such Contract Year), as set forth in the then current annual budget prepared pursuant to the Service Agreement, which amount shall be certified to the Trustee by the Company;

SECOND — into the Interest Account of the Debt Service Fund until the amount so deposited in such Account for each month equals Accrued Aggregate Interest for all Bonds (other than Subordinated Bonds); provided, however, that in any event, the aggregate amount to be on deposit in such Account on or before the 8th day of each month containing an Interest Payment Date on the Bonds (other than Subordinated Bonds) shall be equal to the interest next becoming due and payable on the Bonds (other than Subordinated Bonds) on such Interest Payment Date;

THIRD — into the Principal Account of the Debt Service Fund until the amount so deposited in such Account for each month is equal to 1/12 of the amount of the principal which will become due and payable on the Bonds (other than Subordinated Bonds) on any annual Principal Installment Payment Date within 12 months of the date of such deposit with respect to all Bonds (other than Subordinated Bonds) Outstanding (other than such principal amount as shall become due as a mandatory Sinking Fund Installment), provided, however, that in any event the aggregate amount to be on deposit in such Account on or before the 8th day of each month containing a Principal Installment Payment Date on the Bonds (other than Subordinated Bonds) shall be no more or less than the principal (not including mandatory Sinking Fund Installments) next becoming due and payable on the Bonds (other than Subordinated Bonds) on such Principal Installment Payment Date;

FOURTH — into the Sinking Fund Installment Account of the Debt Service Fund until the amount so deposited in such Account for each month is equal to 1/12 of the Sinking Fund Installment which will become due and payable on the Bonds (other than Subordinated Bonds) on any annual Sinking Fund Installment Payment Date within 12 months of the date of such deposit with respect to all Bonds (other than Subordinated Bonds) Outstanding (after taking into account any permitted credits to Sinking Fund Installments), provided, however, that in any event the aggregate amount to be on deposit in such Account on or before the 8th day of each month containing a Sinking Fund Installment Payment Date on the Bonds (other than Subordinated Bonds) shall be no more or less than the Sinking Fund Installment next becoming due and payable on the Bonds (other than Subordinated Bonds) on such Sinking Fund Installment Payment Date;

FIFTH — into the Special Capital Reserve Fund, the amount, if any, required so that the balance in such Fund shall equal the Special Capital Reserve Fund Requirement;

SIXTH — the Interest Account of the Subordinated Bonds Debt Service Fund, the amount, if any, required so that the balance in such Account shall equal Accrued Aggregate Interest for the Subordinated Bonds; provided, however, that (i) no such deposits shall be made if and to the extent that a sufficient amount to make such payment shall be available from the Capitalized Interest Account of the Project Fund and (ii) in any event, the aggregate amount to be on deposit in such Account on or before the 8th day of each month preceding an Interest Payment Date on the Subordinated Bonds shall be equal to the interest next becoming due and payable on the Subordinated Bonds on such Interest Payment Date;

SEVENTH — the Principal Account of the Subordinated Bonds Debt Service Fund until the amount so deposited in such Account for each month is equal to 1/12 of the amount of the principal which will become due and payable on the Subordinated Bonds on any annual Principal Installment Payment Date within 12 months of the date of such deposit with respect to all Subordinated Bonds Outstanding (other than such principal amount as shall become due as a mandatory Sinking Fund Installment), provided, however, that in any event the aggregate amount to be on deposit in such Account on or before the 8th day of each month containing a Principal Installment Payment Date on the Subordinated Bonds shall be no more or less than the principal (not including mandatory Sinking Fund Installments) next becoming due and payable on the Subordinated Bonds on such Principal Installment Payment Date;

EIGHTH — the Sinking Fund Installment Account of the Subordinated Bonds Debt Service Fund until the amount so deposited in such Account for each month is equal to 1/12 of the Sinking Fund Installment which will become due and payable on the Subordinated Bonds on any annual Sinking Fund Installment Payment Date within 12 months of the date of such deposit with respect to all Subordinated Bonds Outstanding (after taking into account any permitted credits to Sinking Fund Installments), provided, however, that in any event the aggregate amount to be on deposit in such Account on or before the 8th day of each month containing a Sinking Fund Installment Payment Date on the Subordinated Bonds shall be no more or less than

the Sinking Fund Installment next becoming due and payable on the Subordinated Bonds on such Sinking Fund Installment Payment Date;

NINTH — the Subordinated Bonds Debt Service Reserve Fund, the amount, if any, required so that the balance in such Fund shall equal the Subordinated Bonds Debt Service Reserve Fund Requirement;

TENTH — (A) to the Company in any Contract Year in which moneys are due from the Authority to the Company as a result of an event described in (i) and (ii) below, as certified to the Trustee by an Authorized Representative of the Company, (i) if the annual reconciliation performed pursuant to the Service Agreement shows that the Authority has underpaid the Company and (ii) the Authority elects pursuant to the Service Agreement to defer payment to the Company of such underpayment, certain amounts payable by the Authority to the Company as set forth in the Service Agreement; and

(B) to the Authority in any Contract Year in which moneys are due from the Company to the Authority as a result of an event described in (i) and (ii) below, as certified to the Trustee by an Authorized Officer of the Authority, (i) if the annual reconciliation performed pursuant to the Service Agreement shows that the Authority has overpaid the Company and (ii) the Company elects pursuant to the Service Agreement to defer repayment to the Authority of such overpayment, certain amounts payable by the Company to the Authority as set forth in the Service Agreement;

ELEVENTH — (A) to the Company, during any Contract Year, the amount of Pass-Through Costs (as defined in the Service Agreement) and energy revenues to which the Company is entitled in such Contract Year, in either case, as determined by the annual budget prepared pursuant to the Service Agreement divided by the number of months in such Contract Year; and

(B) to the Authority, during any Contract Year the operating costs of SCRRRA (including but not limited to costs of the Authority) for such Contract Year (as determined by the annual budget described above) divided by the number of months in such Contract Year; and

TWELFTH — to the Operating Surplus Fund all remaining amounts.

Parent Corporate Credit Guarantee

For purposes of determining the amounts to be deposited into the Principal Account of the Debt Service Fund pursuant to subparagraph "THIRD" above and the Sinking Fund Installment Account of the Debt Service Fund pursuant to subparagraph "FOURTH" above, the term "Bonds" as used therein shall exclude Bonds with respect to which the Lessee shall have duly delivered or caused to be delivered to the Trustee a Parent Corporate Credit Guarantee, on or prior to the first Business Day of the Bond Year immediately preceding the Principal Payment Date or the Sinking Fund Installment Payment Date, as the case may be, in respect of which such determination is made; provided, however, that such Bonds shall not be so excluded if such Parent Corporate Credit Guarantee shall have terminated pursuant to Section 2.01(c) thereof and the principal of and interest on such Bonds shall not have been paid or provided for in accordance with this Indenture; provided further, that if amounts guaranteed pursuant to such Parent Corporate Credit Guarantee cease to increase pursuant to Section 2.01(b) thereof, the principal amount of Bonds, and interest thereon, so excluded shall equal the amounts guaranteed pursuant to such Parent Corporate Credit Guarantee."

If, on the Business Day immediately preceding a Principal Installment Payment Date on Bonds covered by a Parent Corporate Credit Guarantee, the amount in the Principal Account and the Sinking Fund

Installment Account of the Debt Service Fund shall be insufficient to pay the Principal Installment due on such Bonds on such Principal Installment Payment Date, the Trustee shall no later than 10:00 A.M. (New York City time) on such Business Day demand payment under the Parent Corporate Credit Guarantee and direct that an amount equal to the insufficiency (up to but not exceeding the maximum amount of principal guaranteed) be deposited in the Principal Account or Sinking Fund Installment Account of the Debt Service Fund no later than 10:00 A.M. (New York City time) on the applicable Principal Installment Payment Date."

Debt Service Fund

The Trustee is required to pay out of the Debt Service Fund all amounts due on the Bonds (other than Subordinated Bonds), including principal, interest, Redemption Price and purchase price, if applicable.

Subordinated Bond Debt Service Fund

The Trustee shall deposit in the Subordinated Bonds Debt Service Fund those amounts as shall be set forth in the Supplemental Indenture authorizing the issuance of the Subordinated Bonds.

Lease Rentals

Lease Rentals paid to the Trustee shall be deposited, in the following order of priority, (i) to the Interest Account of the Debt Service Fund until the amount on deposit therein is equal to the interest next becoming due and payable on the Bonds (other than Subordinated Bonds), (ii) to the Principal Account of the Debt Service Fund until the amount on deposit therein is equal to the principal (excluding mandatory Sinking Fund Installments) next becoming due and payable on the Bonds (other than Subordinated Bonds), (iii) to the Sinking Fund Installment Account of the Debt Service Fund until the amount on deposit therein is equal to the mandatory Sinking Fund Installment on the Bonds (other than Subordinated Bonds) next becoming due and payable (after taking into account any permitted credits to Sinking Fund Installments), (iv) to the Special Capital Reserve Fund until the amount on deposit therein is equal to the Special Capital Reserve Fund Requirement, (v) to the Interest Account of the Subordinated Bonds Debt Service Fund until the amount on deposit in such Account is equal to the interest next becoming due and payable on the Subordinated Bonds, (vi) to the Principal Account of the Subordinated Bonds Debt Service Fund until the amount on deposit in such Account is equal to the principal next becoming due and payable on the Subordinated Bonds (other than such principal amount as shall become due as a mandatory Sinking Fund Installment), (vii) to the Sinking Fund Installment Account of the Subordinated Bonds Debt Service Fund until the amount on deposit in such Account is equal to the mandatory Sinking Fund Installment on the Subordinated Bonds next becoming due and payable (after taking into account any permitted credits to Sinking Fund Installments) and (viii) to the Subordinated Bonds Debt Service Reserve Fund until the amount on deposit in the Subordinated Bonds Debt Service Reserve Fund is equal to the Subordinated Bonds Debt Service Reserve Fund Requirement.

Special Capital Reserve Fund

If at any time any interest on Bonds (other than Subordinated Bonds) or principal or Redemption Price of Bonds (other than Subordinated Bonds) or any Sinking Fund Installment with respect to Bonds (other than Subordinated Bonds) has become due and payable and payment thereof in full has not been made or provided for, the Trustee is required to withdraw from the Special Capital Reserve Fund an amount which, together with other amounts available for such payment, shall be sufficient to provide for such payment in full and apply the amount so withdrawn to such payment.

On December 1 of any year, if the amount in the Special Capital Reserve Fund exceeds the Special Capital Reserve Fund Requirement and if all required withdrawals have been made from the Special Capital Reserve Fund such amounts shall be transferred to the accounts of the Debt Service Fund in the order of priority set forth in the Indenture.

Renewal Fund

The Net Proceeds, other than the proceeds of business interruption insurance, resulting from any Loss Event (as defined in the Lease Agreement) with respect to the Facility are required to be deposited in the Renewal Fund if in excess of $120,000 (escalated in accordance with the Service Agreement); otherwise, such proceeds are to be paid to the Company. The net proceeds deposited in the Renewal Fund are required to be applied to the costs of rebuilding, replacing, repairing, or restoring the Facility, or if the Company has instructed the Trustee to redeem the Bonds to the Redemption Fund. If there are Bonds Outstanding, any amounts remaining after such rebuilding, replacing, repairing or restoring are to be transferred to the Redemption Fund.

Operating Surplus Fund

Except as provided below, on or before the 8th day of each month, except for the last month in each Contract Year, the Trustee is required to transfer all amounts in the Operating Surplus Fund to the Revenue Fund to the extent such amounts are required to make payments under FIRST though ELEVENTH in paragraph (a) under the heading "Revenue Fund" hereinabove. On the ninth day of each month, the Trustee shall transfer from the Operating Surplus Fund to the debt service fund and the special capital reserve fund established by the indenture under which the Landfill Bonds are issued such amounts as are required to fund any deficiency in such debt service fund or special capital reserve fund as set forth therein. The Trustee shall make payments to the Company or the Authority, as applicable, at any time, from amounts in the Operating Surplus Fund, in excess of those amounts required to be applied as set forth in the preceding sentence, upon the joint instruction of the Company and the Authority. As soon as practicable following the 8th day of the last month in each Contract Year (but in no event later than the thirtieth day of such month), such amounts shall be applied as follows:

FIRST — to the Company such unpaid amounts due pursuant to the Service Agreement (including such amounts as the Company is entitled to retain as fees collected from sources other than the Authority or its designees) (net of amounts previously paid to the Company under paragraphs FIRST, TENTH and ELEVENTH described above in paragraph (a) under the heading "Revenue Fund" for the applicable Contract Year);

SECOND — to the Authority, all remaining amounts, less investment earnings on amounts in the Operating Surplus Fund during the applicable Contract Year; and

THIRD — on a pro rata basis with their interests under FIRST and SECOND above, to the Company and to the Authority, all remaining amounts in the Operating Surplus Fund, provided, that to the extent funds were expended to pay debt service on the Landfill Bonds, the Company is entitled to be paid first amounts equal to the earnings that reasonably would have been expected to accrue on its portion of such expended funds.

Investment of Funds and Accounts

Except as is otherwise provided in the Indenture, amounts in any Fund or Account shall be invested, if and to the extent permitted by law, in Authorized Investments. The Trustee shall make any and all such investments at the written direction of the Authority with respect to all Funds and Accounts except the Construction Account, and at the written direction of the Company with respect to the Construction Account, and such investments may be made by the Trustee through its own bond department. Such investments shall mature in such amount and at or prior to such times as may be necessary to provide funds when needed to make payments from such Funds or Accounts. No portion of the proceeds derived from the sale of the Bonds is permitted to be used, directly or indirectly, in such manner, as to cause any Bonds to be an "arbitrage bond" under Section 103 of the Code.

Issuance of Additional Bonds

If the Service Agreement, the Municipal Service Agreements or, with respect to any of the Municipal Service Agreements not then in effect, substitute Municipal Service Agreements (which are for a term at least as long as the Municipal Service Agreements, are of substantially similar or better creditworthiness, provide for the delivery of waste and payment of service fees on terms substantially similar to those in the Municipal Service Agreements, provide for the delivery of waste (or payment therefor) in at least the same quantity as that set forth in the non-effective Municipal Service Agreement and are pledged as security for the Bonds), the Lease Agreement, the Bridge and Management Agreement, the Lessee Guaranty and Security Agreement, the Company Support Agreement, the SCRRRA Pledge and Security Agreement, the Site Lease Agreement and the Mortgage Deed are in effect and an Event of Default under the Indenture shall not exist and be continuing, Additional Bonds may be issued to provide for a Facility Improvement or Facility Improvements, to provide for the completion of the Project or any Facility Improvements, to provide additional funds for the Capitalized Interest Account of the Project Fund, to provide additional moneys for the Special Capital Reserve Fund, to provide extensions, additions, repairs or improvements to the System, to provide funds to pay additional costs in excess of Net Proceeds to repair, relocate, replace, rebuild or restore all or any portion of the Facility destroyed, damaged or taken by eminent domain or to refund Outstanding Bonds. No Additional Bonds shall be issued prior to compliance with each precondition to such issuance set forth in the Indenture, including amendment of the Lease Agreement and the Lessee Guaranty and Security Agreement, and the undertaking of the Company and the Parents to provide Parent Support for such Additional Bonds thereunder.

Payment of Bonds

The Authority covenants in the Indenture that it will from the sources contemplated in the Indenture promptly pay or cause to be paid the principal of and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds.

Performance of Covenants; Authority

The Authority covenants in the Indenture that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered thereunder and in all proceedings pertaining thereto. The Authority covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized by the Indenture and to execute the Indenture, to lease the Facility pursuant to the Lease Agreement, to mortgage and grant a security interest in the property described in the Indenture, to assign the Lease Agreement and to pledge the Lease Rentals and Revenues as

provided in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of the holders thereof are and will be the valid and enforceable special obligations of the Authority according to the import thereof.

Creation of Liens; Indebtedness

The Indenture will upon execution and recordation be a first lien upon the trust estate pledged thereunder. The Authority shall not incur any indebtedness or issue any evidences of indebtedness, other than the Bonds authorized under the Indenture, secured by a lien on or pledge of such revenues and rental income which is prior to or equal with the lien and pledge securing the Bonds under the Indenture. The Authority further covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Facility or any part thereof except as specifically permitted under the Indenture or the Lease Agreement, so long as any of the Bonds are Outstanding.

Covenants as to Special Capital Reserve Fund

The Authority covenants in the Indenture that it shall at all times maintain the Special Capital Reserve Fund and do and perform or cause to be done or performed each and every act and thing with respect to the Special Capital Reserve Fund required to be done or performed by or on behalf of the Authority or the Trustee or the Paying Agents under the terms and provisions of the Indenture or the Act.

The Authority covenants in the Indenture that it shall cause the Chairman annually, on or before December 1 of each year, to make and deliver to the Secretary of Office of Policy and Management and the Treasurer of the State his certificate stating such sums, if any, that are necessary to restore the Special Capital Reserve Fund to an amount equal to the Special Capital Reserve Fund Requirement and requesting that such sums be paid directly to the Trustee for the account of the Authority for deposit in the Special Capital Reserve Fund. The Authority shall cause all moneys due the Authority from the State in accordance with the provisions of Section 22a-272(b) of the Connecticut General Statutes pursuant to any such certification to be paid directly to the Trustee for deposit and credit to the Special Capital Reserve Fund in accordance with the Indenture.

Tax Covenant

The Authority shall at all times do and perform, or cause to be done and performed, all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of recipients thereof and exempt from such taxation, except in the event that such recipient is a "substantial user" or a "related person" within the meaning of the Code, except to the extent that a guaranty of any Bonds pursuant to a Corporate Guaranty Agreement prevents the Authority from complying with this covenant.

Covenant as to Collection of Revenues

The Authority covenants in the Indenture that it shall, so long as any Bonds remain Outstanding, unless such Bonds are guaranteed by a Corporate Guaranty Agreement, cause the System to be constructed, operated and maintained, and to prescribe and, from time to time, change fees to be charged for the disposal of waste through the System, and demand and collect all payments and other Revenues becoming due to it for the disposal of waste through the System or for the use or service of the System, in each case, subject to the

provisions of the Service Agreement, the Municipal Service Agreements and the Bridge and Management Agreement.

Covenants with Respect to Fees and Service Payments

The Authority covenants in the Indenture that it shall, in accordance with the Act, the Service Agreement and the Bridge and Management Agreement, calculate, revise, and charge amounts for disposal of waste in the System such that, for each Contract Year, commencing when payments by the Authority to the Company commence pursuant to the Service Agreement, the Authority's estimated revenues with respect to the System shall be at least equal to the Authority's costs with respect to the System, without taking into account recourse to or withdrawal from the Special Capital Reserve Fund. The Authority will not furnish or provide any solid waste disposal services by or in connection with the operation of the System free of charge to any municipality or person.

Books and Records; Certificate as to Defaults

The Authority and the Trustee each covenant and agree in the Indenture that so long as any of the Bonds remain Outstanding, proper books of record and account will be kept showing complete and correct entries of all transactions relating to the Project. There shall be filed with the Authority and the Trustee within 120 days after the end of each fiscal year of the Company a certificate signed by an Authorized Representative of the Company stating that no event of default by the Company under the Lease Agreement or under any other Security Document to which it shall be a party has occurred or, if an event of default by the Company has occurred, specifying the particulars of such default. Within thirty days after receiving such certificate from the Company, the Trustee shall render to the Authority a statement that moneys received by the Trustee pursuant to the Lease Agreement were applied by it to the payment of principal or Redemption Price, if any, of and interest on the Bonds, at the place, on the dates and in the manner provided in the Indenture and that the Trustee has no knowledge of any Events of Default under the Indenture.

Defaults

Each of the following events is defined as and shall constitute an "Event of Default" under the Indenture:

(i) failure to duly and punctually pay the interest on any Bond when the same shall become due and payable;

(ii) failure to duly and punctually pay the principal or Redemption Price of or Sinking Fund Installment for any Bond, whether at the stated maturity thereof or upon proceedings for mandatory redemption thereof or otherwise;

(iii) failure or refusal of the Authority to comply with the certification provisions of Section 22a-272(b) of the Connecticut General Statutes; or

(iv) when any sum certified by the Chairman of the Authority pursuant to Section 22a-272(b) of the Connecticut General Statutes shall not have been allotted or paid in full to the Authority, as specified in the Act, prior to the second day succeeding the final adjournment of the first session of the General Assembly of the State convening after such certification shall have been made.

Remedies; Acceleration of Bonds

Upon the occurrence and continuance of an Event of Default, the Trustee may and upon the written request of the holders of over 25% in aggregate principal amount of the Bonds Outstanding, the Trustee shall (by notice in writing to the Authority), or the owners of over 25% in aggregate principal amount of the Bonds Outstanding (by notice in writing to the Authority, the Trustee and the Company) may, declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the holders of over 25% in aggregate principal amount of the Bonds Outstanding to make any such declaration, however, is subject to the condition that if, at any time before such declaration, all overdue installments of principal of and interest on all of the Bonds which shall have matured by their terms and the unpaid Redemption Price of the Bonds or principal portions thereof to be redeemed in the case of an Event of Default as described in clause (i) or (ii) under the heading "Defaults" above have been paid by or for the account of the Authority, and in the case of an Event of Default in clause (iii) or (iv) under the heading "Defaults" above, have been otherwise remedied, and the reasonable and proper charges, expenses and liabilities of the Trustee, shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment and the Facility shall not have been sold or relet or otherwise encumbered and all defaults have been remedied, then, and in every such case any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Enforcement of Remedies

Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the holders of over 25% in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds, the Lease Agreement, the Indenture and under any other Security Document forthwith by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against the Facility.

In the enforcement of any right or remedy under the Indenture, under any other Security Document or under the Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Authority, for principal, interest, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgments or decrees against the Authority, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, and to collect (but solely from the moneys in the Debt Service Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any

judicial proceedings relative to the Company, the Parents, the Participating Municipalities, the Authority, SCRRRA or their creditors or property.

Regardless of the occurrence of an Event of Default under the Indenture, the Trustee, if requested in writing by the Holders of over 25% in aggregate principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised by its counsel shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Documents or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be so advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture or under any other Security Document, the Trustee shall be entitled to the appointment of a receiver to administer the trust estate.

Majority Bondholders Control Proceedings

Anything in the Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Individual Bondholder Action Restricted

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the holders of over 25% in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereon or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, held and maintained in the manner provided in the Indenture and be for the equal benefit of all holders of the Outstanding Bonds.

Nothing contained in the Indenture, in any other Security Document or in the Bonds shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of and

interest on any Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal or Redemption Price, if applicable, of and interest on each of the Bonds to the respective holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in said Bonds.

Waivers of Default

The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration upon the written request of the holders of over 66-⅔% in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the holders of each Bond affected thereby (i) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (ii) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Notice of Default

The Trustee is required to promptly give the Bondholders, the Company and the Authority written notice, by registered or certified mail, of the occurrence of any Event of Default under the Indenture of which an officer in its Corporate Trust Administration has actual knowledge. Such officer shall not be deemed to have knowledge, except for the failure to pay principal or Redemption Price of, or Sinking Fund Installment for, or interest on any Bond when due and payable, unless such officer shall be notified in writing of such default by the Authority or by the owners of 25% in aggregate principal amount of Bonds then Outstanding.

Application of Revenues and Other Moneys After Default

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document together with all other moneys, securities and obligations held by the Trustee in all Funds and Accounts under the Indenture which have been pledged to the payment of the Bonds, and after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, shall be applied in the following order:

(a) 1. Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First — To the payment to the persons entitled thereto of all installments of interest then due on the Bonds (other than Subordinated Bonds), in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then ratably, and

Second — To the payment to the persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds (other than Subordinated Bonds) or principal installments which shall have become due (other than Bonds or principal installments called for

redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, from the respective dates upon which they become due, and if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, then ratably.

2. If the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the Bondholders of the principal and interest (at the rate or rates expressed in the Bonds) then due and unpaid upon the Bonds (other than Subordinated Bonds) and if applicable to the Redemption Price of the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest to the persons entitled thereto without any discrimination or preference

3. If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of clause (2) above, which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of clause (1) above.

(b) To the payment of interest and principal or Redemption Price then due on Subordinated Bonds in the manner described in (a) above.

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

Removal of Trustee

The Trustee may be removed if so requested in writing by Holders of a majority in principal amount of the Bonds then Outstanding, but no removal of the Trustee shall become effective until a successor Trustee shall have been appointed.

Amendments of and Supplements to the Indenture

The Indenture may not be amended or supplemented without the consent of the holders of at least 66-⅔% of the aggregate principal amount of the Bonds then Outstanding, except (i) to cure any formal defect, omission or ambiguity if such action is not materially adverse to the Bondholders; (ii) to grant to the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security not contrary to or inconsistent with the Indenture; (iii) to add to the covenants and agreements of the Authority in the Indenture not contrary to or inconsistent with the Indenture; (iv) to add to the limitations and restrictions to be observed by the Authority in the Indenture not contrary to or inconsistent with the Indenture; (v) to confirm, as further assurance, any pledge or lien under the Indenture; (vi) to authorize the issuance of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture; (vii) to

release security and make other changes in accordance with the Indenture; (viii) to effect any other change which, in the judgment of the Trustee is not to the material prejudice of the Trustee or the Bondholders; or (ix) to permit qualification under the Trust Indenture Act of 1939 or any similar Federal statute at the time in effect, or to permit the qualification of the Bonds for the sale under the securities laws of the United States or any state thereof; (x) to either (a) with respect to a series of Bonds issued under a Supplemental Indenture the interest on which is not excludable from gross income for federal income tax purposes, modify or remove provisions relating to the exclusion of interest on such series of Bonds from gross income for federal income tax purposes or (b) to reflect any changes in the federal tax law necessary to retain tax-exempt status; or (xi) to implement matters referred to in the paragraphs under the heading "Parent Corporate Credit Guarantee" above, as certified to the Trustee by the Company and the Authority; and provided further that, with respect to clause (xi) only, (A) the Authority and the Company agree to such amendment to the Indenture, (B) the Authority determines that following such amendment to the Indenture the revenues to be delivered from the System shall be sufficient (1) to pay the principal of and interest on the Bonds issued to finance the System, (2) to establish, increase and maintain any reserves deemed by the Authority to be advisably to secure the payment of the principal of and interest on such Bonds, (3) to pay the cost of maintaining the System in good repair and keeping it properly insured and (4) to pay such other costs of the System as may be required and (C) the Treasurer of the State approves such amendment.

Nothing in the Indenture shall permit (i) a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of revenues or income from or in connection with the Facility other than the lien or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, except with respect to Subordinated Bonds, or (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) above, the written consent of one hundred per centum (100%) of the Holders of the Outstanding Bonds.

Amendment of Lease Agreement

Except (i) to cure any ambiguity, formal defect or omission, (ii) to provide for additional Lease Rentals in connection with the issuance of Additional Bonds, (iii) to implement the matters referred to under the heading "Parent Corporate Credit Guarantee, above, as certified to the Trustee by the Company and the Authority; and provided further that, with respect to clause (iii) only, (A) the Authority and the Company agree to such amendment to the Lease, (B) the Authority determines that following such amendment to the Lease the revenues to be delivered from the System shall be sufficient (1) to pay the principal of and interest on the Bonds issued to finance the System, (2) to establish, increase and maintain any reserves deemed by the Authority to be advisably to secure the payment of the principal of and interest on such Bonds, (3) to pay the cost of maintaining the System in good repair and keeping it properly insured and (4) to pay such other costs of the System as may be required and (C) the Treasurer of the State approves such amendment or (iv) in connection with any other change which, in the judgment of the Trustee, does not materially prejudice the Trustee or the holders of the Bonds, the amendment or modification of the Lease Agreement without the consent of the holders of 66-⅔% in aggregate principal amount of Bonds then Outstanding is not permitted. The consent of 100% of the holders of the Bonds then Outstanding is required to change the rental obligations under the Lease Agreement, except for the providing of additional Lease Rentals in connection with the issuance of Additional Bonds.

Amendment of Lessee Guaranty and Security Agreement

Except (i) to cure any ambiguity, formal defect, or omission, (ii) for the purpose of issuing Additional Bonds, or (iii) in connection with any other change in the Lessee Guaranty and Security Agreement which, in the judgment of the Trustee, does not materially prejudice the Trustee or the holders of the Bonds, the amendment or modification of the Lessee Guaranty and Security Agreement without the consent of the holders of 66-⅔% in aggregate principal amount of Bonds then Outstanding is not permitted. In any event, amounts guaranteed by the Lessee under the Lessee Guaranty and Security Agreement may not be reduced or postponed without the consent of the holders of 100% in aggregate principal amount of the Bonds Outstanding.

Amendment of Disposal Agreements

Except (i) for the purpose of curing any ambiguity or formal defect, (ii) for the purpose of making any change in the Schedule to the Service Agreement which is authorized by the terms thereof, (iii) in connection with any amendment, change or modification as to which the Company shall have delivered to the Trustee (a) a written opinion of the Independent Engineer to the effect that such amendment, change or modification will not have a material adverse affect upon Revenues Available for Debt Service, and (b) an Opinion of Counsel who is satisfactory to the Trustee (who may be counsel to the Company or the Authority) to the effect that such amendment, change or modification will not cause the obligations of the Company under the Service Agreement or the Participating Municipalities under the Municipal Service Agreements or SCRRRA under the Bridge and Management Agreement or any of the foregoing under any other Disposal Agreement to cease to be legal, valid, binding and enforceable in accordance with its terms, (iv) to implement matters referred to in the paragraphs under the heading "Parent Corporate Credit Guarantee" above and the allocation of risks and benefits in the Service Agreement as may be agreed to by the Authority and the Company, as certified to the Trustee by the Company and Authority; and provided further that, with respect to clause (iv) only, (A) the Authority and the Company agree to such amendment to the Service Agreement, (B) the Authority determines that following such amendment to the Indenture the revenues to be delivered from the System shall be sufficient (1) to pay the principal of and interest on the Bonds issued to finance the System, (2) to establish, increase and maintain any reserves deemed by the Authority to be advisable to secure the payment of the principal of and interest on such Bonds, (3) to pay the cost of maintaining the System in good repair and keeping it properly insured and (4) to pay such other costs of the System as may be required and (C) the Treasurer of the State approves such amendment, (v) for the purpose of allocating between the Authority and the Company the costs, benefits and risks of any amendment to or termination of an Energy Contract summarized in clause (ii) under the heading "Amendment to Energy Contracts" below, provided that, with respect to clause (v) only (A) the Authority, SCRRRA and the Company agree to such amendment to the Service Agreement, (B) the Authority determines that following such amendment to the Service Agreement the revenues to be derived from the System shall be sufficient (1) to pay the principal of and interest on the Bonds issued to finance the System, (2) to establish, increase and maintain any reserves deemed by the Authority to be advisable to secure the payment of the principal of and interest on such Bonds, (3) to pay the cost of maintaining the System in good repair and keeping it properly insured and (4) to pay such other costs of the System as may be required and (C) the Treasurer of the State approves such amendment or (vi) in connection with any other change therein which in the judgment of the Trustee does not materially prejudice the Trustee or the holders of the Bonds, the Service Agreement or any other Disposal Agreement may not be amended or modified without the consent of the holders of 66-⅔% in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, any other Disposal Agreement entered into after the date of issuance of the Bonds may be amended or modified without the consent of the holder of Outstanding Bonds.

Amendment of Energy Contracts

Any Energy Contract may be amended without the consent of the holders of the Bonds (i) for the purpose of curing any ambiguity or formal defect; (ii) for any other purpose, provided that, with respect to clause (ii) only, (a) the Authority, SCRRRA and the Company agree to such amendment (which may include a termination), (b) the Authority determines that following such amendment the revenues to be derived from the System shall be sufficient (1) to pay the principal and interest on the Bonds issued to finance the System, (2) to establish, increase and maintain any reserves deemed by the Authority to be advisable to secure the payment of the principal of and interest on such Bonds, (3) to pay the cost of maintaining the System in good repair and keeping it properly insured and (4) to pay such other costs of the System as may be required and (c) the Treasurer of the State approves such amendment or (iii) in connection with any change therein which in the judgment of the Trustee does not materially prejudice the Trustee or the holders of the Bonds. Any other amendment or modification of any Energy Contract without the consent of the holders of 66-⅔% in aggregate principal amount of Bonds then Outstanding is not permitted.

Amendment of Mortgage Deed

Except (i) for the purpose of curing any ambiguity or formal defect or omission, (ii) for the purpose of issuing Additional Bonds, or (iii) in connection with any other change therein which in the judgment of the Trustee does not materially prejudice the Trustee or the Holders of the Bonds, the Mortgage Deed may not be amended or modified without the consent of the holder of 66-⅔% in aggregate principal amount of the Bonds then Outstanding. No reductions or postponements in the amounts guaranteed by the Company under the Mortgage Deed are permitted without the prior written consent of the holders of 100% in aggregate principal amount of the Bonds Outstanding.

Amendment of Site Lease Agreement

Except for the purpose of curing any ambiguity or formal defect therein or in connection with any change therein, which, in the judgment of the Trustee, is not materially to the prejudice of the Trustee or the holders of the Bonds, the amendment or modification of the Site Lease Agreement, without the consent of the holders of 66-⅔% in aggregate principal amount of the Bonds then Outstanding is not permitted.

Amendment of Company Support Agreement

Except (i) for the purpose of curing any ambiguity or formal defect, (ii) for the purposes of issuing Additional Bonds, or (iii) in connection with any other change therein which in the judgment of the Trustee does not materially prejudice the Trustee or the holders of the Bonds, the Company Support Agreement may not be amended or modified without the consent of the holders of 66-⅔% in aggregate principal amount of the Bonds then Outstanding.

Amendment of SCRRRA Pledge and Security Agreement

Except (i) for the purpose of curing any ambiguity or formal defect, (ii) for the purpose of issuing Additional Bonds or (iii) in connection with any other change therein which in the judgment of the Trustee does not materially prejudice the Trustee or the holders of the Bonds, the SCRRRA Pledge and Security Agreement may not be amended or modified without the consent of the holders of 66-⅔% in aggregate principal amount of the Bonds then Outstanding.

Amendment of Parent Corporate Credit Guarantee

Except (i) for the purpose of curing any ambiguity of formal defect, (ii) for the purposes of including other Bonds within the obligations guaranteed thereunder or (iii) in connection with any other change therein which in the judgment of the Trustee is not materially to the prejudice of the Trustee or the Holders of the Bonds, a Parent Corporate Credit Guarantee may not be amended or modified without the consent of the holders of 66 2/3% in aggregate principal amount of the Bonds then Outstanding.

Amendment of Other Security Documents

Any other Security Document not otherwise referred to above may not be amended or modified without the consent of the holders of 66-⅔% in aggregate principal amount of the Bonds then Outstanding, except (i) for the purpose of curing any ambiguity or formal defect, (ii) in connection with any amendment, change or modification as to which the Authority or the Company shall have delivered to the Trustee (a) a written opinion of the Independent Engineer to the effect that such amendment, change or modification will not have a material adverse effect upon Revenues Available for Debt Service and (b) an Opinion of Counsel who is satisfactory to the Trustee (who may be counsel to the Authority or the Company) to the effect that such amendment, change or modification will not cause the obligations of the parties to such Security Document set forth therein to cease to be legal, valid, binding and enforceable in accordance with its terms, or (iii) in connection with any other change therein which in the judgment of the Trustee does not materially prejudice the Trustee or the holders of the Bonds.

Consent of the Parents

Notwithstanding any provision of the Indenture to the contrary, no amendment, change or modification shall be made to the Indenture, the Lease Agreement, the Lessee Tax Letter of Representation, the Lessee Guaranty and Security Agreement, the Mortgage Deed, the Service Agreement, the Energy Sales Agreement or the Site Lease Agreement without the prior written consent of the Parents.

Amendments Necessary to Give Effect to Certain Provisions of the Lease Agreement, Company Support Agreement and Corporate Guaranty Agreements

Notwithstanding any provision of the Indenture to the contrary, the Indenture and the other Security Documents referred to in the Lease Agreement may be amended or modified, without the consent of the Bondholders in connection with a leveraged lease transaction, upon the terms and subject to the conditions and for the purposes set forth in the Lease Agreement. In addition, the Company Support Agreement and the Corporate Guaranty Agreements may be amended or modified without the consent of the Bondholders to provide for the assumption by one Parent of the support obligations thereunder of the other Parent to the extent expressly provided in such agreements.

Discharge of Indenture; Defeasance

The Indenture and the trust estate and rights granted thereby shall be discharged and satisfied if there shall be paid to the holders of all Bonds the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon at the time and in the manner stipulated therein and in the Indenture. Bonds or interest installments for the payment or redemption of which moneys or certain Authorized Investments shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to maturity or the redemption date of such Bonds, shall be deemed to have been paid with the effect expressed above, if

(i) with respect to Bonds to be redeemed prior to maturity, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice and (ii) if the maturity or redemption date of any such Bonds shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for payment to the holders of any such Bonds, upon surrender thereof whether or not prior to maturity or redemption date thereof, of the full amount to which they would be entitled by way of principal or Redemption Price and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption and provision shall have been made for mailing of notice that such moneys are so available for such payment.

Prior to any defeasance becoming effective, there shall have been delivered to the Authority and to the Trustee an opinion of Nationally Recognized Bond Counsel, addressed to the Authority and the Trustee, to the effect that (i) interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and (ii) payments of principal of and interest on the Bonds from the proceeds of any such deposit to effectuate defeasance shall not constitute voidable preferences in a case commenced under the Federal Bankruptcy Code by or against the Company or the Authority.

Release of Security

In the event that (1) either (i) one Parent shall have executed a Corporate Guaranty Agreement and pursuant to such Corporate Guaranty Agreement such Parent shall unconditionally guarantee 100% of the principal of and interest on the Bonds Outstanding and Redemption Price, if any, upon any redemption requested by the Parent, (ii) one Parent shall have executed a Corporate Guaranty Agreement, pursuant to which Corporate Guaranty Agreement such Parent shall guarantee 50% of the principal of and interest on the Bonds Outstanding and Redemption Price, if any, upon any redemption requested by the Parent and the other Parent shall have made payments in an amount sufficient to redeem the balance of the Bonds Outstanding, or (iii) both Parents shall have executed Corporate Guaranty Agreements unconditionally guaranteeing 100% of the principal and interest on the Bonds Outstanding and Redemption Price, if any, upon any redemption required by the Parents or (2) the Company is excused from paying Lease Rentals pursuant to the Lease Agreement, then the following provisions shall be applicable, as appropriate.

Upon the occurrence of an event described in clause (2) above, all liens, pledges and encumbrances on the Facility, the Lessee's Revenues and the Lessee Collateral and other security pledged pursuant to the Indenture (other than the SCRRRA Pledge and Security Agreement, any Corporate Guaranty Agreement, and the Funds and Accounts created under the Indenture, including, without limitation, the Special Capital Reserve Fund), the Mortgage Deed and the Lessee Guaranty and Security Agreement shall be terminated and become void and discharged and the Bonds shall thereupon cease to be entitled to any lien or other security thereunder.

Upon the occurrence of the event described in subdivisions (i), (ii) or (iii) of clause (1) above (unless the delivery of any Corporate Guaranty Agreement shall result from a termination of the Service Agreement for Company fault and any Parent executing such Corporate Guaranty Agreement is not rated by Moody's or S & P in a rating category that is generally recognized as "investment grade"), the Authority and the Trustee will enter into an amendment to the Indenture, without the need for the consent thereto of any holder of a Bond or Bonds, the effect of which will be to permit the Company to exercise its right to acquire the right, title and interest of the Authority in and to the Facility, all as permitted by, and subject to the conditions set forth in the Lease Agreement. Such amendment of the Indenture shall also terminate all Security Documents other than the Corporate Guaranty Agreements, the Site Lease Agreement, the Lease Agreement and the Lessee Tax Letter of Representation, the Indenture, the SCRRRA Pledge and Security Agreement and, other

than the guarantee provisions of the Lessee Guaranty and Security Agreement (and certain limited security provisions), and shall modify the Lease Agreement to the extent provided therein.

Upon the execution and delivery of one or more Corporate Guaranty Agreements guaranteeing the payment of 100% of the principal of and interest on the Bonds Outstanding (other than in connection with a termination of the Service Agreement for Company fault), the Trustee shall, at the written direction of the Parent or Parents executing such Corporate Guaranty Agreements assign its mortgage lien and security interest on the Facility to such Parent or Parents to secure any payments made under such Corporate Guaranty Agreement or Agreements; provided, however, that such lien and security interest shall only be assigned as security upon receipt by the Authority and the Trustee of an opinion of counsel to the effect that such Corporate Guaranty Agreement or Agreements are the legal valid and binding agreements of the respective Parent or Parents, enforceable in accordance with their respective terms, notwithstanding the assignment of such lien and security interest. Such mortgage lien and security interest shall terminate upon the purchase of the Facility by the Authority pursuant to the Service Agreement.

Upon the occurrence of any of the events described in clause (1) above, the Site Lease Agreement may be amended or modified, notwithstanding the provisions of the Indenture regarding amendment of Security Documents summarized above.

In the event that (1) the Service Agreement is terminated for Company fault and the Authority does not elect to purchase the Facility Interests, or (2) the Lessee deposits with the Trustee moneys sufficient to redeem all Bonds Deemed Outstanding pursuant to the Lease Agreement, the Authority's Revenues (other than the Funds and Accounts created under the Indenture including, without limitation, the Special Capital Reserve Fund) and the revenues and collateral pledged by the SCRRRA Pledge and Security Agreement shall be terminated and become void and discharged and the Bonds shall thereupon cease to be entitled to any lien thereon or security interest thereunder. At the time of such termination, the Trustee shall cancel and discharge the lien of the SCRRRA Pledge and Security Agreement.

Special Provisions For 1998 Series A Bonds Relating to the Bond Insurance Policy

Payments Under the Bond Insurance Policy. (a) In the event that, on the second Business Day prior to the Principal Installment Payment Date or Interest Payment Date for the 1998 Series A Bonds the Trustee has not received sufficient moneys to pay all principal of and interest on the 1998 Series A Bonds due on such Principal Installment Payment Date or Interest Payment Date, as the case may be, and such deficiency continues to exist on the Business Day immediately preceding such date, the Trustee shall notify the Insurer or its designee of the amount of such deficiency by telephone or telegraph, confirmed in writing by registered or certified mail, or such other means of communication as may be approved in writing by the Insurer. The Trustee shall promptly provide to the Paying Agent any such notice given to the Insurer in accordance with this paragraph.

(b) In the event that a deficiency described in subsection (a) above is cured in whole or in part at any time on or prior to the applicable Principal Installment Payment Date or Interest Payment Date, the Trustee or the Paying Agent shall notify the Insurer or its designee of such cure in the manner for giving notices as provided in paragraph (a) above.

Amendments to Security Documents Requiring Bondholder Consent. Whenever the consent of any of the Holders of 1998 Series A Bonds to a modification or amendment of any contract or agreement is required under the Indenture, the consent of the Holders of the 1998 Series A Bonds shall be deemed to have been obtained when the prior written consent of the Insurer to such modification or amendment is obtained, except

that any modification or amendment to the Indenture which would (i) change the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding 1998 Series A Bonds, change the terms of interest on any Outstanding 1998 Series A Bonds, (ii) change the terms of redemption or maturity of the principal of or the interest on any Outstanding 1998 Series A Bonds, (iii) reduce the principal amount of or the Redemption Price of any Outstanding 1998 Series A Bond or the rate of interest thereon, (iv) extend the time of payment thereof or change the method of determination of interest on any 1998 Series A Bond, or (v) change the terms summarized in this paragraph shall not become effective with respect to any 1998 Series A Bond without the prior written consent of the Insurer and the Holders of one hundred percent (100%) of the 1998 Series A Bonds in accordance with the Indenture.

Insurer to be Deemed Owner for Purposes of Controlling Remedies. The Insurer shall be deemed the exclusive Holder of the 1998 Series A Bonds for purposes of the exercise of any rights of the Holders of the 1998 Series A Bonds under the default and remedies provisions of the Indenture, and, as the Holder of the 1998 Series A Bonds for such purposes, the Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the Indenture or any Security Document subject to the same terms and conditions applicable thereunder with respect to the right of any Holder of 1998 Series A Bonds to institute any such suit, action or proceeding. The Trustee may exercise such remedies provided under the Indenture or any Security Document with respect to any 1998 Series A Bond only with the prior written consent of the Insurer and shall exercise any such remedies with respect to 1998 Series A Bonds at the written direction of the Insurer.

Insurer's Subrogation Rights. To the extent it makes payment of principal of or interest on 1998 Series A Bonds either directly or indirectly (such as through the Trustee), the Insurer shall become subrogated to the rights of the recipients of such payments made in accordance with the terms of the Bond Insurance Policy.

Termination of Insurer's Rights. Whenever by the terms of the Indenture the consent or approval of the Insurer is required or the Insurer, alone or together with the Holders of 1998 Series A Bonds, is authorized to request or direct the Trustee to take any action, such consent or approval shall not be required and the Trustee shall not be obligated to comply with such request or direction if the Insurer is then in default in its payment obligations under the provisions of the Bond Insurance Policy or if the Bond Insurance Policy is not then in full force and effect.

THE LEASE AGREEMENT

Term

The Lease Agreement will expire on November 15, 2015 or upon such earlier or later date as the Lease Agreement may be terminated in accordance with its terms.

Lease Rentals Relating to the Bonds

The Company has agreed to pay Lease Rentals directly to the Trustee for the account of the Authority, not less than three business days prior to the date on which the same shall become due and payable in accordance with the terms of the Bonds, in an amount equal to the sum of (i) the total interest becoming due on all Bonds to the respective dates of payment thereof; (ii) all Principal Installments of the Bonds, (iii) all premiums, if any, payable on the redemption of the Bonds whether through Sinking Fund Installments or otherwise and (iv) all amounts required to restore the Special Capital Reserve Fund to the Special Capital Reserve Fund Requirement less any amounts available for such payments from the Funds and Accounts established under the Indenture. As used above, so long as the Authority is obligated to make Service Fee payments pursuant to the Service Agreement, the term "Bonds" shall exclude Bonds Allocable to Authority Purposes.

Notwithstanding the foregoing, the Company is not obligated to pay Lease Rentals (i) with respect to Bonds Allocable to Authority Purposes, as defined in the Indenture, so long as the Authority is obligated to make Service Fee payments pursuant to the Service Agreement, (ii) so long as the amount of cash and/or Authorized Investments (as further limited by the Indenture) on deposit in the Debt Service Fund and the Special Capital Reserve Fund is sufficient to satisfy and discharge the obligations of the Authority under the Indenture to pay the Bonds, or (iii) upon termination of the Service Agreement under certain circumstances described in "Termination of the Service Agreement—Certain Consequences of Service Agreement Termination" under the heading "REDEMPTION PROVISIONS" above.

If at any time there shall be insufficient amounts available in the Debt Service Fund to make timely payment of the principal of (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), Sinking Fund Installments for, redemption premium, if any, or interest on any Bonds (except for Bonds Allocable to Authority Purposes if the Authority is obligated to pay the Service Fee pursuant to the Service Agreement), the Company shall, upon written demand by the Trustee, pay to the Trustee such amounts as are necessary to provide for such timely payment in immediately available funds.

Prepayments of Lease Rentals

The following payments, if made by the Company in accordance with the following provisions, shall constitute a prepayment of Lease Rentals:

(i) payments made under the Indenture in connection with (a) the optional redemption of the Bonds, (b) extraordinary optional redemption of the Bonds for various events of casualty, (c) redemptions by application of mandatory Sinking Fund Installments, (d) special redemptions from excess proceeds, (e) special redemptions arising under the Service Agreement, and (f) special redemption arising under a Corporate Guaranty Agreement;

(ii) payments made by the Company under the Service Agreement in connection with a termination of the Service Agreement for Company fault; and

(iii) payments made by the Authority in connection with a termination of the Service Agreement if the cost of Residue disposal exceeds a specified limit if Residue is declared to be Hazardous Waste.

Obligations of the Company Unconditional

Except as provided in the Lease Agreement, the obligation of the Company to make all payments due under the Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment, counterclaim or deduction it might otherwise have against the Authority, the Trustee or any Bondholder and, except as provided in the Lease Agreement, the Company shall not suspend or discontinue any payment or terminate the Lease for any reason including eviction or constructive eviction, failure of consideration, failure of title, or commercial frustration of purpose or any deprivation or limitation of the use of the Facility, or any defect in the quality, condition, design, operation or fitness of the Facility, or any damage to or destruction of the Facility, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Facility, any failure or inability of the Trustee for any reason to realize upon the Company Support Agreement or any other Security Document or any change in the tax or other laws of the United States, the State or any political subdivision thereof, or any failure of the Authority to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Lease Agreement. Except to the extent described above, nothing contained in the Lease Agreement shall be construed to prevent or restrict the Company from asserting any rights which the Company may have against third parties to protect its right of occupancy, use or operation of the Facility, or from asserting rights against the Authority under the Lease Agreement or under any provision of law in a separate action or proceeding for damages.

Limitation on Recourse Against General Partners and Parents

Satisfaction of the payment obligations of the Company under the Lease Agreement shall be solely from the separate assets and property of the Company. The liability of any of the General Partners of the Company with respect to the obligations of the Company under the Lease Agreement is limited to any unpaid capital contributions required by the Partnership Agreement, and no recourse shall be had in the event of any non-performance by the Company of any such obligations (i) to any assets or properties of the General Partners of the Company other than their respective interests in the separate assets and properties of the Company and other than with respect to any unpaid capital contribution required by the Partnership Agreement, (ii) to any of the Parents except to the extent provided in the Company Support Agreement, or (iii) to the extent such non-recourse is permitted by law, any of the officers, directors or stockholders of the Parents or any of the officers or directors of the General Partners or any officer or employee of the Company.

Limitation on Company Distributions and Certain Other Payments

The Company is prohibited under the Lease Agreement from distributing profits or capital, permitting withdrawal of such profits or capital by any General Partner or other Person or making any payment from Company funds in respect of Subordinated Debt (as defined in the Company Support Agreement), unless (i) immediately following such distribution there is an unencumbered balance of working capital equal to at least fifteen percent (15%) of the sum of (y) interest scheduled to accrue on the Bonds Outstanding as of the date of calculation through the twelve-month period succeeding such date of calculation (the "Requirements

Period") (except to the extent that such interest shall be provided for out of proceeds of Bonds, including investment income thereon) and (z) the portion of each Principal Installment for the Bonds which would accrue during such Requirements Period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment Payment Date for the Bonds (or, if there shall be no such preceding Principal Installment Payment Date, then from a date one year preceding the date of such Principal Installment or from the date of issuance of the first Series of Bonds, whichever is later) (such interest and Principal Installment for Bonds shall be calculated on the assumption that no Bonds outstanding at the date of calculation will cease to be outstanding except by reason of the payment of each Principal Installment on the due date thereof), and (ii) the amount in the Special Capital Reserve Fund as of the most recent valuation date prior to any such distribution, after giving effect to any subsequent deposits therein or withdrawals therefrom, is at least equal to the Special Capital Reserve Fund Requirement.

Damage, Destruction and Condemnation

In the event of damage, destruction, or condemnation to all or part of the Facility, or if title to or temporary use of any part of the Facility shall be taken, the Authority shall have no obligation to rebuild, replace, or restore the Facility, and there shall be no abatement or reduction in the Lease Rentals (except as provided in the Lease Agreement in connection with a derating of the Facility or a termination of the Service Agreement in certain circumstances). The Company will be responsible at its own cost to make such repair, restoration or reconstruction if the Service Agreement has not been terminated. In such event, the net proceeds of insurance or condemnation awards (the "Net Proceeds") will be paid to the Company or, if in excess of $120,000, escalated in accordance with the Service Agreement, shall be deposited in the Renewal Fund to pay for the cost of such rebuilding, replacement or restoration. The balance of any funds remaining in the Renewal Fund after completion of such rebuilding, replacement or restoration, shall be deposited in the Redemption Fund. In the event that the Company elects to provide alternate disposal service pursuant to the Service Agreement, the Company shall use the Net Proceeds to prepay its Lease Rentals to the extent such Net Proceeds are not required to repair, reconstruct or restore the Facility for such purpose. If the Service Agreement is terminated due to the occurrence of an Uncontrollable Circumstance and the Authority has not exercised its option to purchase the Facility Interests, unless the Company has notified the Trustee of its intent to rebuild the Facility and the Parents have executed Corporate Guaranty Agreements for all the Outstanding Bonds, Lease Rentals shall be prepaid in full or in part with such Net Proceeds. Notwithstanding the foregoing, the proceeds of any business interruption insurance shall first be paid to the Trustee to the extent necessary to make the amount in the Special Capital Reserve Fund equal to the Special Capital Reserve Fund Requirement. If the Company is not required to repair, restore or reconstruct the Facility pursuant to the Lease Agreement or does not elect to repair, restore or reconstruct pursuant to certain provisions of the Lease Agreement, the Company shall pay all Net Proceeds as prepayments of Lease Rentals.

Compliance with Laws

The Company has agreed to (i) operate, maintain, use and occupy the Facility in accordance with all applicable statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations, permits and authorizations; (ii) obtain all approvals, consents, permits, licenses and authorizations of any governmental entities required; and (iii) use reasonable business efforts to cause the compliance by its contractors, subcontractors and agents with applicable laws.

Purchase Options

The Company shall have the option to purchase the Facility on any date during the term of the Lease Agreement upon the occurrence of an extraordinary optional redemption as provided in the Indenture in connection with various events of casualty. The purchase price, which shall constitute advance Lease Rentals, shall equal the sum of (i) an amount which, when added to the amount on deposit in the Debt Service Fund and the Special Capital Reserve Fund and available therefor, will be sufficient to pay, retire and redeem the Outstanding Bonds in accordance with the provisions of the Indenture, including, without limitation, the principal of or the Redemption Price (as the case may be) of, together with interest to maturity or redemption date (as the case may be) on the Outstanding Bonds; (ii) expenses of redemption, the fees and expenses of the Authority, the Trustee, the Bond Registrar and the Paying Agents, including reasonable attorneys fees and all other amounts due and payable under the Lease Agreement or the Indenture; and (iii) one dollar ($1.00).

In addition, the Company shall have the option to purchase the Facility either (i) upon the payment in full of the principal and interest on or upon defeasance of the Outstanding Bonds, whether at maturity or earlier redemption; (ii) upon a termination of the Service Agreement which excuses the Company from paying Lease Rentals as described under "Termination of the Service Agreement" under the heading "REDEMPTION PROVISIONS" above and failure by the Authority to exercise its option to purchase the Company's right, title and interest in and to the Facility Interests; or (iii) upon the guaranteeing in full of the principal of and interest on the Outstanding Bonds under Corporate Guaranty Agreements in connection with certain terminations of the Service Agreement. Such purchase option by the Company shall be exercised by delivering notice of the exercise of such option as required by the Lease Agreement and paying a purchase price equal to the purchase price described in the previous paragraph.

Upon conveyance of the Facility to the Company upon exercise of its purchase option, the Lease Agreement shall terminate, except for certain of the Company's limited obligations. Termination shall also occur after provision for payment in full of all of the Bonds has been made in accordance with the Indenture or after the Company's Lease Rental obligations have terminated, and in either case certain fees and expenses have been paid by the Company, subject to the survival of certain provisions.

The Authority shall also have the right to acquire the Facility Interests in connection with certain terminations of the Service Agreement.

Assignments in Connection With a Leveraged Lease

The Company may assign its rights, interests or obligations under the Lease Agreement and the Lessee Guaranty and Security Agreement in the context of a leveraged lease transaction and take certain other actions in connection therewith.

Events of Default

Any one or more of the following events shall constitute an "Event of Default" under the Lease Agreement:

(i) failure of the Company to pay any Lease Rental that has become due and payable by the terms thereof which results in moneys in the Special Capital Reserve Fund being transferred to the Debt Service Fund for the due and punctual payment of the principal of, Sinking Fund Installments for, redemption premium, in any, or interest on any Bond;

(ii) failure of the Company to pay any amount (except as set forth in paragraph (i) above) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed concerning taxes, assessments and charges and insurance contained in the Lease Agreement and the continuance of such failure for a period of 30 days after receipt by the Company of written notice specifying the nature of such default from the Authority or the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding;

(iii) failure of the Company to observe and perform any covenant, condition, or agreement under the Lease Agreement on its part to be performed (except as provided in paragraphs (i) or (ii) above) and (a) continuance of such failure for a period of 30 days after receipt by the Company of written notice specifying the nature of such default from the Authority or the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding, or (b) if by reason of the nature of such default the same can be remedied, but not within the said 30 days, the Company fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

(iv) any of the General Partners of the Company, or the Company shall (a) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (b) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (c) make a general assignment for the benefit of its creditors, (d) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (e) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (f) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (g) take any action for the purpose of effecting any of the foregoing;

(v) a proceeding or case shall be commenced, without the application or consent of any of the General Partners of the Company, or the Company, in any court of competent jurisdiction, seeking, (a) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts of the Company or any General Partner, (b) the appointment of a trustee, receiver, liquidator, custodian or the like of any of the General Partners of the Company or the Company or all or any substantial part of their respective assets, or (c) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts of the Company or any General Partner, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days; or any order for relief against any of the General Partners of the Company, or the Company shall be entered in an involuntary case under the Federal Bankruptcy Code (as now or hereafter in effect);

(vi) any representation or warranty made (a) by the Company in the Lease Agreement, or (b) in the Lessee Tax Letter of Representation, or (c) in any report, certificate, financial statement or other instrument furnished pursuant hereto or any of the foregoing shall prove to be false, misleading or incorrect in any material respect as of the date made; or

(vii) an "Event of Default" under the Lessee Guaranty and Security Agreement shall occur and be continuing.

Remedies on Default

Whenever any Event of Default shall have occurred and be continuing, the Authority, or the Trustee where so provided, may take any one or more of the following remedial steps:

(i) The Trustee, as and to the extent provided in the Indenture, may cause all principal installments of Lease Rentals for the remainder of the term of the Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable;

(ii) The Authority, with the prior written consent of the Trustee, or the Trustee, may re-enter and take possession of the Facility without terminating the Lease Agreement, and sublease the Facility for the account of the Company, holding the Company liable for the difference in the rent and other amounts payable by the sublessee in such subletting, and the Lease Rentals and other amounts payable by the Company hereunder;

(iii) The Authority, with the prior written consent of the Trustee, or the Trustee, may terminate the Lease Agreement, and exclude the Company from possession of the Facility, in which case the Lease Agreement and all of the estate, right, title and interest therein granted or vested in the Company shall cease and terminate unless prior to such time all accrued unpaid Lease Rentals (exclusive of any such Lease Rentals accrued solely by virtue of the acceleration of the due date of the Bonds as provided in the Indenture), shall have been paid and all such defaults shall have been fully cured except in the event that the curing of any such default in the case of the Event of Default specified in subparagraph (iii) under "Events of Default" above takes more than 30 days and the Company is proceeding diligently to cure the default. No such termination of the Lease Agreement shall relieve the Company of its liability and obligations thereunder and such liability and obligations shall survive any such termination;

(iv) The Authority or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the Lease Rentals then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Company under the Lease Agreement;

(v) The Trustee may take any action permitted under the Indenture with respect to an event of default thereunder; and

(vi) The Authority, without the consent of the Trustee or any Bondholder, may proceed to enforce the Authority's Reserved Rights by an action for damages, injunction or specific performance.

Notwithstanding the foregoing, prior to the earlier of the commencement of any legal proceedings by the Trustee to foreclose the mortgage lien and security interest of the Security Documents and the execution by the Authority of a firm bilateral agreement for the reletting of the Facility, and if the Event of Default shall be capable of being remedied by the Company, the Company may, at any time, pay all accrued unpaid Lease Rentals (exclusive of any such Lease Rentals accrued solely by virtue of acceleration of the due date of the Bonds as provided in the Indenture), pay such other amounts in default under the Lease Agreement, render such performance under the Lease Agreement and otherwise fully cure all other defaults under the Lease Agreement; and in such event, the Lease Agreement shall be fully reinstated, as if it had never been

terminated, and the Company shall be accordingly restored to the occupancy, use and possession of the Facility.

[This page intentionally left blank]

THE LESSEE GUARANTY AND SECURITY AGREEMENT

Guaranty

Pursuant to the Lessee Guaranty and Security Agreement, the Company will unconditionally guarantee subject to the Guaranty Limitation, for the benefit of the holders of the Bonds, the payment of the principal and Redemption Price of and interest on the Bonds.

"Guaranty Limitation" means that limitation on the Company obligation under the Lessee Guaranty and Security Agreement to guarantee the payment of the principal of, redemption premium, if applicable, and interest on the 1988 Series A Bonds, the 1989 Series A Bonds and the 1998 Series A Bonds such that the obligation of the Company to make payments with respect to such guaranty shall at all times be limited to the obligation of the Company to pay Lease Rentals under the Lease Agreement, but excluding, however, any disaffirmance or avoidance of such Lease Rental obligation by reason of any bankruptcy, reorganization, insolvency or other similar proceedings affecting the Company.

Events of Default

An "Event of Default" shall exist if any of the following occurs and is continuing:

a. the Company defaults in any guarantee set forth in "Guaranty" above and such default continues for more than 2 days after written notice has been given to the Company by the Trustee;

b. the Company fails to observe and perform any covenant, condition or agreement (other than such referred to in paragraph (a) above) of the Lessee Guaranty and Security Agreement and (i) continuance of such failure for more than 30 days after written notice of such failure has been given to the Company by the Trustee or (ii) if by reason of the nature of such default the same can be remedied, but not within the said 30 days, the Company fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

c. any warranty, representation or other statement by or on behalf of the Company contained in the Lessee Guaranty and Security Agreement is false, misleading or incorrect in any material respect as of the date made: or

d. an Event of Default under the Indenture shall occur and be continuing.

Upon an Event of Default, the Trustee shall have the right to proceed first and directly against the Company and the Lessee Collateral (as described below) under the Lessee Guaranty and Security Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any security held by the Trustee or by any obligor under any of the Security Documents. All moneys recovered by the Trustee pursuant to the Lessee Guaranty and Security Agreement shall be deposited and used and applied in accordance with the Indenture.

Pledge of Collateral

As security for the Company's performance under the Lessee Guaranty and Security Agreement, the Company pledges, assigns, hypothecates, bargains, sells, conveys and grants to the Trustee a security interest in and general lien upon all of the right, title and interest of the Company in all Access Rights, Construction Contracts, Disposal Agreements, Energy Contracts, the Facility (except such portions of the Facility as are removed by the Company as permitted under the Lease Agreement), Lessee Property, Licenses, Net Proceeds, Operating Manuals, Permits (to the extent permitted by law), Project Plans, Residue Disposal Contracts, Revenues, Support Services Agreements, Warranties and Security Documents whether any such right, title or interest is presently held by the Company or is hereafter acquired by the Company, together with all charges, receipts and other revenues which may be received pursuant to any of the foregoing, and to the accounts, contract rights, chattel paper and instruments and proceeds thereof and to all rights and remedies and choses in action and choses in possession, whether now or hereafter existing, which the Company might exercise with respect thereto, excluding certain rights of the Company with respect thereto (all of the above non-excluded items being referred to collectively as the "Lessee Collateral").

Release of Security Interest

The security interest created by the Lessee Guaranty and Security Agreement shall be released to the extent and under the conditions described under "Substitution of Security" under the heading "SECURITY FOR THE 1998 SERIES A BONDS" above.

No Recourse Against General Partners or Parents

Satisfaction of the obligations of the Company under the Lessee Guaranty and Security Agreement shall be solely from the separate assets and property of the Company. The liability of any of the General Partners of the Company with respect to the obligations of the Company under the Lessee Guaranty and Security Agreement is limited to any unpaid capital contributions required by the Partnership Agreement, and no recourse shall be held in the event of any non-performance by the Company of any such obligations to (i) any assets or properties of the General Partners of the Company other than their respective interests in the separate assets and properties of the Company and other than with respect to any unpaid capital contributions required by the Partnership Agreement, (ii) any of the Parents except to the extent provided in the Company Support Agreement, or (iii) to the extent such non-recourse is permitted by law, to any of the officers, directors or stockholders of the Parents or any of the officers or directors of the General Partners or any officer or employee of the Company.

THE SCRRRA PLEDGE AND SECURITY AGREEMENT

Pledge

The SCRRRA pledges and creates a secured interest in favor of the Trustee of all the right, title and interest of SCRRRA, if any, held now or in the future, in and to each of the following: (i) the Service Agreement, (ii) the Municipal Service Agreements, (iii) all revenues of SCRRRA derived from the Municipal Service Agreements, (iv) the Site Lease Agreement and (v) the Bridge and Management Agreement (after giving effect in the case of (i), (ii) and (v) to the assignment therein) (the "Assignor Collateral").

Except as may be otherwise provided in the Indenture, the collateral pledged pursuant to the SCRRRA Pledge and Security Agreement is for the equal and proportionate benefit, security and protection of all Owners of the Bonds from time to time issued and to be issued under the Indenture, without privilege, priority or distinction as to lien or otherwise of any Bonds over any of the other Bonds.

Covenants of SCRRRA

SCRRRA covenants:

a. To comply with the terms, covenants and provisions of all contracts to which it is a party pertaining to or affecting or involving the Facility or its solid waste collection and disposal activities.

b. To comply with the provisions of the Indenture relating to SCRRRA.

c. To deposit or cause to be deposited with the Trustee and to the credit of the Revenue Fund all Revenues received by SCRRRA, as long as the SCRRRA Pledge and Security Agreement is in effect,

d. Not to create or assume or permit to exist any lien, security interest, encumbrance, claim or charge of any nature against the Assignor Collateral, except for Permitted Encumbrances.

e. Not to assign, without the Trustee's consent, any of its interests under the contracts to which it is a party pertaining to or involving the Facility or its solid waste collection and disposal activities, nor will it amend, rescind or modify such contracts except as permitted under such document and under the Indenture, and

f. To enforce or secure the performance of each material obligation, covenant, condition or agreement contained in the contracts to which it is a party pertaining to or involving the Facility or its solid waste collection and disposal activities.

Application of Moneys

All moneys recovered by the Trustee pursuant to the SCRRRA Pledge and Security Agreement shall be deposited, used and applied in accordance with the Indenture.

Events of Default

An "Event of Default" shall exist if any of the following occurs and is continuing:

a. the SCRRRA fails to observe and perform any material covenant, condition or agreement of the SCRRRA Pledge and Security Agreement and (i) continuance of such failure for more than 30 days after written notice (which shall be deemed given upon receipt of registered or certified mailing or Telex when sent) of such failure has been given to the SCRRRA by the Trustee or (ii) if by reason of the nature of such default the same can be remedied, but not within the said 30 days, the SCRRRA fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same;

b. any material warranty, representation or other statement by or on behalf of the SCRRRA contained in the SCRRRA Pledge and Security Agreement is false, misleading or incorrect in any material respect as of the date made;

c. an Event of Default under the Indenture shall occur and be continuing.

Upon an Event of Default, the Trustee shall have the right to proceed first and directly against the Assignor Collateral under the SCRRRA Pledge and Security Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any security held by the Trustee or by any obligor under any of the Security Documents.

Remedies

Whenever any Event of Default shall have happened and be continuing, any one or more of the following remedial steps may be taken:

A. The Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the SCRRRA hereunder;

B. The Trustee may, to the extent permitted by the applicable law, have access to and inspect, examine and make copies of any and all relevant books, accounts and records of SCRRRA;

C. The Trustee (or the holders of the Bonds in the circumstances permitted by the Indenture) may exercise any option and pursue any remedy provided by the Indenture;

D. The Trustee shall be entitled to exercise any and all remedies available by applicable laws and judicial decisions.

Release

Upon payment of the Bonds and the indebtedness represented thereby pursuant to and in accordance with the Indenture or upon the occurrence of the circumstances relating to the SCRRRA Pledge and Security Agreement described in the Indenture providing for a release of the security for the Bonds, and, in each case,

if applicable, upon payment of the costs, fees, commissions and expenses of the Trustee, the Trustee shall release SCRRRA in writing from its obligations under the SCRRRA Pledge and Security Agreement.

[This page intentionally left blank]

THE MORTGAGE DEED

Grant of Security Interest

Pursuant to the Mortgage Deed, the Company has granted to the Trustee a security interest in all of the Company's right, title and interest in (A) all of the Lease Rentals payable by the Company to the Trustee pursuant to the Lease Agreement, (B) all of the Company's leasehold estate and interests arising by virtue of the Lease Agreement and the Facility Site Lease and any other, further or additional title, estate, interest or right of the Company in or to the Facility Site, (C) all of the Company's right, title and interest in and to the Facility, (D) all of the Company's interest in all easements, rights-of-way and other similar rights now or in the future belonging to or constituting part of any of the property described in (B), (C), (D) and (E), and (E) all rents, income and other benefits to which the Company may be entitled from the property described in (A), (B), (C) and (D) (all of the property described in (A)-(E) being referred to herein as the "Mortgaged Property"). This security interest is intended to secure the performance by the Company of its payment obligations under the Lessee Guaranty and Security Agreement.

Covenants and Agreements

The Company covenants in the Mortgage Deed to promptly pay all amounts required to be paid by it pursuant to the Lessee Guaranty and Security Agreement. The obligations of the Company under the Mortgage Deed are absolute and unconditional until released in accordance with the terms thereof. The Company may not sell, assign, transfer, pledge or encumber the Mortgaged Property, or any portion thereof (except as permitted by the Lease Agreement, the Site Lease, the Lessee Guaranty and Security Agreement and the Indenture) and is required to keep the Mortgaged Property free of all liens and encumbrances other than Permitted Encumbrances. In the event of a default in payment by the Company of any amount due under the Lessee Guaranty and Security Agreement, the Trustee may proceed in accordance with, and subject to the restrictions of, the Indenture. The Trustee may proceed first and directly against the Company under the Mortgage Deed without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Authority or the Trustee.

Release of Security Interest

The security interest created by the Mortgage Deed shall be released to the extent and under the conditions described under "Substitution of Security" under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE 1998 SERIES A BONDS" above.

No Recourse Against General Partners or Parents

Satisfaction of the obligations of the Company under the Mortgage Deed shall be solely from the separate assets and property of the Company. The liability of any of the General Partners of the Company with respect to the obligations of the Company under the Mortgage Deed is limited to any unpaid capital contributions required by the Partnership Agreement, and no recourse shall be had in the event of any non-performance by the Company of any such obligations to (i) any assets or properties of the General Partners of the Company other than their respective interests in the separate assets and properties of the Company and other than with respect to any unpaid capital contributions required by the Partnership Agreement, (ii) any of the Parents except to the extent provided in the Company Support Agreement, or (iii) to the extent such non-recourse is permitted by law, to any of the officers, directors or stockholders of the Parents or any of the officers or directors of the General Partners or any officer or employee of the Company.

[This page intentionally left blank]

APPENDIX C

SUMMARY OF CERTAIN PROJECT DOCUMENTS

Set forth below are summaries of certain provisions of the Service Agreement, the Company Support Agreement, the Parent Undertaking, the Municipal Service Agreements, the Bridge and Management Agreement, the Site Lease Agreement and the Energy Sales Agreement. Each such summary is in all respects subject to and qualified in its entirety by express reference to the document or documents summarized therein in its complete form, copies of which are available from the Authority.

THE SERVICE AGREEMENT

Business of Company

The Company has covenanted that it will engage in no business or enterprise other than acquisition, construction, equipping, installation, operation, maintenance and management of the Facility, the performance of its obligations under the Service Agreement, performance of all agreements related to the Facility, and performance of its financing, construction and operation and activities in furtherance thereof or ancillary or reasonably related thereto.

Delivery And Processing Of Waste

The Authority's Commitment to Deliver Waste

The Authority is required to deliver or cause to be delivered all Acceptable Waste generated in the Participating Municipalities. In addition, the Authority is required to deliver or cause to be delivered all Acceptable Waste committed to SCRRRA by any other municipality in accordance with any additional municipal contract for waste disposal entered into by SCRRRA, but only to the extent that the Facility is able to Process such Acceptable Waste and to the extent the Authority has actual control of such Acceptable Waste. All deliveries of CRRA Waste shall be made in accordance with the delivery schedules set forth in the Service Agreement. It is the intent of the parties to the Service Agreement that nothing in the Service Agreement is intended to restrict the reduction or minimizing of the quantity of materials entering the waste stream, or to discourage or prohibit either voluntary or locally ordained solid waste segregation programs or the sale of such segregated materials to private persons, and that, therefore, the Authority shall have no obligation to deliver to the Facility any Waste or other materials which are recycled or required to be recycled or otherwise prohibited by any federal, State or local laws, rules or regulations from being Processed.

Without limiting any of the other obligations of the Authority under the Service Agreement, the obligations of the Authority to deliver to the Facility CRRA Waste under the Service Agreement are limited to the Acceptable Waste delivered by SCRRRA and the Participating Municipalities or by any other municipality that is a party to an additional municipal contract for waste disposal, and the obligations of the Authority to make the payments called for by the Service Agreement are limited to the amounts received from SCRRRA and the Participating Municipalities under the Bridge and Management Agreement and the Municipal Service Agreements, respectively.

The Authority has agreed that it will use all reasonable efforts to enforce its rights under the Bridge and Management Agreement and the Municipal Service Agreements to require SCRRRA and the Participating Municipalities, respectively, to deliver or cause to be delivered Acceptable Waste to the Facility and to make the service payments required thereunder when due.

Assignments of Certain Rights

The Authority has assigned to the Company the full rights enjoyed by and the obligations of the Authority under the Bridge and Management Agreement to enforce performance by SCRRRA of certain of SCRRRA's obligations under the Bridge and Management Agreement generally relating to enforcement of the waste delivery and payment obligations of the Participating Municipalities (each referred to in the Service Agreement individually as an "Obligation" or collectively as the "Obligations") as if it were originally named in the Bridge and Management Agreement in the place of the Authority, and the Company has assigned back

to the Authority, and the Authority has assumed, the obligation of the Authority under the Bridge and Management Agreement to accept waste from SCRRRA to the extent the Company does not have a corresponding obligation to accept CRRA Waste pursuant to the Service Agreement. The Company has appointed the Authority its attorney-in-fact to enforce each such Obligation. If SCRRRA does not comply with any such Obligation, the Authority is required to use all reasonable efforts to enforce such Obligation upon written request by the Company. The Company, however, has agreed not to take any action itself to enforce such Obligation and will not revoke the appointment of the Authority as its attorney-in-fact, unless either (a) the Company requests the Authority to withhold from taking an action with respect to any such Obligation with which SCRRRA shall not be in compliance, or (b) the Company requests the Authority to take an action with respect to an Obligation in which SCRRRA shall not be in compliance, and, in either case, the Authority shall have failed to comply with the Company's request for a period of 30 days after notice of such failure has been given by the Company to the Authority. If the Authority, at the request of the Company, does not take any action with respect to any Obligation, the Authority shall not be subject to ARC to the extent that any failure by the Authority to perform under the Service Agreement resulted from the failure to take such action. The Company may pledge the rights assigned to it under the Service Agreement to the Trustee as Security for any or all of the Bonds from time to time Outstanding under the Indenture. The Authority will warrant and defend the right, title and interest of the Company in and to the Obligations in accordance with the terms of the Service Agreement against any and all claims of others claiming by, through, or under the Authority.

Company Commitment to Accept and Process Waste

The Company is required to accept and Process all CRRA Waste delivered to the Facility up to the capability of the Facility to Process such CRRA Waste (but not less than the Throughput Guaranty), in accordance with the delivery schedule set forth in the Service Agreement.

Operation of the Facility

The Company is required to operate and maintain the Facility (1) in such manner as to enable the Facility to receive and Process CRRA Waste in accordance with the Service Agreement and good operating practices for resource recovery facilities comparable to the Facility, and generate electric power to minimize the net costs of disposal to the Authority on a basis consistent with good operating practice for resource recovery facilities comparable to the Facility, and as may be required pursuant to the Energy Sales Agreement, and (2) in such a manner as may be required by all applicable laws, ordinances, rules, regulations, orders, permits, licenses and governmental approvals.

Landfill

Landfill

The Authority is required to cause a Landfill to be made available for Residue (excluding Residue that is Hazardous Waste) actually generated by the Facility. If any Residue is Hazardous Waste, it shall be the responsibility of the Authority to provide in any Contract Year a disposal site for such Residue which is Hazardous Waste. The costs for disposal in any Contract Year of such Residue which is Hazardous Waste shall be shared by the parties in accordance with the proportion that the waste delivered or caused to be delivered by each party to the Facility and accepted at the Facility during such Contract Year bears to the total amount of waste accepted at the Facility during such Contract Year. For the purposes of this determination, Credited Merchant Waste shall be deemed to be waste delivered by the Authority to the Facility and accepted at the Facility.

Operation of Landfill in Compliance with Law

The Authority is required to cause the Landfill to be designed, operated and maintained in such a manner as to ensure that the disposal of Residue, Bypassed Waste or other material in the Landfill and the operation of the Landfill will be in compliance with all applicable federal, state and local laws, ordinances, rules, regulations, orders, permits, licenses and governmental approvals.

Company's Obligation to Deliver

Notwithstanding any provisions in the Service Agreement, the Company shall not be under any obligation to deliver Residue to the Landfill if there has been adopted by any federal, State or local legislative or judicial body or other governmental agency or entity, any law, rule, regulation or order, the effect of which would result or in fact has resulted in Residue being deemed to be Hazardous Waste and the effect of which prohibits disposal of Residue at the Landfill.

Classification of Residue as Hazardous Waste

For purposes of the paragraphs following this subheading, the following definitions shall be applicable:

"Total Disposal Cost" shall mean (subject to the last sentence of the definition of Total Disposal Cost Cap) the total aggregate cost incurred or estimated to be incurred by the Authority, SCRRRA or both (and subject to the equivalent of Cost Substantiation) for the disposal of Waste and Residue pursuant to the Service Agreement, including, without limitation, the Service Fee provided therein, the costs to the Authority of the required Landfill or Landfills or other disposal sites made available by or on behalf of the Authority thereunder, and allocable administrative costs of the Authority, SCRRRA or both.

"Total Disposal Cost Cap" shall be (as of any date of determination) an amount equal to twice the Total Disposal Cost (computed as if the Change in the Classification of Residue had not occurred) otherwise estimated to be applicable from the effective date of the Change in the Classification of Residue (or, if more than one event constitutes the Change in the Classification of Residue, the last such event) through the remaining initial term of the Service Agreement. For this purpose, "twice the Total Disposal Cost Cap" shall be two times the sum of the present value of each Contract Year's estimated Total Disposal Cost (computed as if Residue is not, as of the Contract Date, Hazardous Waste), from the date of such determination over the remaining term of the Service Agreement (discounted at a rate equal to the average interest rate, weighted by reference to the relative principal amounts and maturities of each of the fixed rate Bonds Deemed Outstanding issued pursuant to the Service Agreement, *provided, however,* if there are any Bonds Deemed Outstanding, other than fixed rate Bonds, the rate on such Bonds shall be determined by reference to the weighted average interest rate borne by such Bonds during the period commencing on the Closing Date and ending on the date of the Change in the Classification of Residue). The computation of Total Disposal Cost Cap and all other costs and estimated costs in this definition shall be subject to the equivalent of Cost Substantiation. Certain costs incurred by the Authority for modifications to the Facility or its operation in advance of, and for avoiding in whole or in part adverse consequences to the Authority of, a Change in the Classification of Residue, shall be deemed to have been incurred immediately after and as a consequence of such Change in the Classification of Residue.

If the Authority and the Company agree or, as the result of a dispute, the ITP determines that (i) on or after the Contract Date there has occurred any enactment, amendment or interpretation of any federal, state, city, county or other local law, ordinance, code, rule, regulation or similar legislation, or the rendering of

a final order or judgment of a federal, state or local court, administrative agency or governmental body, and as a result of such event (the "Change in the Classification of Residue"), any substance constituting Residue shall thereafter as a matter of law constitute Hazardous Waste, and (ii) as a result of any of the foregoing occurrences, the Total Disposal Cost shall exceed the Total Disposal Cost Cap, the Authority shall be entitled to terminate the Service Agreement (except as otherwise provided in the Service Agreement) upon (A) notice to the Company given within 60 days after the occurrence of the Change in the Classification of Residue (such termination to occur on the date specified in such notice, which shall be not more than 30 days following the date on which such notice is given) and (B) payment to the Company of an amount equal to the sum of (1) Bonds Deemed Outstanding, which amounts shall be paid to the Trustee and applied to the redemption of Bonds, plus (2) Net Equity. Upon payment of the foregoing amount, the Service Agreement shall terminate.

Service Fee

For each Billing Period, except as otherwise provided in the Service Agreement, the Authority is required to pay to the Company a monthly Service Fee in accordance with the terms of the Service Agreement.

Unless otherwise expressly specified in the Service Agreement, the Service Fee shall constitute the complete compensation which shall be paid by the Authority to the Company for all service performed thereunder.

Service Fee

Except as otherwise provided in the Service Agreement, the monthly Service Fee payable by the Authority in each Billing Period shall be 1/12 (or, if any Contract Year is less than twelve months long, shall be that fraction which will result in equal monthly payments during such Contract Year) of the amount of the Service Fee estimated for the current Contract Year (which amount, if a negative number, shall be payable by the Company to the Authority) determined by the following formula. At the conclusion of such Contract Year, the following formula shall also be used to compute the annual reconciliation amounts, using, except as otherwise indicated, actual tonnage quantities and actual revenue amounts for such Contract Year in calculating the defined terms in the formula:

SF = [DS + (BOC x OEF) + PT—ES + EA + ARC + FTLS + UCC—OCD—CFC—LC + SF*—OWS—RRC] + [$30 x OEF x (CRRAW above TG)] — PAWS

For purposes of this formula, DS and SF* for any Contract Year shall not include the portion of the total costs associated with a Capital Project which is determined for the Contract Year by multiplying such total costs by a fraction the numerator of which is the number of Tons of Waste other than CRRA Waste Processed at the Facility to the extent that such number does not exceed the number of Tons of Waste Processed at the Facility in excess of TG and the denominator of which is the total number of Tons of Waste Processed by the Facility during the Contract Year.

To the extent the preceding sentence results in DS in the Service Fee Formula being less than the amount defined in the definition of DS below, the Company shall pay to the Authority an amount equal to such difference payable in equal monthly installments during any Contract Year for which such payments are required, each such installment being payable on the day in each month that the Service Fee is payable by CRRA.

Symbols

Symbols used in the formulas and elsewhere in this Summary shall have the following meanings:

ARC *Authority Responsibility Costs* shall mean any reasonable incremental direct cost increase to the Company (other than those costs which are treated as the cost of a Capital Project otherwise paid under the Service Agreement) or loss of revenue to the Company caused by improper performance or failure of performance by the Authority under the Service Agreement for which Cost Substantiation is supplied to the Authority including, but not limited to, lost energy revenues for failure of the Authority, unless excused by the terms of the Service Agreement.

BOC *Base Operating Cost* shall mean $5,354,000 as of November 1, 1985 as such number may be adjusted pursuant to any work change requests made pursuant to the Service Agreement. For any Contract Year that is less than a full Contract Year, BOC shall be reduced pro rata.

CFC *Company Fault Costs* shall mean any reasonable, incremental direct cost increase or loss of revenue to the Authority or SCRRRA caused by improper performance or failure of performance by the Company under the Service Agreement including, without limitation, lost energy revenues, as a result of the Company's failure to Process CRRA Waste in accordance with the terms of the Service Agreement.

CRRAW *CRRA Waste* shall mean the total tonnage of Acceptable Waste delivered to the Facility by or on behalf of the Authority which, for the purposes of calculating the Service Fee, shall include the tonnage of Credited Merchant Waste. As long as the Bridge and Management Agreement is in effect and the Authority has not notified the Company that it has revoked the power of attorney granted by the Authority to SCRRRA thereunder, the term "Acceptable Waste delivered to the Facility by or on behalf of CRRA" shall mean Acceptable Waste delivered to the Facility by or on behalf of SCRRRA or with the approval of SCRRRA, including, but not limited to, Acceptable Waste delivered pursuant to a contractual arrangement between SCRRRA or the Authority and third parties.

DS *Debt Service*, with respect to a particular Contract Year, shall mean an amount equal to the sum of the principal of, interest, and premium, if any, on the Bonds net of investment earnings and other moneys available under the Indenture (other than Revenues not constituting investment earnings that are required to be transferred by the Trustee from the Revenue Fund into the Debt Service Fund (as such capitalized terms are defined in the Indenture)) for such purpose, due or accruing or to become due or to accrue on such Bonds (other than (i) Bonds Allocable to Authority Purposes, and (ii) Bonds issued to finance costs of the Company in excess of the amount required to be financed by the Authority during such Contract Year, assuming such Bonds are not prepaid or redeemed pursuant to general optional or casualty redemption provisions set forth in such Bonds (other than through the issuance of refunding bonds) prior to maturity with moneys provided on behalf of the Company (including (i) moneys provided from the Construction Account and applied to an excess proceeds redemption of the Bonds other than such amounts transferred to the Construction Account from the Capitalized Interest Account that are not able to be requisitioned by the Company because the Company has not incurred sufficient Project Costs and (ii) moneys provided by a Parent pursuant to a Corporate Guaranty Agreement and applied to a redemption of Bonds). Insurance and condemnation proceeds which are applied, pursuant to the Indenture, towards the redemption of the Bonds, and any amounts in the Special Capital Reserve Fund and the Debt Service Fund (as both terms are defined in the Indenture) applied towards redemption of Bonds, shall not be deemed, for purposes of this definition, moneys provided on behalf of the Company. DS shall also include all amounts necessary or projected as necessary to be paid during the Contract Year for which DS is being calculated relating to the Bonds, including, but not limited to, Trustee's fees, Registrar's and Paying Agent's fees (as such terms shall be defined in the Indenture) and other similar fees and expenses relating to the Bonds and payable under the Indenture or the Lease Agreement, all liquidity

facility or letter of credit fees, remarketing fees, fees to any liquidity facility provider or letter of credit bank, and reimbursement obligations with respect to any liquidity facility or letter of credit.

EA *Energy Adjustment* with respect to any given Contract Year during the first 20 Contract Years shall mean an amount calculated by multiplying (a) the difference obtained by subtracting the actual annual average price per kilowatt hour for electricity paid (or payable, if no amounts were paid) pursuant to the Energy Sales Agreement for such Contract Year from the price per kilowatt hour set forth for such Contract Year in the Service Agreement (provided, however, that if such difference is a negative number, such difference shall be deemed to be equal to zero) by (b) 10% of the Annual Energy Output Guaranty. For all other Contract Years, EA shall equal zero. Notwithstanding the foregoing, EA shall equal zero if the actual annual average price per kilowatt hour for electricity in a given year represents 100% of the Average Municipal Retail Rate as defined in the Energy Sales Agreement.

ES *Energy Share* shall mean a portion of the revenues received by the Company pursuant to the Energy Sales Agreement equal to 90% of all energy revenues received from the sale of electricity in an amount up to the Annual Energy Output Guaranty, *provided, however*, that if the rates for purchase ultimately determined to be applicable to the energy sales pursuant to the Energy Sales Contract are a blend or combination of two or more rates, such as the so-called Average Municipal Retail Rate and/or a rate based on CL&P's avoided cost, and if Waste accepted by the Company pursuant to the section relating to Other Waste results in the Company receiving energy revenue at an average rate different from that which would have been received had all such waste been CRRA Waste and Credited Merchant Waste, then to the extent that CRRA is entitled to share in energy revenues ES shall be equal to 90% of all energy revenues that would have been received by the Company had the Waste accepted pursuant to such Section been CRRA Waste and Credited Merchant Waste delivered in the same proportions as the CRRA Waste and Credited Merchant Waste actually delivered to the Facility.

FTLS *Federal Tax Law Surcharge* shall be ($3.00 x OEF) per ton of CRRA Waste up to the Throughput Guaranty, provided that in each Contract Year FTLS shall be payable for Guaranteed Tonnage whether or not such CRRA Waste was delivered.

GT *Guaranteed Tonnage* shall mean 147,000 tons of Acceptable Waste per Contract Year (subject to adjustment as may result from changes made to the Facility at the request of the Authority, *provided, however*, that for a Contract Year of less than 52 weeks, the Guaranteed Tonnage shall be adjusted pro rata to the approximate expected deliveries set forth in the waste delivery schedule of the Service Agreement.

LC *Landfill Costs* shall be an amount equal to the sum of the costs set forth in this definition. LC shall include amounts equal to the incremental cost to the Authority for disposal of the Residue (other than Residue that is Hazardous Waste) resulting from the processing of Waste brought to the Facility by the Company pursuant to the Section relating to Other Waste; *provided, however*, that the portion of LC attributable to the disposal of such Residue shall in no event exceed the incremental cost to the Authority for the disposal of Residue resulting from the Processing of an amount of Waste at the Facility equal to the positive difference between the total tonnage processed at the Facility during the Contract Year and the Throughput Guaranty. Such incremental cost for the Residue resulting from Processing Solid Waste brought to the Facility by the Company pursuant to such Section in excess of the Throughput Guaranty but less than TG plus 17,250 tons per year shall equal $15 per ton of Residue multiplied by OEF. Such incremental cost for Residue resulting from Processing Solid Waste brought to the Facility by the Company pursuant to such Section in excess of TG plus 17,250 tons per year shall be an amount per ton equal to the sum of (i) the Authority's actual average cost per ton for the disposal of Residue, such actual average cost being the per Ton average of the Authority's actual capital and operating (including costs paid by the Authority pursuant to Section 5.01(b) (relating to landfill capacity) and payments in lieu of taxes and other surcharges) costs related

to its disposal facility, together with (ii) an additional charge not to exceed $3.00 per ton payable to the Town of Montville (which charge is to be excluded from the calculation of the actual average cost) imposed on or incurred by the Authority as a direct consequence of the disposal of such Residue. All such costs shall be supported by the equivalent of Cost Substantiation. If the Company fails to meet the Residue quality performance criteria for Processing any Acceptable Waste, Landfill Costs with respect to Residue which is in excess of such criteria shall also include twice the actual costs of disposal (supported by the equivalent of Cost Substantiation) of such excess Residue resulting from such failure, which amount includes, but is not limited to, an amount (which is not capable of being estimated) as liquidated damages and not as a penalty in order to compensate the Authority for the loss of Landfill capacity. Landfill Costs shall also include a per ton amount equal to $45 escalated by OEF for (i) Bypassed Waste in excess of the Bypassed Waste Allowance set forth in the Service Agreement, (ii) costs to be borne by the Company for the disposal of Non-Processible Waste or Unacceptable Waste in connection with deliveries of Hazardous Waste, Unacceptable Waste or Non-Processible Waste and removal of the same, to the extent initially paid or payable by the Authority and (iii) certain costs to be borne by the Company regarding the Landfill, for the disposal of Residue which is Hazardous Waste to the extent initially paid or payable by the Authority. Landfill Costs shall also include an amount of money (which amount may be positive or negative) for each of twelve consecutive calendar months following each time that the following calculation is performed. The calculation shall be performed each time the permits which determine the level of operation of the Facility are changed, with the consequence of a change in the number of Tons of Acceptable Waste that are allowed to be incinerated at the Facility. The calculation shall be made using a level of operation expressed in terms of tons per day on an annualized basis. If the new level is higher than the last permitted level, then Landfill Costs shall be increased by an amount which is (1) $41,667 times (2) a fraction. If the new level is lower than the last permitted level, then Landfill Costs shall be reduced by an amount which is (1) $41,667 times (2) a fraction. The fraction shall be, in either case, (1) the absolute difference obtained by subtracting the last permitted level from the new level divided by (2) 90. The last permitted level shall be 600 for the first such calculation and, if any new level is below 600, the new level for the calculation for such twelve-month period shall be deemed to be 600.

OCD *Operating Cost Decreases* shall mean the operating cost decreases resulting from or occurring during the pendency of an Uncontrollable Circumstance. Such operating cost decreases shall be determined by multiplying the total annual cost decrease by a fraction the numerator of which is the number of tons of CRRA Waste plus the number of tons of Credited Merchant Waste Processed by the Facility during the Contract Year and the denominator of which is the total number of tons of Waste Processed by the Facility during the Contract Year.

OEF *Operating Escalation Factor,* for any period of time, means the rate of escalation set forth in the Service Agreement (which has been designed to approximate actual cost escalation).

OWS *Other Waste Share* shall mean eighty-five percent (85%) of the "net tip fees" received by the Company for Processing Credited Merchant Waste. The term "net tip fees" shall mean all net tip fees received by the Company for Processing such Credited Merchant Waste less (i) any dioxin taxes and (ii) any other per ton surcharges levied against each ton of such Processed Credited Merchant Waste, in either case to the extent not otherwise paid or payable under the Service Fee by the Authority.

PT *Pass-Through Costs* shall mean certain specified costs paid or incurred by Company including the following:

a. Rental payments made pursuant to the Facility Site Lease;

b. Sewer charges to the Company for the handling of up to but not exceeding 1,500,000 gallons of sewage per year;

c. Water charges to the Company for up to but not exceeding 125,000,000 gallons per year;

d. Electricity costs to the Company for electricity purchased for and used at the Facility up to but not exceeding 950,000 KWh per year;

e. Any state and local gross receipts tax (unless such gross receipts tax is in lieu of and substantially equivalent to a tax measured by or imposed on net income), sales, use and property taxes or payments in lieu thereof, but not federal, State or local income taxes payable by any party to the Service Agreement, *provided, however*, if a Pilot Agreement has been executed and is in full force and effect at a time when one or both of the Parents execute one or more Corporate Guaranty Agreements with respect to, in the aggregate, 100% of the Bonds and as a result of such execution of such Corporate Guaranty Agreements the Company is relieved of substantially all of its rental obligations under the Facility Lease, then property taxes or payments in lieu thereof shall not be a Pass-Through Cost to the extent they exceed amounts that would have been payable as property taxes or payments in lieu thereof under such Pilot Agreement had the Company not been so relieved of such rental obligations;

f. Additional costs (subject to Cost Substantiation) of the Company for (i) transporting Residue (other than Residue which is Hazardous Waste) and Bypassed Waste (other than Bypassed Waste in excess of the amounts set forth in the Service Agreement), more than 16 miles (one way) to the Landfill, *provided, however,* that if the distance to the landfill is less than 16 miles (one way) to the Landfill, any cost savings to the Company shall be a credit against the Service Fee and (ii) transporting Non-Processible Waste and Unacceptable Waste and Residue that is Hazardous Waste to a Landfill or alternate disposal site more than 30 miles (one way) to the Landfill or alternate disposal site;

g. Discriminatory taxes, fees or other assessments with respect to resource recovery facilities or the Facility;

h. Premiums (to the extent not financed with Bonds) and deductibles for certain insurance coverages required under the Service Agreement;

i. Costs of work changes requested by the Authority to the extent not financed with Bonds;

j. Costs to be borne by the Authority for the clean-up of Hazardous Waste;

k. Costs to be borne by the Authority for the disposal of Residue which is Hazardous Waste to the extent initially paid or payable by the Company; and

l. Certain amounts paid by the Company to CL&P as the result of an early termination of the Energy Sales Agreement due to a termination of the Service Agreement because of Authority fault or Uncontrollable Circumstances.

Any costs that are designated as Pass-Through Costs but which are incurred prior to the commencement of the obligation of the Authority to pay the Service Fee shall, unless previously paid, be payable as PT in the first full Contract Year during which the Service Fee is calculated *provided,*

however, if a Pass-Through Cost is incurred prior to the commencement of the obligation of the Authority to pay the Service Fee but after the budget for such Contract Year has been prepared such Pass-Through Cost shall, unless previously paid, be includable in the Service Fee for the second full Contract Year during which the Service Fee for the second full Contract Year during which the Service Fee is calculated. All Pass-Through Costs shall bear interest from the date incurred until paid at a rate per annum equal to the Prime Rate plus one percent.

The foregoing notwithstanding, PT shall exclude any and all amounts (except to the extent that such amounts are greater on a per ton basis for Waste delivered pursuant to the Section relating to Other Waste or Processed in excess of 197,100 tons per Contract Year than are such amounts for Waste not delivered pursuant such Section or less than or equal 197,100 Tons per Contract Year) paid or incurred by the Company and otherwise includable in PT by virtue of subsections (e), (h) and (i) above which are paid or incurred as the direct consequence of the Processing of Waste delivered to the Facility pursuant to such Section to the extent the Facility Processes more than 197,100 Tons in a Contract Year.

PAWS *Prorated Acceptable Waste Surcharge* shall mean the percentages set forth in the table below of net revenues received by the Company for Acceptable Waste brought to the Facility by the Company pursuant to the Section relating to Other Waste and Processed by the Facility in excess of 205,000 tons per year:

TONS PROCESSED/YEAR	%
Above 205,000 - 209,000	5%
209,001 - 219,000	8%
219,001 - 229,000	10%
229,001 and over	15%

For purposes of this defined term only, net revenues will consist of the energy revenues received pursuant to the Energy Sales Contract plus all revenues directly or indirectly by the Company for accepting or Processing such Acceptable Waste over 205,000 tons per year less costs paid or incurred by the Company for Residue disposal, including transportation costs, attributable to such Acceptable Waste and (i) UCC and (ii) the costs of a Capital Project not paid by the Authority or as DS, calculated in the case of both (i) and (ii) on a per ton basis.

For example, if 240,000 tons were processed and $40 per ton of net revenue (as calculated above) was received by the Company, the amount would be calculated as shown below:

205,001 - 209,000	4,000 x $40 x 5%
209,001 - 219,000	10,000 x $40 x 8%
219,001 - 229,000	10,000 x $40 x 12%
229,001 - 240,000	11,000 x $40 x 15%

RRC *Recovered Resource Credit* shall mean the share of proceeds from the sale of Recovered Resources, other than electricity, pursuant to a Product Sales Agreement to which the Authority is entitled, as agreed to by the parties.

SF *Service Fee,* in any Contract Year, shall mean the fee payable in such Contract Year.

SF* *Service Fee Adjustment* is generally an amount repayable to the Company for certain Capital Projects financed by the Company.

TG Shall mean "Throughput Guaranty".

UCC *Uncontrollable Circumstance Costs* shall mean annual incremental cost increases (excluding those costs which are treated as the cost of a Capital Project to the Company resulting from the occurrence of an Uncontrollable Circumstance for which the Company shall provide Cost Substantiation to the Authority) Such annual incremental cost increase shall be determined by multiplying the total annual cost increase by a fraction the numerator of which is the number of tons of CRRA Waste plus the number of tons of Credited Merchant Waste Processed by the Facility during the Contract Year, and the denominator of which is the total number of tons of Waste Processed by the Facility during the Contract Year.

Annual Reconciliation

After the end of each Contract Year, the Company shall deliver to the Authority an annual settlement statement, which shall show the (i) computation of the Service Fee due for the Contract Year and other amounts owing with respect to any prior Contract Year and (ii) a detailed reconciliation of all amounts so computed, with the amount actually paid during the Contract Year. If the reconciliation is such that the Authority has overpaid the Company, then an amount equal to the overpayment shall be due and payable by the Company to the Authority. If the reconciliation is such that the Authority has underpaid the Company, then an amount equal to the underpayment shall be due and payable by the Authority to the Company.

Notwithstanding the provisions of the Service Agreement discussed in the last preceding paragraph, if the reconciliation is such that the Authority has overpaid the Company, the Company may elect to repay to the Authority the amount due and payable either (i) in equal monthly payments over the remaining portion of the then current Contract Year or (ii) in equal monthly payments during the Contract Year for which the next succeeding annual budget will apply. If the reconciliation is such that the Authority has underpaid the Company, the Authority may elect to pay the Company the amount due and payable either (i) in equal monthly payments over the remaining portion of the then current Contract Year or (ii) by including such amount in the preparation of the next succeeding annual budget.

Financing Capital Projects

The cost of Capital Projects are required to be financed from the following sources of funds in the following order of priority (after application of (i) any proceeds of insurance required to be maintained in accordance with the Service Agreement, and (ii) deductible amounts payable by the Company on insurance required to be maintained in accordance with the Service Agreement): (1) Bonds issued by the Authority and sold, other than as provided in (3) below, that are secured on an equal and ratable basis with Bonds issued by the Authority plus Pro Rata Equity Capital; (2) Bonds issued by the Authority and sold, other than as provided in (3) below, that are subordinated to the Bonds issued by the Authority plus Pro Rata Equity Capital; (3) Bonds issued by the Authority that are secured on an equal and ratable basis with Bonds issued by the Authority and sold to the Company, plus Pro Rata Equity Capital; and (4) funds provided by the Company (other than through the purchase of Bonds), plus Pro Rata Equity Capital.

Pro Rata Equity Capital shall be calculated in accordance with the Service Agreement but shall not be more than 25% of the costs of such applicable Capital Project, and in no event shall Pro Rata Equity Capital exceed $4,600,000 on a cumulative basis.

If the Company finances Capital Projects other than through the issuance by the Authority of additional Bonds, the Company shall be entitled, after providing appropriate Cost Substantiation, to adjust the Service Fee by an amount equal to SF*. SF* will be calculated by taking the cost of the Capital Project, less Pro Rata Equity Capital, and paying such amount to the Company in equal annual payments of principal (or a pro rata portion thereof for a Contract Year that is less than twelve months) over a period of time equal to (or, at the option of the Authority, less than) the lesser of the useful life of the Capital Project or the remaining term of the Service Agreement, together with interest on any outstanding balance at the actual cost to the Company of providing such amount, subject to Cost Substantiation.

If additional financing is required pursuant to the Service Agreement to finance the cost of Capital Projects or other Facility costs as required by the Service Agreement, the rights and obligations of the Authority and the Company shall be as follows:

(i) If additional financing is required in an amount up to, together with all amounts previously issued, as described under this subheading, $30 million in aggregate principal amount of Bonds, the Company shall and shall cause the Parents, unless the Company shall be excused pursuant to paragraph (v) immediately below, to consent to the issuance of Bonds by the Authority up to the amount required pursuant to the Service Agreement and to cause Parent Support to be provided for such Bonds.

(ii) If the Company provides Parent Support pursuant to paragraph (i) above, the Authority shall cause the Special Capital Reserve Fund to be pledged to secure the additional financing described in paragraph (i) above. Failure of the Authority to comply with this paragraph (ii) after the Company has provided Parent Support pursuant to paragraph (i) above shall excuse the Company from its obligations under paragraph (i) above.

(iii) If additional financing is required pursuant to the Service Agreement in an amount in excess of $30 million in aggregate principal amount of Bonds, but not in excess of an amount that would cause the Service Fee Estimate to exceed the Service Fee Cap, the Company shall, and shall cause the Parents, unless the Company shall be excused pursuant to paragraphs (iv) or (v) below, to consent to the issuance of Bonds by the Authority up to but not exceeding the amount required pursuant to this paragraph (iii), and to cause Parent Support to be provided for such Bonds.

(iv) If the Company provides Parent Support pursuant to paragraph (iii) above, and each Parent (or other issuer of Parent Support) is rated by Moody's or S&P in a rating category that is generally recognized as being "investment grade", the Authority shall cause the Special Capital Reserve Fund to be pledged to secure the additional financing described in paragraph (iii) above. Failure of the Authority to comply with this paragraph (iv) after the Company has provided Parent Support pursuant to paragraph (iii) above shall excuse the Company from its obligations under paragraph (iii) above.

(v) The obligations of the Company under paragraphs (i) and (iii) above shall be conditioned on the Bonds for which Parent Support is required (x) bearing a fixed interest rate, (y) having substantially level debt service (which may be derived from the Bond being serial bonds, term bonds or any combination of the foregoing) and (z) having a maturity not exceeding the remaining term of the Service Agreement.

Uncontrollable Circumstances

(i) Upon the occurrence of an Uncontrollable Circumstance which the parties agree or, as a result of a dispute, the Independent Third Party determines can be remedied so that the resulting Service Fee Estimate does not exceed the Service Fee Cap, all actions required to remedy the effects thereof shall be completed expeditiously by the Company.

During the course of such Uncontrollable Circumstance and the effects thereof, the Company is required to (1) continue to utilize the Facility for the disposal of CRRA Waste to the extent reasonably possible, and (2) provide alternate disposal of CRRA Waste to the extent that the Facility is not available. The Authority is required to continue to be obligated to pay the Service Fee so long as disposal service is provided. If and to the extent that the Facility does not process CRRA Waste, the Authority is required to direct the Company as to the specific alternate disposal sites which the Company is to use. The Company is required to use its reasonable efforts to reduce the cost of operation and maintenance at the Facility during the term of the Uncontrollable Circumstance.

(ii) If the parties agree or, as a result of a dispute, the Independent Third Party determines that the causes or effects of an Uncontrollable Circumstance cannot be remedied so that the Facility can Process Waste at the Minimum Acceptance Criteria without the resulting impact of such Uncontrollable Circumstances, plus all previous Uncontrollable Circumstances, causing the resulting Service Fee Estimate to exceed the Service Fee Cap, the Authority shall elect either, at its option (1) to terminate the Service Agreement, upon which termination the obligation of the Company under the Facility Lease to pay Lease Rentals shall cease without further action by any party (and the Company may exercise the purchase option set forth in the Facility Lease, and, if such option is exercised, the Authority shall take all action necessary to transfer title to the Facility, free of liens relating to Authority indebtedness, including, but not limited to, the lien created by the Indenture, to the Company); or (2) to authorize the issuance of additional Bonds pursuant to the Service Agreement or increases in the Service Fee (even if the Service Fee would exceed the Service Fee Cap), in amounts sufficient to remedy the causes or effects of the Uncontrollable Circumstance or a combination of such issuances and increases; *provided, however,* that clause (2) of this sentence shall not be applicable if such causes or effects cannot be remedied so that the Facility can Process Waste at the Minimum Acceptance Criteria.

Service Fee Cap

(i) In general, the Service Fee Cap shall be (as of any date of determination) an amount equal to twice the Baseline Service Fee Estimate (calculated as described in paragraph (iv) below).

(ii) .As of any date of determination, the sum of the present value (discounted at a rate equal to the average interest rate, weighted by reference to the relative principal amounts and maturities of each of the fixed rate Bonds Deemed Outstanding issued pursuant to the Service Agreement; *provided, however,* if there are any Bonds Deemed Outstanding, other than fixed rate Bonds, the rate on such Bonds shall be determined by reference to the weighted average of all of the interest rates borne by all such Bonds during the period commencing on the Closing Date and ending on the applicable date of determination) of the Service Fee estimated to be applicable for each Contract Year (or portion thereof for a period less than a full Contract Year) during the remaining term of the Service Agreement, is herein referred to as the "Service Fee Estimate." A Service Fee Estimate shall be calculated on such date or dates as are referred to in paragraph (iii) below.

(iii) Upon the occurrence of any Uncontrollable Circumstance, at the request of either party, the Service Fee Estimate shall be recalculated as of and from the date of such occurrence by recomputing (and, if appropriate, revising) each component of the Service Fee formula described above under the heading "Service Fee" in the light of all relevant facts, including prior experience, existing on the date of such request, except that Bonds Deemed Outstanding shall be deemed to bear interest to maturity at the rate of discount determined pursuant to paragraph (ii) above.

(iv) The foregoing recalculation of the Service Fee Estimate as of and from the date of occurrence of an Uncontrollable Circumstance shall be compared with a second recalculation as of and from such date (the "Baseline Service Fee Estimate") which shall differ from the first recalculation by, and only by, excluding the effect of all Uncontrollable Circumstances which have occurred after the Notice to Proceed Date. Notwithstanding the foregoing, both the Baseline Service Fee Estimate and the Service Fee Estimate shall be calculated applying the discount rate set forth in paragraph (ii) above. A comparison shall then be made of the Service Fee Estimate and the related Baseline Service Fee Estimate in order to determine if the Service Fee Cap has been exceeded. Notwithstanding the foregoing, on the Notice to Proceed Date the Service Fee Cap shall be an amount equal to twice the Service Fee Estimate on such date.

(v) The Service Fee Cap shall be deemed exceeded if any portion of a Service Fee Estimate attributable to any Contract Year exceeds 225% of the portion of the related Baseline Service Fee Estimate attributable to such Contract Year.

(vi) The calculation of any Service Fee Estimate and Baseline Service Fee Estimate shall exclude cost increases to the Authority, to the extent such cost increases arise from the causes or effects of (i) any Change in Law, to the extent such Change in Law is a matter referred to in (a), (b), (c), (d) or (e) of the definition of such term and has an effect described in (i), (ii) or (iii) of such definition solely because it adversely affects the Authority's obligation to provide a Landfill in accordance with the Service Agreement, but which is not also directed at the Facility or does not otherwise adversely affect the Facility or the construction or operation thereof, or (ii) an Uncontrollable Circumstance which, in the case of the Authority increases the Authority's costs of providing a Landfill in accordance with the Service Agreement and does not otherwise materially and adversely affect the Facility or the construction or operation of the Facility or (iii) certain other matters.

Purchase of Facility Interests

a. The Service Agreement provides for three different purchase prices (each a "Facility Interests Purchase Price") at which the Authority can purchase the Facility Interests upon termination of the Service Agreement. The applicable Facility Interests Purchase Price will depend upon the event giving rise to the Authority's purchase option. The three Facility Interests Purchase Prices are: (i) the greatest of (but never less than zero) (a) Net Equity, or (b) the Fair Market Value minus the excess of Bonds Deemed Outstanding above Available Indenture Funds, or (c) the Adjusted Fair Market Value minus the excess of Bonds Deemed Outstanding above Available Indenture Funds; (ii) the greater of (but never less than zero) (a) Net Equity or (b) the Fair Market Value minus the excess of Bonds Deemed Outstanding above Available Indenture Funds; and (iii) the least of (but never less than zero) (a) the excess of Bonds Deemed Outstanding above Available Indenture Funds, or (b) the excess of Fair Market Value above Available Indenture Funds, or (c) the excess of Adjusted Fair Market Value above Available Indenture Funds.

The events giving rise to an Authority option to purchase the Facility Interests for the Facility Interests Purchase Price described in clause (i) above are (a) termination of the Service Agreement resulting

from the occurrence of Uncontrollable Circumstances or (b) termination of the Service Agreement resulting from Authority default or (c) termination of the Service Agreement for failure of the Authority to provide certain additional financing secured by a Special Capital Reserve Fund if required by the Service Agreement.

The event giving rise to an Authority option to purchase the Facility Interests for the Facility Interests Purchase Price described in clause (ii) above is the reasonable termination by the Company of the Service Agreement in anticipation of the occurrence of Uncontrollable Circumstances other than a State Change in Law.

The events giving rise to the Authority option to purchase the Facility Interests for the Facility Interests Purchase Price described in clause (iii) above are termination of the Service Agreement resulting from Company fault.

b. As used in the Service Agreement and in this Summary, the following terms have the respective meaning indicated therefor:

(i) "Fair Market Value" means the value (but not less than zero) which would be obtained for the Facility Interests (assuming no Lease Rentals are due after the date of termination of the Service Agreement) in an arm's length transaction between an informed and willing buyer, under no compulsion to buy, and an informed and willing seller, under no compulsion to sell, and based upon the continued use of the Facility as solid waste disposal and resource recovery facility in its then current condition, and assuming that the Facility is not encumbered by any lien securing Bonds or securing amounts provided by one or both Parents to the Company which amounts have been applied by the Company pursuant to the Service Agreement to finance the costs of Capital Projects, but that all other liens on the Facility other than those relating to an obligation of the Authority are considered in establishing value.

(ii) "Adjusted Fair Market Value" means the "Fair Market Value" as defined in clause (i) above, but based upon the further assumption that the provisions of the Service Agreement (other than those relating to termination), including those provisions requiring performance under the Service Agreement and payment for failure thereof, remain in effect for the full term of the Service Agreement and assuming, in the case of Uncontrollable Circumstances, that such Uncontrollable Circumstances had not occurred. Adjusted Fair Market Value may never be less than zero.

(iii) "Bonds Deemed Outstanding" means the difference of the aggregate principal amount of Outstanding Bonds, together with interest accrued and unpaid on such Bonds to the date of termination.

(iv) "Net Equity" means the difference of (a) Equity Capital and Pro Rata Equity Capital paid by the Company (provided, however, to the extent Equity Capital is financed by the Authority pursuant to the Service Agreement and the Company is relieved under the terms of such financing of repayment of Company indebtedness thereunder, such Equity Capital shall be excluded from clause (a)), less (b) the amount of federal tax benefits realized by the Company (or the Parents, as applicable) solely due to ownership of the Facility Interests by the Company, but after giving effect to the Company (or the Parents, as applicable) of the event pursuant to which "Net Equity" is to be paid to the Company. Net Equity shall never be less than zero. Net Equity shall also include all amounts provided by the Company to finance Capital Projects and not otherwise paid or payable to the Company as SF*.

(v) "Available Indenture Funds" means amounts available under the Indenture for the payment of Bonds Deemed Outstanding upon such termination.

c. Any purchase of the Facility Interests by the Authority in connection with a Company default as described in paragraph (a) above is subject to the requirements that the Authority's payment of the Facility Interests Purchase Price to the Trustee (unless CRRA has made the election provided in Section (d) below) shall be applied to the unpaid principal of, premium, if any, and interest on the Bonds Deemed Outstanding, to the extent that funds for such purposes are not otherwise available under the Indenture.

d. The Authority may, however, with respect to a purchase of the Facility Interests in connection with a Company default elect (in lieu of providing funds for payment of the Facility Interests Purchase Price in cash) that as of the date of termination of the Service Agreement and, without further action by any party, the obligations of the Company under the Facility Lease for the payment of Lease Rentals (other than Lease Rentals that have been accrued prior to the date of purchase) in respect of the Bonds Deemed Outstanding to the extent of the Facility Interests Purchase Price shall cease.

Insurance

The Company is required to use all reasonable efforts to obtain and maintain insurance (i) to the extent available at commercially reasonable terms in the insurance marketplace, with respect to the reconstruction, equipping, operation and maintenance of the Facility, in such amounts, forms, and terms as are provided in the Service Agreement, and (ii) to the extent unavailable or only available on commercially unreasonable terms in the insurance marketplace, in the maximum amounts that are available on commercially reasonable terms in the insurance marketplace.

Default, Termination And Remedies

Events of Default by the Company

The following shall constitute Events of Default on the part of the Company: (i) The Company shall be or become insolvent or bankrupt or cease to pay its debts as they mature or make an arrangement with or for the benefit of its creditors or consent to or acquiesce in the appointment of a receiver, trustee or liquidator for a substantial part of its property, or (ii) a bankruptcy, winding-up, reorganization, insolvency, arrangement or similar proceeding shall be instituted by or against the Company under the laws of any jurisdiction, which proceeding has not been dismissed within 90 days, or (iii) any action or answer shall be taken or filed by the Company approving of, consenting to, or acquiescing in, any such proceeding, or (iv) the levy of an attachment or execution upon the property of the Company which shall substantially interfere with its performance under the Service Agreement. Upon the occurrence and continuance of such Event of Default, the Authority shall have the right to terminate the Service Agreement without delivering notice of such Event of Default to the Company.

Event of Default by the Authority

The following shall constitute an Event of Default on the part of the Authority: Participating Municipalities controlling more than 50% of the Guaranteed Tonnage (as determined by reference to the Minimum Commitment of each such Participating Municipality in its respective Municipal Service Agreement) shall institute a bankruptcy or other similar proceeding or a bankruptcy or similar proceeding shall be instituted against such Participating Municipality or Municipalities and shall not be dismissed within 90 days,

and, in either case, as a result thereof there is an alteration of the obligations of the Company and the Authority under the Service Agreement which has a material adverse effect on the Company. Upon the occurrence and continuance of such Event of Default, the Company shall have the right to terminate the Service Agreement without delivering notice of such Event of Default to the Authority.

Failure of the Company to Fulfill Certain Obligations; Remedies

a. The Authority shall have the rights specified in paragraph (b) below if the Company shall:

(i) fail to pay amounts owed to the Authority or the Trustee under the Service Agreement within 60 days after such amounts become due and payable; provided that there is no dispute which has been submitted to dispute resolution and not yet resolved under resolution procedures set forth in the Service Agreement with regard to such payments; or

(ii) fail to comply with provisions of the Service Agreement requiring the Company to obtain certain credit support for additional financing of Capital Projects necessitated by Uncontrollable Circumstances, unless otherwise excused pursuant to the Service Agreement; or

(iii) fail to timely perform any other material obligation under the Service Agreement; provided, however, that failure to perform such a material obligation shall not be deemed an event for the purposes of paragraph (b) below if the obligation with respect to which such failure occurs can be remedied with money damages (whether liquidated or not under the Service Agreement) under the Service Fee.

b. (i) After notice of the occurrence of an event specified in clauses (i), (ii) or (iii) of paragraph (a) above is sent by the Authority to the Company describing in reasonable detail the nature of such event, the Authority shall have all of the rights and remedies specified in the Service Agreement, provided, however, in the case of an event specified in clause (iii) of paragraph (a) above, the Company, after receipt of written notice from the Authority, shall have 45 days to correct the results of such event. If the results of such latter event are able to be corrected, but shall be such that they cannot be corrected within such 45-day period, the Authority may not exercise its rights and remedies described in this paragraph (b) as long as corrective action is instituted within such period and is diligently pursued until such results are corrected; provided, however, that if such action includes legal action, such legal action shall be diligently issued until either the event is corrected or such event shall be resolved by a final judgment of a court of final and competent jurisdiction. If (a) a judicial decree is issued and continues in effect requiring the Company to perform any obligation under the Service Agreement that is not in dispute or (b) after a decision is made by the Independent Third Party determining any rights and remedies of the Authority under the Service Agreement, a judicial decree is issued and continues in effect upholding such rights and remedies, and, in either case, the Company fails to comply with such judicial decree within 30 days, then the Authority shall have the right to terminate the Service Agreement.

(ii) During the period that the Authority is pursuing judicial enforcement of obligations under the Service Agreement that are not in dispute or of a decision of the Independent Third Party awarding the Authority overdue payments or ordering performance, the Authority, at its option, shall be excused from performing under the Service Agreement:

Failure of the Authority to Fulfill Certain Obligations; Remedies

a. The Company shall have the rights and remedies specified in paragraph (b) below if the Authority shall:

(i) fail to pay amounts owed to the Company under the Service Agreement within 60 days after such amounts become due and payable, provided that there is no dispute which has been submitted to dispute resolution and not yet resolved under dispute resolution procedures set forth in the Service Agreement with regard to such payments; or

(ii) fail to comply with provisions of the Service Agreement requiring the Authority to pledge the Special Capital Reserve Fund to support additional financing of Capital Projects necessitated by Uncontrollable Circumstances, unless otherwise excused pursuant to the Service Agreement; or

(iii) fail to timely perform any other material obligation under the Service Agreement: provided, however, that failure to perform such a material obligation shall not be deemed an event for purposes of paragraph (b) below if the obligation with respect to which such failure occurs can be remedied with money damages (whether liquidated or not under the Service Agreement) under the Service Fee.

b. (i) After notice of the occurrence of an event specified in paragraph (a) above is sent by the Company to the Authority describing in reasonable detail the nature of such event, the Company shall have all of the rights and remedies specified in the Service Agreement; provided, however, in the case of an event specified in clause (iii) of paragraph (a) above, the Authority, after receipt of written notice from the Company, shall have 45 days to correct the results of such event. If the results of such latter event are able to be corrected, but shall be such that they cannot be corrected within such 45-day period, the Company may not exercise its rights and remedies in this paragraph (b) so long as corrective action is instituted within such period and is diligently pursued until such results are corrected; provided, however, that if such action includes legal action, such legal action shall be diligently pursued until either the event is corrected or such event shall be resolved by a final judgment of a court of final and competent jurisdiction. If (a) a judicial decree is issued and continues in effect requiring the Authority to perform any obligation under the Service Agreement that is not in dispute or (b) after a decision is made by the Independent Third Party determining any rights and remedies of the Company under the Service Agreement, a judicial decree is issued and continues in effect upholding such rights and remedies, and, in either case, the Authority fails to comply with such judicial decree within 30 days, then the Company shall have the right to terminate the Service Agreement.

(ii) During the period that the Company is pursuing judicial enforcement of obligations under the Service Agreement that are not in dispute or of a decision of the Independent Third Party awarding the Company either overdue payments or ordering performance, the Company shall, at its option, be excused from performing under the Service Agreement.

Termination by the Authority

If the Authority is granted the right to terminate the Service Agreement for Company fault, the Authority may elect to do so by 5 days' notice in writing to the Company. The Authority shall have the right to require the Company to elect to, either (i) pay to the Trustee an amount sufficient to redeem or defease all the Bonds Deemed Outstanding (other than such Bonds as have been guaranteed by the Parents) or (b) cause

the Parents to guarantee (if they have not already done so), pursuant to the Company Support Agreement, all Bonds Deemed Outstanding (other than such Bonds moneys for the redemption or defeasance of which have been provided to the Trustee), upon delivering to the Company a written notice of such election. Such payment or guarantee shall be required to be made within 30 days of delivery of such notice. When such payment or guarantee, or both, have been made as provided above (or, if the Parents have previously guaranteed all Bonds Deemed Outstanding then on the thirtieth day following such notice), the Service Agreement shall terminate.

If the Authority chooses not to proceed as described above, it may, by stating its intent in the notice of termination sent to the Company, purchase the Facility Interests from the Company for the applicable Facility Interests Purchase Price, and upon such purchase the Service Agreement shall terminate.

Upon any such termination as described above, the Company shall pay to the Authority $2,000,000.

If the Facility Interests Purchase Price is an amount insufficient to pay the unpaid principal of, premium, if any, and interest on the Bonds Deemed Outstanding (or with respect to an election by the Authority to discharge the Company's Lease Rental obligations with respect thereto), after taking into account Available Indenture Funds, the Company will furnish to the Trustee funds sufficient to cover such shortfall, a guarantee or guarantees of one or both Parents sufficient for such purpose, or a combination of such funds and guarantee or guarantees sufficient for such purpose.

Termination by the Company

If the Company is entitled to terminate the Service Agreement for Authority fault, the Company may do so upon delivery of 5 days' prior written notice to the Authority and the Trustee. On the date of termination set forth in the Company's notice, without any further action by any party to the Service Agreement, the Company's obligation to pay Lease Rentals under the Facility Lease shall cease. On such date, unless the following sentence shall be applicable, the Company may exercise the purchase option set forth in the Facility Lease to acquire the Facility. The Authority may, however, by notice to the Company and the Trustee, elect to purchase the Facility Interests from the Company.

Miscellaneous

Term

Unless sooner terminated or extended in accordance with the terms of the Service Agreement, the Service Agreement shall continue in effect until November 11, 2015.

Assignment

The Service Agreement may not be assigned by either party without the prior written consent of the other party, except that the Company or the Authority may, without such consent, assign or pledge its interest thereunder (i) as collateral for or otherwise in connection with arrangements for the financing or refinancing of all or part of the costs of the Facility or (ii) in the case of the Company, to any affiliate, successor or Parent; provided, however, that any assignee under such clause (ii) herein must accept all of the obligations of the assigning party and provided, further, that, in the case of Company assignment, the Authority shall have received an acknowledgment by the Parents of their continued obligations under the Company Support Agreement and the Parent Undertaking to the extent that either is then in effect.

Arbitration and Independent Third Party

In order to provide a prompt and economical means of settling all disputes arising out of the Service Agreement or out of the failure or refusal of either party to perform all or any part of the Service Agreement, all disputes shall be submitted to the Independent Third Party for arbitration and binding resolution as permitted pursuant to Chapter 909 of the Connecticut General Statutes. The decision to submit any matter to the ITP shall be final and binding on the parties. Any decision of the ITP shall be conclusive as to the matters submitted to the ITP, shall be final and binding upon the parties, and may be enforced in any court of competent jurisdiction in the State. Any decision or award of the ITP shall be determined by or pursuant to the provisions of the Service Agreement.

THE COMPANY SUPPORT AGREEMENT

Pursuant to the Company Support Agreement, BFI and Duke Capital have agreed to support the Company's performance of certain of its obligations under the Service Agreement and certain of its obligations under the Lease Agreement with respect to the Bonds (together with all additional Bonds issued under the Indenture, if such issuance has been consented to in writing by the Parents, referred to in the Company Support Agreement as the "Bonds") by each contributing to the Company one-half of the funds required to provide equity capital as follows:

A. Until the earliest of

(I) the occurrence of certain events of insolvency or bankruptcy with respect to Participating Municipalities controlling more than 50% of the Guaranteed Tonnage (as determined by reference to each Participating Municipality's Minimum Commitment under its Municipal Service Agreement), resulting in an alteration of the obligations of the Authority and the Company under the Service Agreement which is materially adverse to the Company;

(II) the giving of notice by the Company to the Authority of the Company's termination of the Service Agreement due to any other Authority default thereunder; and

(III) the giving of notice by the Authority to the Company of the Authority's termination of the Service Agreement due to the occurrence of one or more Uncontrollable Circumstances (*See* "Uncontrollable Circumstances" in the summary of the Service Agreement above in this **Appendix C**), or due to an increase in the Authority's disposal costs arising from a change in the legal classification of Residue to Hazardous Waste, which change has the effect of more than doubling the cost to the Authority, SCRRRA or both of disposing of Waste and Residue pursuant to the Service Agreement:

(i) equity capital for the purposes of (x) enabling the Company to pay the periodic Lease Rentals required under the Lease Agreement and (y) providing a limited amount of funds for financing plans for Capital Projects to remedy the causes or effects of Uncontrollable Circumstances on the Facility as provided in the Service Agreement; and

(ii) additional equity capital to provide supplemental monthly funding to the Company in the amount by which its Operation and Maintenance Expense incurred exceeds its Base Operating Cost.

B. Upon an Authority termination of the Service Agreement due to the occurrence of an event of default thereunder with respect to the Company, funds to pay Lease Rentals measured by the principal amount of Bonds (together with accrued interest thereon) to be redeemed or defeased as provided in the Service Agreement. The contribution of such equity capital by a Parent shall not be necessary, however, if such Parent (a) is not the subject of certain specified bankruptcy or reorganization proceedings (an "Eligible Parent"), and (b) has guaranteed pursuant to a guarantee in the form required by the Company Support Agreement, payments of principal, premium, if any, and interest with respect to 50% of the indebtedness represented by Bonds which would be outstanding without giving effect to any payments required to be made by the other Parent to provide funds for the redemption of Bonds, and to any redemption of Bonds funded by such payments.

The support (or guarantee) obligation of a Parent shall not be enlarged by the failure of the other Parent to make timely payment of amounts which it is required to pay under its Support (or guarantee) obligation.

The obligation of an Eligible Parent under its guarantee to pay principal becoming due may be reduced or satisfied at its option to the extent it has delivered to the Trustee for cancellation Bonds of the series and maturity (and bearing the same interest rate) as the Bonds entitled to the benefit of such payment. In addition, if payment of the principal of and interest on all of the Bonds Deemed Outstanding has been guaranteed by one or more of such Parent guarantees and thereafter the Company is discharged, under the Service Agreement and the Lease Agreement, from its obligation to make Lease Rental payments with respect to any or all of such Bonds, then to the extent of such discharge, the Eligible Parent's payment obligations under its guarantee shall be limited to the payment of all funds received by it from the Authority for the payment of the portion of such Bonds Deemed Outstanding covered by such guarantee.

The Company Support Agreement shall terminate upon the earliest of (i) any of the events referred to in clauses (I), (II) and (III) of Paragraph A above, and (ii) the Company Release Date.

The Company Support Agreement will also terminate (1) as to an Eligible Parent which has executed a guarantee (in the form required by such agreement) as to 50% of the indebtedness represented by the outstanding Bonds, and (2) if an Eligible Parent has executed such a guarantee as to 100% of the indebtedness represented by the outstanding Bonds, in either case, as and to the extent such guarantee is permitted under the Indenture. In addition, if the Authority has terminated the Service Agreement due to the occurrence of an event of default thereunder with respect to the Company, an Eligible Parent will also cease to be subject to the Company Support Agreement if it has guaranteed in this manner 50% of the indebtedness represented by Bonds which would be outstanding without giving effect to any payments required to be made by the other Parent to provide funds for the redemption of Bonds, and to any redemption of Bonds funded by such payments.

Upon termination of the Company Support Agreement in its entirety or as to a Parent, the Parents or such Parent will be released and discharged from all their or its liabilities (whether or not then matured, except that such release and discharge shall not apply to obligations to support matured Lease Rentals) and obligations thereunder.

If the Company Support Agreement has not sooner been terminated as described above, it shall continue until there are no Bonds Outstanding and the Company's obligations under the Service Agreement and the Lease Agreement have been fully discharged.

To the extent a Parent provides funds under the Company Support Agreement, it shall be subrogated to all Lease Rental claims of Bondholders against the Company, and all Service Agreement claims of the Authority against the Company, which have been satisfied or avoided by such provision of funds.

Neither Parent may consolidate with or merge into any other corporation or sell its property or assets as, or substantially as, an entirety to any other corporation unless the resulting (if other than such Parent) or transferee corporation is organized under the laws of the United States or any state thereof and assumes all obligations and liabilities of such Parent under the Company Support Agreement, and executes and delivers to the Trustee and the Authority an appropriate instrument of such assumption, and also delivers to the Trustee and the Authority an opinion of counsel to the effect that its obligations under the Company Support Agreement are legal, valid, binding and enforceable, subject to applicable bankruptcy and similar insolvency

or moratoria laws and general principles of equity (whereupon the Parent shall be released from all of its obligations and liabilities under the Company Support Agreement).

One Parent may substitute the other Parent (if an Eligible Parent) on the Company Support Agreement so that the substituted Parent becomes the sole obligor on such agreement. In any such case the Parent to be substituted shall execute and deliver to the Trustee and the Authority an appropriate instrument of such assumption, and shall also deliver to the Trustee and the Authority an opinion of counsel to the effect that its obligations under the Company Support Agreement are legal, valid, binding and enforceable, subject to applicable bankruptcy and similar insolvency or moratoria laws and general principles of equity (whereupon the Parent or Parents being replaced shall be released from all of its or their obligations and liabilities under the Company Support Agreement).

The form of Parent corporate guaranty agreement required by the Company Support Agreement is an unconditional guarantee of the payment of principal of, premium, if any, and interest on the indebtedness represented by the portion of the outstanding Bonds covered by the guarantee, except for certain optional and excess proceeds redemptions and except that upon acceleration of Bonds payment of accelerated amounts are not required to be made by a guarantor if such guarantor has not defaulted in payments under the guarantee. Such form of corporate guaranty agreement also provides that if within 180 days of the occurrence of certain events of bankruptcy or insolvency of the Parent guarantor (1) such guarantor, as debtor in possession, the receiver, liquidator or trustee (or other official having similar powers) shall not have affirmed such guarantor's obligations under such guarantee (and, if such guarantor is at the time an obligor under the Company Support Agreement, its obligations under such agreement), and (2) such guarantor (or another person on its behalf) shall have failed to make a payment required under such guarantee (and if such guarantor is at the time an obligor under the Company Support Agreement, any payment required to be made by it thereunder), such Parent guarantor will forthwith pay to the Trustee, whether or not there has been a default under the Indenture, the Bonds, such guarantee, the Lease Agreement, the Company Support Agreement, the Service Agreement or any other agreement by the Authority or the Company or by any other party to any thereof, or any failure by the Trustee, the Authority, the Company or any other party to perform any of its duties under any thereof, an amount equal to the amount of its guarantee obligation with respect to the Bonds, together with interest accrued thereon to the date of such event of bankruptcy or insolvency, with interest (if and to the extent permitted by law) upon all unpaid principal and interest at the rate or rates borne by the Bonds, from such date to the date of payment. Such form of corporate guaranty agreement also provides that the Parent guarantor will not consolidate with or merge into any other corporation or sell its property and assets as, or substantially as, an entirety unless the resulting (if other than such guarantor) or transferee corporation is organized under the laws of the United States or any state thereof and assumes the due and punctual performance of the guarantor's obligations under such guarantee, and executes and delivers to the Trustee an appropriate instrument of such assumption, and also delivers to the Trustee an opinion of counsel to the effect that its obligations under such guarantee are legal, valid, binding and enforceable, subject to applicable bankruptcy and similar insolvency or moratoria laws and general principles of equity (whereupon the Parent guarantor shall be released from all of its obligations and liabilities under such guarantee).

The form of Parent corporate guaranty agreement also provides that a guarantee as to less than 100% of the indebtedness represented by Bonds outstanding may at any time be increased by the guarantor Parent (if then an Eligible Parent) to 100% of such indebtedness provided that: (i) at such time there is not existing certain events of bankruptcy or insolvency of such Parent guarantor and (ii) such Parent guarantor shall execute and deliver to the Trustee a new corporate guaranty agreement in substantially the form required by the Company Support Agreement but reflecting its applicability to 100% of the indebtedness represented by the Bonds outstanding, together with an opinion of counsel to the effect that the new corporate guaranty agreement has been duly authorized, executed and delivered by the Parent guarantor and constitutes the valid obligation of the Parent guarantor enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium and similar laws. Simultaneously, the corporate guaranty agreement previously delivered by such

Parent, and the corporate guaranty agreement previously delivered by the other Parent (and any other corporate guaranty agreement or agreements previously executed by either or both Parents), shall be released by the Trustee and returned to the respective Parents.

THE PARENT UNDERTAKING

Pursuant to the Parent Undertaking, BFI and Duke Capital have agreed to support performance by the Company of certain additional obligations as follows:

A. During the period referred to in Paragraph A under "The Company Support Agreement" above, each Parent shall provide the Company Support Agreement or a letter of credit, guaranty or other credit support issued by an entity which is at least as creditworthy as the Parent for up to $15,000,000 principal amount (for an aggregate total of up to $30,000,000 principal amount for both Parents) of Bonds issued to finance capital improvements to remedy the causes or effects of Uncontrollable Circumstances on the Facility as well as capitalized interest on the Bonds during Permitted Delay Periods.

B. During the period referred to in Paragraph A under "The Company Support Agreement" above, each Parent shall contribute one-half of the funds required for the Company to pay the Authority for overpayments of the Service Fee, as determined upon the annual reconciliation of the Service Fee obligation and after the final stated maturity of the Bonds, and to make certain advances to the Trustee on the Authority's behalf.

C. If the Authority terminates the Service Agreement due to Company fault, each Parent shall support performance of the Company's obligation under the Service Agreement to pay $2,000,000 to the Authority, by each contributing funds of $1,000,000.

The liability of each Parent with respect to the obligation described in Paragraph A above is limited to an action by the Authority seeking solely specific performance thereof by such Parent and, if the Authority is not successful in such action for reasons unrelated to the merits of the action, to actual damages to the Authority and SCRRRA not to exceed the lesser of (1) $5,000,000 or (2) one-third of any excess of $15,000,000 over the aggregate of amounts previously paid by such Parent with respect to such obligation minus, in each case, one-half of the amount paid by the Company to the Authority as described in Paragraph C above.

The Support obligations of a Parent shall not be enlarged by the failure of the other Parent to make timely payment of amounts which it is obligated to pay in respect of such other Parent's support obligations.

To the extent a Parent provides funds under the Parent Undertaking, it shall be subrogated to all claims of the Authority against the Company which have been satisfied or avoided by such provision of funds.

The Parent Undertaking shall terminate upon the occurrence of the same events and notices of termination of the Service Agreement (and shall terminate as to an Eligible Parent executing a guarantee in the same manner) that would cause a termination of the Company Support Agreement (or a termination of such agreement as to such Eligible Parent), as described in "The Company Support Agreement", above.

Upon termination of the Parent Undertaking in its entirety or as to either Parent, there shall survive (A) the obligation of such Parent under the Company Support Agreement (whether or not such agreement is then in effect) to provide supplemental monthly funding to the Company in the amount by which its Operation and Maintenance Expense incurred exceeds its Base Operating Cost, with respect to certain lost energy revenues, certain increased costs to the Authority of disposal of Bypassed Waste, and the Authority's costs arising as a result of the Company (rather than the Authority) having provided a disposal site for Waste and

Residue pursuant to the Service Agreement and to provide certain of the funds referred to in Paragraph B above; and (B) the obligations described in Paragraph A (and the related limitation of Parent liability referred to above) and Paragraph C above.

One Parent may substitute the other Parent (if an Eligible Parent) on the Parent Undertaking so that the substituted Parent becomes the sole obligor on such agreement. In such case the Parent to be substituted shall execute and deliver to the Trustee and the Authority an appropriate instrument of such assumption, and shall also deliver to the Trustee and the Authority an opinion of counsel to the effect that its obligations under the Parent Undertaking are legal, valid, binding and enforceable, subject to applicable bankruptcy and similar insolvency or moratoria laws and general principles of equity (whereupon the Parent or Parents being replaced shall be released from all of its or their obligations and liabilities under the Parent Undertaking).

If the Parent Undertaking has not sooner been terminated as described above, it shall continue until there are no Bonds Outstanding and the Company's obligations under the Service Agreement and the Lease Agreement have been fully discharged.

THE MUNICIPAL SERVICE AGREEMENTS

Term of Municipal Service Agreement

Each Municipal Service Agreement became effective upon execution and will remain in effect so long as any Bond or any sums for interest or principal thereon remain outstanding, provided that the last installment of principal on any Bond shall become due no later than 30 years from the effective date of any Municipal Service Agreement. Nine of the Participating Municipalities executed Municipal Service Agreements which became effective on November 13, 1985. The Town of Montville executed a substantially identical Municipal Service Agreement which became effective on November 12, 1985. The Town of Griswold executed a substantially identical Municipal Service Agreement which became effective on July 3, 1986.

Delivery of Solid Waste

Each Participating Municipality is required to deliver all or any portion of its Solid Waste to the Facility as directed by SCRRRA. The Solid Waste delivered to the System must emanate from within the corporate boundary of the Participating Municipality, and may be delivered either separately or in bulk with other Participating Municipalities, and must not be of such a quantity, quality or other nature as to materially impair the operation or capacity of the System or the strength or durability of its structures, equipment or works or as to create flammable or explosive conditions in the System, and must not contain deleterious chemical or other properties or be capable of causing material damage to the System or hazardous or toxic substances. Each Participating Municipality will cause all solid waste delivered to the System by it or on its behalf to comply with any requirements of SCRRRA as permitted by law. Solid Waste which does not conform to such requirements is deemed not accepted by the System (whether or not delivered to the System) for the purposes of the Municipal Service Agreements.

The Authority may from time to time make a determination of the respects in which the Solid Waste delivered to the System by or on behalf of a Participating Municipality is not in compliance with Authority standards. Such a determination shall be mailed to the Participating Municipality. The Participating Municipality may thereafter object to the determination in accordance with the provisions of the Municipal Service Agreement.

Service Payments

SCRRRA is required to calculate and impose Service Payments for all Solid Waste delivered to and accepted by SCRRRA, such that the Aggregate Service Payments received by SCRRRA shall be sufficient to pay for the Net Cost of Operation. Service Payments shall be at a uniform rate per ton for all Participating Municipalities. Such uniform rate per ton is payable in each Billing Period based upon the greater of the actual tons delivered by the Participating Municipality or the Minimum Commitment of such Participating Municipality. SCRRRA is required to submit bills to Participating Municipalities on or before the fifteenth day following the end of a month for which payments are required. Participating Municipalities are required to pay Service Payments within 30 days of the date of invoice.

Not less than 180 days prior to the commencement of each Contract Year, SCRRRA is required to estimate (i) the Aggregate Service Payments to be paid by all Participating Municipalities for such Contract Year, (ii) the per ton fee to be charged by SCRRRA, and (iii) an estimate of the Service Payments for the particular Participating Municipality and will submit such information to each Participating Municipality. Each Participating Municipality is then required to make all provisions necessary so that it will be able to pay the Service Payment on a timely basis during the following Contract Year. The Service Payments remain in

effect for the Contract Year with differences between the Aggregate Service Payments and the Net Cost of Operation for each Contract Year being settled in the following Contract Year.

Minimum Commitment

Each Participating Municipality is obligated to pay for the number of tons represented by its Minimum Commitment, if greater than the actual tons delivered by it to the Facility. Notwithstanding the above, beginning in the second Contract Year, a Participating Municipality's Minimum Commitment may be reduced to its expected actual delivery of Solid Waste, so long as the Aggregate Minimum Commitment is maintained at its level on the Commercial Operation Date. If the Solid Waste delivered by all Participating Municipalities equals or exceeds the Aggregate Minimum Commitment, Service Payments allocable to such excess tonnage may be used to reimburse proportionately those Participating Municipalities which did not attain their Minimum Commitment. Prior to the fourth Contract Year, SCRRRA is required to adjust the Minimum Commitments of each Participating Municipality based on actual deliveries, but the Aggregate Minimum Commitment shall not be changed as a result of the adjustment.

Obligations of the Participating Municipality to Make Payments

All Participating Municipalities pledge their full faith and credit for the payment of all Service Payments and any delayed-payment charges and costs and expenses of SCRRRA and its representatives in collecting overdue Service Payments. Each Participating Municipality agrees that its obligations to make any such Service Payments and such other payments, in the amounts and at the times specified in its Municipal Service Agreement whether to SCRRRA or the Trustee, shall be absolute and unconditional, shall not be subject to any setoff, counterclaim, recoupment, defense (other than payment itself) or other right which the Participating Municipality may have against SCRRRA, the Trustee or any other person for any reason whatsoever, shall not be affected by any defect in title, compliance with the plans and specifications, condition, design, fitness for use of, or damage to or loss or destruction of the System or any part thereof.

To the extent that a Participating Municipality does not make provisions or appropriations necessary to provide for and authorize the payment by such Participating Municipality to SCRRRA of the payments required to be made by it under the Municipal Service Agreement, the Participating Municipality will levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder.

In the event of any dispute as to any portion of any bill, the disputing Participating Municipality will nevertheless pay the full amount of the disputed charges when due and will, within 30 days from the date of the disputed bill, give written notice of the dispute to SCRRRA. The dispute will then be resolved under the dispute resolution provisions of the Municipal Service Agreement.

Remedies of SCRRRA

If payment in full of any bill rendered by SCRRRA to a Participating Municipality is not made on or before the close of business on the thirtieth day following the date of the invoice, a delayed payment charge at the Trustee's prime rate on the unpaid amount due will be made. SCRRRA may, whenever any amount due remains unpaid subsequent to the thirtieth day after the due date, provided at least 30 days' advance notice in writing has been given, discontinue accepting Solid Waste from the Participating Municipality until such bill and any subsequent payments which have become due are paid. No such discontinuance shall relieve the Participating Municipality from any of its obligations under the Municipal Service Agreement.

SCRRRA shall have all the remedies prescribed by law and by the Municipal Service Agreement for the enforcement of collection of any payments to be made by the Participating Municipality under the Municipal Service Agreement, including the right to refuse to accept Solid Waste from the Participating Municipality. Notwithstanding the initiation or continuance of any of such remedies, the Participating Municipality shall remain obligated to make the payments required to be made by it under the Municipal Service Agreement. Each Participating Municipality shall be deemed to be in default hereunder if for a period of 30 days after the due date of any payment by it under its Municipal Service Agreement, the Participating Municipality shall fail to pay the full amount of such payment.

Effect of SCRRRA Breach

Failure on the part of SCRRRA to observe or fully perform any of its obligations under the Municipal Service Agreements or by law will not make SCRRRA liable in damages to any Participating Municipality or, so long as SCRRRA renders disposal services to the Participating Municipality, relieve the Participating Municipality of its obligations to make the required payments or fully to perform any other obligation required of it under its Municipal Service Agreement. Each Participating Municipality is entitled to sue SCRRRA for injunctive relief, mandamus, specific performance or to exercise such other legal or equitable remedies, not excluded by the Municipal Service Agreement, to enforce SCRRRA's obligations and covenants thereunder.

Certain Provisions Conditional

Each Municipal Service Agreement limits the expenditure of moneys by and any monetary liability of SCRRRA to funds legally available therefor and provides that SCRRRA will not be in default if the construction or operation of the System is delayed or interrupted by the inability of the Authority or others to issue Bonds to secure needed labor or materials or by inclement weather which delays completion or impairs operation of the Project, strikes which delay construction or impair operation of the System, acts of God or the common enemy, or by acts or neglect of the Participating Municipality or its agents or employees, or by regulations or restrictions imposed by any governmental agency or authority, or by fire or other similar catastrophe or other similar delay beyond the control of SCRRRA, its agents or contractors.

Nonassignability

Except as specifically set forth in each Municipal Service Agreement, no party may assign any interest therein to any person without the consent of the other party thereto, and the terms of each Municipal Service Agreement will inure to the benefit of and be binding upon the respective successors of each party thereto. Nothing contained in any Municipal Service Agreement, however, shall be construed to (i) prevent the reorganization of any party thereto or prevent any other body corporate and politic from succeeding to the rights and duties of a party thereto as may be authorized by law in the absence of any prejudicial impairment of any obligation of contract, or (ii) preclude the assignment to the Trustee by SCRRRA or the Authority of its rights and obligations under any Municipal Service Agreement. Each Participating Municipality has agreed to the assignment of the rights and obligations of SCRRRA to the Trustee and the Authority.

Amendments

Subject to and in accordance with any Bond Resolution, and the specific provisions of the Municipal Service Agreements permitting amendment, the Municipal Service Agreements may be amended from time to time by written agreement, duly authorized and executed by the parties thereto.

Dispute Resolution

The Municipal Service Agreements provide for resolution of disputes by litigation, unless both disputants choose arbitration. If arbitration is chosen, each party shall choose an arbitrator and those two arbitrators shall choose a third arbitrator. If the two arbitrators cannot agree on a third arbitrator, the choice shall be made by the American Arbitration Association. The parties are required to continue performance of their obligations under the Municipal Service Agreements during the pendency of any arbitration.

THE BRIDGE AND MANAGEMENT AGREEMENT

Term

The Bridge and Management Agreement shall remain in full force and effect (unless terminated earlier by the consent of both parties) as long as any Bond or any sums for interest or principal thereon remain outstanding or the Service Agreement shall remain in effect, but not later than 30 years after the effective date of the Bridge and Management Agreement.

Company Operation of the System

The Authority and SCRRRA must use all reasonable efforts to cause the Company to operate and maintain the Facility, to provide the service of Solid Waste processing at the Facility and to transport Residue to the Landfill for at least the term of the Bonds in accordance with the Service Agreement; and must use all reasonable efforts to cause the Company to obtain and maintain all permits, licenses and approvals necessary to operate the Facility.

If it is necessary, in the judgment of the Authority and pursuant to the Act, for the operation of the System in a commercially acceptable manner, the Authority may assume any or all of the operating responsibilities of SCRRRA under the Bridge and Management Agreement and SCRRRA shall pay the Authority the costs of performance of such obligations.

Landfill Acquisition and Operation

SCRRRA must provide a landfill and if Residue is Hazardous Waste, then a disposal site for such Residue, for at least the term of the Bonds or until the termination of the Service Agreement, whichever is later. Such landfill must meet all of the requirements of the Service Agreement. SCRRRA shall cause to be accepted at the landfill all Residue, and at the landfill or elsewhere Bypassed Waste and at a disposal site all Residue that is Hazardous Waste.

SCRRRA must cause the landfill to be operated in accordance with a plan of operation that complies with the Service Agreement, and all applicable laws, regulations, permits, licenses and approvals. SCRRRA must obtain and maintain all permits, licenses and approvals necessary for operation of the landfill, and is responsible for the closure of the landfill or disposal site for Residue that is Hazardous Waste and must provide for post-closure financial responsibilities.

Delivery of Solid Waste

SCRRRA is required to deliver or cause to be delivered to the Facility or elsewhere as required by the Service Agreement all Acceptable Waste generated within the Participating Municipalities or within the boundaries of other municipalities with which SCRRRA has agreed to dispose of Acceptable Waste, provided that SCRRRA is not required to deliver Acceptable Waste which is recycled in accordance with any local, regional, or State solid waste management program.

Acceptable Waste that is available for delivery to the System from SCRRRA shall have priority for disposal at the System, provided, however, that the Authority shall have the right to deliver Acceptable Waste to the Facility to the extent that such deliveries do not impinge on the foregoing priority.

Any excess Acceptable Waste from the Participating Municipalities in excess of the capacity of the Facility to process may be disposed of by SCRRRA at its discretion, but, prior to entering into contracts for such disposal, SCRRRA must first give the Authority the right to enter into a contract on substantially the same terms and conditions as the proposed contracts.

SCRRRA must use all reasonable efforts to prevent the delivery to the Facility of Hazardous Waste and waste which is not Acceptable Waste and shall undertake the responsibilities of the Authority concerning Hazardous Waste and waste which is not Acceptable Waste as set forth in the Service Agreement.

If the Service Agreement is terminated (i) by the Authority for Company fault and the Authority shall have exercised its right to purchase the Facility, (ii) by the Company for Authority fault, or (iii) upon the occurrence of an Uncontrollable Circumstance other than a State Change of Law Termination Event, SCRRRA shall continue to accept and dispose of waste pursuant to the Municipal Service Agreements and the Bridge and Management Agreement and continue to pay all the costs of the Authority relating to the System and all the costs relating to the Bonds until there are no Bonds Outstanding. Upon a State Change of Law Termination Event, the foregoing shall continue to apply except that SCRRRA shall be relieved of any obligation to pay to the Authority any amounts determined by reference to the Authority's obligations to pay principal, interest or premium on the Bonds accruing after the date of the State Change of Law Termination Event.

Payment of Authority Costs

SCRRRA is required to pay to the Authority all of the Authority's expenses which have been or may be incurred or accrued in connection with the operation of the System, or for any other activities required by the Indenture, the Service Agreement or the Act (to the extent not paid by the Company or offset by Revenues realized by the Authority), including, but not limited to: all payments required to be paid by the Authority to the Company under the Service Agreement, except as described in the last sentence of the previous paragraph, insurance, taxes or payments in lieu thereof, the cost of any repairs, replacements, renewals, extensions, enlargements, alterations or improvements, amounts deemed necessary by the Authority to maintain such reserves or sinking funds to provide for expenses of operation and maintenance of the System and administrative expenses.

Failure to Pay

If SCRRRA fails to pay all amounts owing to the Authority on the end of any Billing Period, a delayed payment charge will be imposed on SCRRRA at the rate charged to the Authority for delayed payments under the Service Agreement. In addition, if there is no bona fide dispute, the Authority can on the 30th day after the end of a Billing Period (i) give SCRRRA 30 days notice of its intent to foreclose any mortgage or security interest given by SCRRRA to the Authority; (ii) enforce any assignment of the Municipal Service Agreements granted to the Authority pursuant to the terms thereof, and (iii) revoke the power-of-attorney granted to SCRRRA by the Authority to enforce each and all of the obligations of the Participating Municipalities under the Municipal Service Agreements.

State Change of Law Termination Event

A State Change of Law Termination Event is defined as the occurrence of a State Change of Law (which does not include any activities of the Participating Municipalities, SCRRRA or any other local entity) (1) the causes or effects of which cannot be remedied so that the Facility can process Solid Waste at the Minimum Acceptance Criteria without the resulting impact of such State Change of Law, plus all previous

State Changes of Law on the Service Fee Estimate (including in the calculation thereof increases in the Service Fee attributable to Capital Projects, as defined in the Service Agreement, required as a result of any State Change of Law but excluding from the calculation thereof increases in the Service Fee attributable to all other Uncontrollable Circumstances (as such term is defined in the Service Agreement) and increases caused by costs incurred other than for Capital Projects) payable by the Authority under the Service Agreement exceeding the Service Fee Cap and SCRRRA fails to authorize the issuance by the Authority of Additional Bonds or increases in the Service Fee such that the resulting Service Fee Estimate (including in the calculation thereof increases in the Service Fee attributable to Capital Projects required as a result of any State Change in Law, but excluding from the calculation thereof increases in the Service Fee attributable to all other Uncontrollable Circumstances (as such term is defined in the Service Agreement) and increases caused by costs incurred other than for Capital Projects) may exceed the Service Fee Cap in amounts sufficient to remedy the causes or effects of the State Change of Law and (2) the termination of the Service Agreement occurs in accordance with the terms thereof as a consequence of the foregoing.

If the Service Agreement has been terminated because of a State Change of Law Termination Event, SCRRRA will continue to accept and dispose of waste pursuant to the Municipal Service Agreements and continue to pay all costs of the Authority relating to the System, but SCRRRA will be relieved of its obligation to pay the Authority any amounts determined by reference to the Authority's obligation to pay principal, interest or premium accruing on the Bonds after the date of the State Change of Law Termination Event.

Performance of the Municipal Service Agreements; Assignment of Municipal Service Agreements, Landfill Lease and Other Operating Agreements

SCRRRA shall perform and enforce the Municipal Service Agreements (and all other contracts with other municipalities for the disposal of Acceptable Waste) and shall cause the Participating Municipalities to deliver all Acceptable Waste generated in the Participating Municipalities and to pay all payments due under the Municipal Service Agreements. SCRRRA has assigned its rights and obligations under the Municipal Service Agreements to the Authority, but the Authority has appointed SCRRRA as attorney-in-fact to enforce all of the obligations of the Participating Municipalities under the Municipal Service Agreements. The Authority agrees not to revoke the power of attorney unless (1) in respect of the enforcement of any obligation on which a Participating Municipality is in default as long as SCRRRA takes any action which the Authority requests it to withhold or SCRRRA fails to take any action requested by the Authority within 30 days after notice of the default has been given by the Authority to SCRRRA or (2) SCRRRA shall have defaulted on any of its obligations under the Bridge and Management Agreement and more than 30 days have passed since written notice of such default was provided by the Authority to SCRRRA, unless the default requires more than 30 days to cure and SCRRRA is proceeding diligently to cure such default. SCRRRA agrees that it will use all reasonable efforts to enforce an obligation on which a Participating Municipality is in default upon being requested in writing to do so by the Authority.

SCRRRA agrees to assign to the Authority as security for the performance of SCRRRA's obligations under the Bridge and Management Agreement, the rights enjoyed by SCRRRA under any landfill lease including but not limited to the right to enforce performance by the other party to such landfill lease. If SCRRRA is in default under any of its obligations in the Bridge and Management Agreement, subject to the limitations set forth in the Bridge and Management Agreement, the Authority will succeed to all of the rights of SCRRRA under any landfill lease.

The Authority may pledge the rights assigned to it under the Bridge and Management Agreement, including, but not limited to, any landfill lease to the Trustee, and, to the extent permitted by the Municipal Service Agreements and any landfill lease, to the Company without the consent of SCRRRA.

SCRRRA Rights and Obligations Under the Service Agreement

SCRRRA shall perform certain of the obligations of the Authority under the Service Agreement. The Authority has authorized SCRRRA to deal with the Company on such basis and has authorized SCRRRA to enforce the obligations of the Participating Municipalities under the Municipal Service Agreements. If the Authority fails to perform an obligation under the Service Agreement (other than the obligations which SCRRRA agrees to perform) and such failure has a material adverse effect on SCRRRA, SCRRRA can perform the obligation. However, if the Authority has revoked the power of attorney granted to SCRRRA under the Municipal Service Agreements, SCRRRA may neither enforce such rights nor perform such obligations of the Authority.

So long as the Authority has not revoked its power-of-attorney to SCRRRA, (i) there shall be no termination of the Service Agreement (other than by the Company, if permitted thereby) without the agreement of both SCRRRA and the Authority, and (ii) SCRRRA shall have the right to agree with any consent, approval, agreement or satisfaction required of the Authority under the Service Agreement with the same right to withhold such consent as the Authority has in the Service Agreement.

Company Rights

Pursuant to the Service Agreement, no amendment or modification of the Bridge and Management Agreement shall be valid or effective, if such modification or amendment is materially adverse to the interests of the Company, unless the Company agrees in writing. Prior to the end of the term of the Bridge and Management Agreement, the Bridge and Management Agreement cannot be terminated without the consent of the parties and the Company.

Indemnification and Other Liability Responsibility

During the term of the Bridge and Management Agreement and after it expires, the Authority and SCRRRA shall each, to the extent permitted by law, protect, indemnify and hold the other harmless from and against all liabilities, damages, claims, demands, liens, encumbrances, judgments, losses, costs, expenses, suits or actions, and attorneys' fees and costs, and will defend the other in any action, suit or other proceeding, including appeals, for personal injury to, or death of, any person or persons, or loss or damage to property of third persons caused by the negligent acts or omissions of the indemnifying party, its agents or employees, in connection with, arising out of or as a result of the Bridge and Management Agreement or the performance or nonperformance of the indemnifying party's obligations under such Agreement. Neither the Authority nor SCRRRA shall be required to reimburse, defend or indemnify the other party for loss or claims due to the negligent acts or omissions of such other party.

SCRRRA agrees to be liable for any costs or liabilities incurred by the Authority relating to the landfill or any disposal site for Residue that is Hazardous Waste and agrees that such costs or liabilities shall be paid through the Bridge and Management Agreement. Any such costs thus incurred or accrued shall be deemed to have been incurred or accrued during the term of the Bridge and Management Agreement whether or not such costs are determined to be applicable before or after the expiration, cancellation or termination of such Agreement.

Amendments to Other Agreements

SCRRRA will not make any material modification to any or all of the Municipal Service Agreements, the Facility Site Lease or any Operating Contract, except to extend the term or termination dates thereunder, without the prior written consent of the Authority.

The Authority shall not enter into any modification of the Indenture, Facility Lease or Service Agreement which would have a material and adverse effect on SCRRRA, without the prior written consent of SCRRRA.

Compliance with Act

SCRRRA and the Authority agree that nothing in the Bridge and Management Agreement will be interpreted in such a manner that would (i) require the Authority to perform any act that is violative of the Act or the Indenture or (ii) restrict the Authority from doing any act or taking any action which failure would cause the Authority not to be in compliance with the Act or the Indenture. The Authority shall have the right (y) to determine amounts that are sufficient (i) to pay the principal and interest on the Bonds issued to finance the System, (ii) to establish, increase and maintain any reserves deemed by the Authority to be advisable to secure the payment of principal and interest on the Bonds, (iii) to pay the cost of maintaining the System in good repair and keeping it properly insured and (iv) to pay such other costs of the System as may be required and (z) to charge such fees to SCRRRA as are necessary to pay for the foregoing. In determining the amounts and charges pursuant to (y) and (z) above, the Authority must make due allowance for the redistribution of surplus revenues to reduce the costs of the Authority services to SCRRRA.

[This page intentionally left blank]

THE SITE LEASE AGREEMENT

Purpose

The Site Lease is a lease by SCRRRA to the Company of the land on which the Facility is located. The Site Lease is intended to be subordinate to the Service Agreement and the Lease Agreement and certain provisions of the Site Lease do not become effective until the termination or expiration of the Service Agreement and the Lease Agreement.

Term of Lease

The Site Lease shall terminate on November 11, 2015, unless sooner terminated or extended as provided in the Site Lease. The Company shall have the right to extend the term of the Site Lease for the period equal to the length of the Shortened Service Period and for six five-year periods, which right shall be exercised by giving written notice to SCRRRA at the later of two (2) years prior to the termination date of the Site Lease or thirty days after exercise of the Authority's option to extend the Service Agreement.

Access Rights

SCRRRA shall provide access to the site over an access road and shall provide such easements as are necessary to connect the site to water sewer and other utilities.

Rental Payments

So long as the Service Fee Formula is calculated and levied pursuant to the Service Agreement, the Company must pay SCRRRA, as rent under the Site Lease, one dollar ($1.00) per year. Thereafter, the Company must pay SCRRRA as annual rent under the Site Lease ten percent (10%) of the Fair Market Value of the Facility Site as a developed and improved, industrially zoned site in Southeastern Connecticut.

Maintenance

The Company is required to comply with all applicable state, federal and local laws and regulations with respect to its maintenance, use and occupancy of the site.

The Company is also required to maintain the site in a safe and sanitary condition and to remove any spillage or debris from vehicles entering or leaving the Facility Site on or in the vicinity of the site and along Route 12 for one thousand feet and along the access road. After termination of the Service Agreement, the Company must provide for ice and snow removal, grounds maintenance and waste disposal from the site.

After termination of the Service Agreement, the Company must take reasonable steps to prevent hazardous waste from being brought to the site and must promptly remove any hazardous waste which is found at the site.

Indemnity and Insurance

After termination of the Service Agreement, the Company must hold SCRRRA harmless from and against all claims arising from the Company's maintenance, use or occupancy of the site.

During the term of the Service Agreement, the Company must maintain the insurance required by the Service Agreement. Thereafter, the Company must maintain insurance coverage, to the extent available at commercially reasonable terms, for the benefit of itself and SCRRRA. Coverage must include comprehensive general liability insurance, excess liability insurance and automobile liability insurance.

Taxes and Utility Services

The Company must pay for all taxes and assessments (except for income, franchise or similar taxes) levied on the site and all charges for public or private utilities.

Liens and Quiet Enjoyment

The Company must take all action as may be necessary to discharge any lien or encumbrance which may be placed against the site except for certain encumbrances permitted by the Site Lease.

The Company is entitled to quiet enjoyment of the site during the term of the Service Agreement and the Lease Agreement and thereafter subject to the conditions of the Site Lease.

Default and Termination

After termination of the Service Agreement and the Lease Agreement, SCRRRA may declare a default, subject in certain instances to certain notice and cure periods if (1) the Company fails to pay rent when due, (2) the Company fails to pay any other amount (including taxes and insurance) when due or to comply with applicable law, (3) the Company fails to perform any other covenant of the Site Lease and the Company is not proceeding with reasonable diligence to remedy the failure, (4) if certain acts of bankruptcy or insolvency of the Company or its general partners occur, (5) any material representation or warranty made by the Company proves to be false or (6) the Company fails for a continuous period of one year (or permitted extension beyond one year) to use the Facility Site for the construction, installation, operation, maintenance, use, modification and/or removal of a resource recovery facility or other processes for the reduction of municipal solid waste.

THE ENERGY SALES AGREEMENT

Term

The term of the Energy Sales Agreement shall terminate on the 25th anniversary of the later of the date designated as the In-Service Date for purposes of the Energy Sales Agreement, or February 17, 1992 but in no event shall the term run for more than 30 years from the In-Service Date.

Interconnection

CL&P shall construct, operate and maintain the electrical transmission and distribution facilities from the Site to the point of interconnection with the CL&P system, and the Seller shall reimburse CL&P for all costs reasonably incurred by CL&P. Should other customers of CL&P use the dedicated transmission lines in the future, the Seller will be allowed to obtain reimbursement for certain costs allocated to these lines, subject to regulatory approval.

Obligation to Sell and to Purchase

The Seller agrees to sell and deliver to CL&P the net electrical output of the Facility, as reduced by all electrical losses between the point at which the electricity is metered and the point of interconnection. CL&P agrees to purchase and accept all electric energy which the Seller delivers to CL&P from the Facility at a quality acceptable to CL&P, subject to CL&P's right to order a suspension of deliveries in the event of an abnormal condition on CL&P's electric system.

Purchase Price

Unless CL&P prevails in the energy rate litigation as described under "Energy Rate Litigation" under the heading "THE SYSTEM AND ITS OPERATION — Energy Sales" above, all electric energy delivered to CL&P at the point of interconnection from the Facility shall be purchased at the Average Municipal Retail Rate (as defined below) plus current adjustments to kilowatt hour rates, including but not limited to CL&P's fossil fuel adjustment charge, CL&P's generation utilization adjustment charge and CL&P's oil conservation adjustment.

The Average Municipal Rate will be determined in the following manner based on the historic experience for purchases of electricity from CL&P for the last two calendar years for all municipalities which are participants in the Project and which are also customers of CL&P:

1. Total kilowatt hours delivered to these municipalities by CL&P are determined by rate classification.

2. The average rate for each rate classification is determined by dividing total compliance revenues by total compliance kilowatt hours sold for each class shown in the most recent Compliance Filing of Rates of CL&P approved by the DPUC. The average rate for street-lighting service is determined by using Rate 117 filed with DPUC—Partial Street Lighting Service, or any successor rate calculated materiality the same manner as Rate 117.

3. The average rate for each rate classification is multiplied by the proportion of total kilowatt hours delivered to the municipalities attributable to each rate class, expressed as a decimal rounded to the third decimal place. The sum of these products is the Average Municipal Rate.

Upon the 20th anniversary of the In-Service Date and for the remainder of the Term, the Energy Sales Agreement specifies the following purchase rates for the following calendar years:

Year	On-Peak	Off-Peak
2010	35.2¢/kWh	22.6¢/kWh
2011	37.7	24.4
2012	40.3	26.1
2013	43.1	28.0
2014	46.5	30.0
2015	49.7	32.3
2016	53.3	34.6
2017	57.2	37.1
2018	61.3	39.9
2019	65.7	42.8
2020	70.3	46.0

If the appeal from the DPUC decision or any other collateral order which is determined to he applicable to the Energy Sales Agreement result in a decision either that the retail rate is unconstitutional or that the DPUC improperly calculated such rate, the Seller may elect to have the purchase rate determined by the DPUC on remand or it may select the predetermined purchase rates set forth in the Energy Sales Agreement. These predetermined purchase rates are expected to provide for payments equal to 100% of CL&P's anticipated avoided costs over the Term, based upon projections approved by the DPUC in Docket No. 86-04-02. These predetermined purchase rates are as follows:

Year	On-Peak Purchase Rate (¢/kWh)	Off-Peak Purchase Rate (¢/kWh)
1991	8.5	8.5
1992	8.5	8.5
1993	8.5	8.5
1994	8.5	8.5
1995	8.5	8.5
1996	9.1	8.5
1997	9.8	8.5
1998	10.7	8.5
1999	11.8	8.5
2000	12.8	9.1
2001	13.7	9.9
2002	14.9	10.9
2003	15.9	11.7
2004	16.9	12.6

2005	17.9	13.4
2006	19.0	14.4
2007	20.3	15.4
2008	21.7	16.5
2009	23.0	17.6
2010	24.2	18.7
2011	25.5	19.8
2012	26.9	20.9
2013	28.3	22.1
2014	30.0	23.4
2015	31.6	24.8
2016	33.4	26.2
2017	35.2	27.7
2018	37.2	29.4
2019	39.3	31.0
2020	41.5	32.9

If the Energy Sales Agreement is terminated prior to the end of the Term, other than by reason of CL&P's breach, the Seller shall reimburse CL&P for payments made in excess of avoided costs.

If in any rolling 36 month period following the fifth anniversary of the In-Service Date, total electric energy deliveries are below 90% of the three times the average of the annual electric energy deliveries during the first five years after the In-Service Date, the purchase rates during the following month will be reduced by multiplying such rates by a factor "R" pursuant to the following formula:

$$R = 1 - \frac{(X - A)}{2X}$$

where: X = three times the annual average kWh delivered under the Electrical Energy Purchase Agreement during the first five years after the In-Service Date.

A = the kWh delivered on a rolling 36 calendar month basis commencing with the first thirty-six calendar months after the fifth anniversary of the In-Service Date for purposes of the Energy Purchase Agreement plus any kilowatt hours that would have been delivered but for an abnormal condition on CL&P electrical lines or if CL&P reduces or suspends purchases for Prudent Engineering and Operating Practices or but for certain off-peak purchase reductions ordered by Buyer or a force majeure. Unless the value of A is less than 0.9(X), A shall be deemed equal to X.

Suspension

The Seller shall suspend or reduce electricity deliveries to CL&P upon notification from CL&P that the operation of the Facility is causing or substantially contributing to a condition which has an adverse impact on CL&P's electric system or its customers. The Seller shall thereafter modify its system in order to eliminate the adverse impact and resume deliveries. In the event an abnormal condition of CL&P's electrical system, the Seller shall suspend or reduce electricity delivery upon request by CL&P. CL&P will thereafter use all

reasonable best efforts to remedy the situation. During periods for which the Seller has been requested by CL&P to suspend deliveries of electricity, CL&P shall have no obligation to accept or pay for such deliveries from the Facility (except for suspensions due to CL&P's intentional and unjustified, reckless or negligent actions or inactions) and may interrupt the interconnection between the parties' respective electrical systems. During periods for which the Seller has been requested to reduce deliveries for electricity to CL&P, CL&P may interrupt or limit the interconnection between the parties' respective electrical systems to the extent necessary to accomplish and maintain the required reduction and CL&P shall have no obligation to accept or pay for deliveries in excess of the reduced amount.

Indemnification

The Seller and CL&P to the extent permitted by law shall each indemnify the other for losses, liabilities, damages, penalties, claims, demands, suits and judgments for personal injury or property damage connected with the performance of the Energy Sales Agreement, except to the extent that such injury or damage is due to the negligence or willful action of the other party.

Dispatchability

Upon 48 hours notice, CL&P may require that the Facility produce no more than one-half of its rated capacity for a limited number of hours designated as "off-peak" hours on the CL&P system. CL&P may require such reduced production for no more than an aggregate annual total of 500 hours.

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE COMPANY

[This page intentionally left blank]

AMERICAN REF-FUEL COMPANY OF
SOUTHEASTERN CONNECTICUT

FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 1997
TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of
American REF-FUEL Company
of Southeastern Connecticut:

We have audited the accompanying balance sheet of American REF-FUEL Company of Southeastern Connecticut (a Connecticut general partnership) as of September 30, 1997, and the related statements of operations, partners' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American REF-FUEL Company of Southeastern Connecticut as of September 30, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Houston, Texas
November 21, 1997 (except with
respect to the matter discussed in
Note 8, as to which the date is
December 5, 1997)

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

BALANCE SHEET--SEPTEMBER 30, 1997

(In Thousands)

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 3,707
Restricted short-term investments	4,474
Accounts receivable, net of allowance for doubtful accounts of $163	2,872
Accounts receivable from affiliates	8
Inventory	958
Prepaids and other current assets	173
Total current assets	12,192
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $29,356	123,966
FINANCING COSTS, net of accumulated amortization of $1,015	2,938
OTHER RECEIVABLES	2,904
RESTRICTED INVESTMENTS	1,977
Total assets	$143,977

LIABILITIES AND PARTNERS' DEFICIT

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	$ 989
Accounts payable to affiliates	712
Current obligations under capital lease	2,084
Current maturities of Corporate Credit Bonds	355
Interest payable	3,672
Total current liabilities	7,812
OBLIGATIONS UNDER CAPITAL LEASE	72,225
CORPORATE CREDIT BONDS	44,785
SUBORDINATED NOTES PAYABLE TO PARENTS, including accrued interest of $4,473	33,219
DEFERRED REVENUE	1,558
OTHER LONG-TERM LIABILITIES	1,130
Total liabilities	160,729
COMMITMENTS AND CONTINGENCIES	
PARTNERS' DEFICIT:	
Contributed capital	8,859
Accumulated deficit	(25,611)
Total partners' deficit	(16,752)
Total liabilities and partners' deficit	$143,977

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 1997

(In Thousands)

REVENUES FROM OPERATIONS	$ 25,112
OPERATING EXPENSES	(5,120)
DEPRECIATION AND AMORTIZATION EXPENSE	(5,413)
GENERAL AND ADMINISTRATIVE EXPENSE	(3,476)
LOSS ON ASSET RETIREMENTS	(28)
OPERATING INCOME	11,075
INTEREST EXPENSE	(11,987)
INTEREST INCOME	656
NET LOSS	$ (256)

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

STATEMENT OF PARTNERS' DEFICIT

FOR THE YEAR ENDED SEPTEMBER 30, 1997

(In Thousands)

	Contributed Capital	Accumulated Deficit	Total Partners' Deficit
BALANCE AT SEPTEMBER 30, 1996	$8,859	$(25,355)	$(16,496)
NET LOSS	–	(256)	(256)
BALANCE AT SEPTEMBER 30, 1997	$8,859	$(25,611)	$(16,752)

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 1997

(In Thousands)

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Net loss	$ (256)
Adjustments to reconcile net loss to net cash provided by operating activities-	
Depreciation and amortization	5,413
Loss on asset retirements	28
	5,185
Changes in assets and liabilities-	
Increase in restricted investments	(92)
Decrease in accounts receivable, net of recoveries	62
Decrease in accounts receivable from affiliates	142
Increase in inventory	(142)
Decrease in prepaids and other current assets	206
Increase in other receivables	(2,904)
Increase in accounts payable and accrued and other liabilities	700
Increase in accounts payable to affiliates	306
Decrease in interest payable	(62)
Decrease in accrued interest on Parent subordinated debt	(2,136)
Increase in deferred revenue	476
Net cash provided by operating activities	1,741
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Capital additions	(518)
Net cash used in investing activities	(518)
CASH FLOWS USED IN FINANCING ACTIVITIES:	
Payments on Corporate Credit Bonds	(330)
Payments on obligations under capital lease	(1,946)
Net cash used in financing activities	(2,276)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,053)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,760
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,707
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest	$ 14,075

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1997

1. ORGANIZATION AND PURPOSE:

American REF-FUEL Company of Southeastern Connecticut (the Partnership) is a Connecticut general partnership owned 1 percent by BFI Energy Systems of Southeastern Connecticut, Inc. (BFI Ref-Fuel), a Delaware corporation and an indirect wholly owned project-specific subsidiary of Browning-Ferris Industries, Inc. (BFI or Parent), 1 percent by Air Products Ref-Fuel of Connecticut (S.E.), Inc. (AP Ref-Fuel), a Delaware corporation and an indirect wholly owned project-specific subsidiary of Air Products and Chemicals, Inc. (Air Products or Parent), 49 percent by BFI Energy Systems of Southeastern Connecticut, Limited Partnership (BFI Ref-Fuel LP), a Delaware limited partnership doing business as Delaware BFI Energy Systems of Southeastern Connecticut, Limited Partnership, and 49 percent by Air Products Ref-Fuel of Southeastern Connecticut, L.P. (AP Ref-Fuel LP), a Delaware limited partnership. BFI Ref-Fuel is the sole general partner of BFI Ref-Fuel LP, and Browning-Ferris Industries, Inc. (Massachusetts) (a Massachusetts corporation), is the sole limited partner of BFI Ref-Fuel LP. AP Ref-Fuel is the sole general partner of AP Ref-Fuel LP, and Air Products is the sole limited partner of AP Ref-Fuel LP.

The Partnership was established for the sole purpose of designing, constructing and operating a mass-burn resource recovery facility (the Facility) located in the town of Preston, Connecticut (the Town). The Facility is owned by the Connecticut Resources Recovery Authority (the CRRA) and is leased to the Partnership under a lease agreement dated December 1, 1988, as amended (the Lease Agreement), between the CRRA and the Partnership pursuant to which the Partnership has the right to occupy, use, operate and maintain the Facility, subject to certain terms and conditions. The Partnership and the CRRA also entered into a Service Agreement dated December 1, 1987, as amended (the Service Agreement), pursuant to which the Partnership has agreed to carry out its purpose and the CRRA has agreed to cause delivery of certain specified solid wastes and to pay a service fee as provided therein. All items of income, gain, loss and credit of the Partnership are allocated 1 percent to each of BFI Ref-Fuel and AP Ref-Fuel and 49 percent to each of BFI Ref-Fuel LP and AP Ref-Fuel LP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are subsequently revised as deemed necessary when additional information becomes available. Actual results could differ from those estimates.

Restricted Investments

Restricted investments are stated at cost, which approximates market, and include accrued interest income. Restricted investments primarily represent monies held in escrow by Fleet Bank (the Trustee) to fund capital lease obligations and principal and interest payments. Investments classified as short-term will be available during fiscal 1998 to the Partnership for certain purposes pursuant to terms specified in the Indenture of Mortgage and Trust dated as of December 1, 1988. Additionally, investments classified as long-term restricted investments represent funds that will be available for the Partnership's obligations due on the Corporate Credit Bonds and the Facility Bonds (see Note 4).

Accounts Receivable

As of September 30, 1997, accounts receivable included approximately $567,000 related to a shortfall in payments by the CRRA related to contract years 1997 and 1996. Per Section 6.02(f) of the Service Agreement, the CRRA can elect to defer payment to the Partnership of amounts due either in equal monthly payments over the remaining portion of the then-current contract year or by paying such amounts in the next fiscal year; interest shall be payable on the unpaid balance at a rate equal to the prime rate plus 1 percent.

Inventory

Inventory consists of maintenance spare parts that are expected to be used in the next operating cycle. It is stated at the lower of cost or market on a basis which approximates the first-in, first-out method of inventory valuation.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. The Partnership provides for depreciation of property, plant and equipment using the straight-line method over lives ranging from three to 35 years. Gains and losses on dispositions or retirements of assets are included in the statement of operations.

Routine repairs and maintenance are charged against current operations. At periodic intervals, the Partnership conducts a complete shutdown and inspection of significant units (turnaround) at the Facility to perform necessary repairs and replacements. Costs associated with these turnarounds are deferred and amortized over the period until the next planned turnaround. Expenditures which materially increase values, change capacities or extend useful lives are capitalized as property, plant and equipment.

The site of the Facility is owned by SCRRRA and is leased to the Partnership pursuant to the site lease agreement dated December 1, 1988, for a basic term ending November 2015 and for a nominal rental amount so long as the Service Agreement is in effect. The lease may be renewed for six additional five-year periods by the Partnership, and rentals are based on fair market value of the site thereafter.

Financing Costs

Financing costs are amortized over the life of the related debt.

Income Taxes

The Partnership is not subject to income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Instead, the income tax attributes of the Partnership accrue directly to the limited and general partners, depending upon their respective tax situations.

Deferred Revenue

The Partnership receives certain revenues pursuant to the Service Agreement entered into with the CRRA that specifically relate to its debt service. The Partnership records such revenues on a straight-line basis over the life of the Service Agreement and records the excess of amounts received as deferred revenue. The deferred revenue will be recognized in the terminating year (2015) of the Service Agreement.

Statement of Cash Flows

For purposes of the statement of cash flows, all unrestricted temporary investments purchased with a maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

The Partnership invests excess cash and funds held in trust in bank deposit accounts, commercial paper or money market investments with a limited number of major banks. The Partnership has not realized any losses on its investments.

The Partnership has exposure to credit risk in its accounts receivable as it sells its power to a single electric utility. In addition to the participating municipalities in the SCRRRA, its other customers are primarily in the refuse removal industry and are concentrated in the northeastern United States. The Partnership maintains reserves for potential credit losses, and such losses have been within management's expectations.

Environmental and Regulatory Risk

The Partnership operates in an environmentally sensitive industry and incurs operating costs and capital expenditures related to environmental protection and monitoring. These expenditures have not had a material adverse effect on the Partnership's financial position or its results of operations. However, such costs are subject to federal and state regulations and may be impacted, either positively or negatively, by future legislation or regulation.

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consisted of the following as of September 30, 1997 (in thousands):

Leasehold improvements	$ 65
Construction in progress	46
Land improvements	3,456
Buildings	6,511
Machinery and equipment	142,431
Office furniture, fixtures and equipment	419
Transportation equipment	394
	153,322
Less- Accumulated depreciation	29,356
Property, plant and equipment, net	$ 123,966

In accordance with the adoption of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Partnership will review its long-lived assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. If such an event were to occur, the Partnership would use an estimate of the facility's undiscounted cash flows over the remaining lives of the assets in measuring whether the assets are impaired.

4. FINANCING ARRANGEMENTS:

The Partnership is the indirect obligor on certain bonds issued by the CRRA consisting of $102.6 million (aggregate principal amount) of Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A) issued December 1988 and $3.9 million (aggregate principal amount) of Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1989 Series A) issued June 8, 1989 (together, the Facility Bonds), together with $16.3 million (aggregate principal amount) of Corporate Credit Bonds/Tax-Exempt Interest (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A) issued December 1988 and $30.0 million (aggregate principal amount) of Corporate Credit Bonds/Tax-Exempt Interest (American REF-FUEL Company of Southeastern Connecticut Project - 1992 Series A) issued in September 1992 (together, the Corporate Credit Bonds).

The Lease Agreement between the CRRA and the Partnership has a term which is contemporaneous with the Facility Bonds. The Partnership is obligated to make lease payments to the Trustee necessary to satisfy principal and interest on the Facility Bonds, except for approximately $15.4 million, which is allocable to the CRRA and for which the Partnership is contingently obligated, and $9.8 million, which is held in escrow and controlled by the terms of the indenture agreements between the Trustee and the CRRA. These funds accordingly are not reflected in the Partnership's financial statements. The Partnership's obligations pursuant to the Lease Agreement are accounted for as a capital lease. The short-term and long-term obligations under capital lease of approximately $2.1 million and $72.2 million, respectively, reflected in the accompanying balance sheet represent the Partnership's obligation with respect to the Facility Bonds as of September 30, 1997. Approximately $329,000 of the Facility Bonds is held in escrow and is reflected as long-term restricted investments in the accompanying balance sheet. The fair value of the Partnership's obligation with respect to the Facility Bonds, as of September 30, 1997, is approximately $93.8 million, based on the quoted market prices for similar issues. The Partnership has the right to purchase the Facility for a nominal payment after the Facility Bonds have been satisfied.

The Partnership and the CRRA entered into Loan Agreements dated December 1, 1988, and September 1, 1992 (Loan Agreements), in connection with the issuance of the Corporate Credit Bonds, pursuant to which the Partnership has the obligation to make loan payments to the Trustee for the account of the CRRA necessary to satisfy the principal and interest on the Corporate Credit Bonds. The Loan Agreements are for a term which is contemporaneous with the Corporate Credit Bonds. The Partnership's obligations pursuant to the Corporate Credit Bonds are being accounted for as debt. Approximately $1.6 million of the Corporate Credit Bonds is held in escrow and is reflected as a long-term restricted investment in the accompanying balance sheet. Failure of the Partnership to pay any lease or loan obligation when due may cause the remaining lease or loan payments to become immediately due and payable. The fair value of the Corporate Credit Bonds as of September 30, 1997, is approximately $53.1 million. This was estimated based on the quoted market prices for similar issues.

The 1988 Facility Bonds include $28.5 million of serial bonds which have matured or will mature from November 15, 1993, through 2003 and bear interest at rates ranging from 6.9 percent to 7.85 percent, $12.7 million of term bonds maturing November 15, 2006, bearing interest at 7.875 percent and $61.4 million of term bonds maturing November 15, 2015, bearing interest at 8.0 percent. The term bonds are subject to mandatory redemption by the CRRA from sinking fund installments as provided under the 1988 Facility Bonds indenture, beginning November 15, 2004, for the $12.7 million term bonds and November 15, 2009, for the $61.4 million term bonds. Interest on the 1988 Series A Facility Bonds is payable semiannually.

The 1988 Corporate Credit Bonds include $4.3 million of serial bonds which have matured or will mature from November 15, 1993, through 2003 and bear interest at rates ranging from 7.0 percent to 7.9 percent, $3.5 million of term bonds maturing November 15, 2008, bearing interest at 8.0 percent and $8.5 million of term bonds maturing November 15, 2015, bearing interest at 8.1 percent. The term bonds are subject to mandatory redemption by the CRRA from sinking fund installments as provided under the indenture beginning November 15, 2004, for the $3.5 million term bonds and November 15, 2009, for the $8.5 million term bonds. The 1992 Corporate Credit Bonds are due in a single payment on November 15, 2022, and bear interest at a rate of 6.45 percent. Interest on the Corporate Credit Bonds is payable semiannually.

The Partnership's principal payments and sinking fund obligations due on the Facility Bonds and the Corporate Credit Bonds during the indicated fiscal years are as follows:

Fiscal Year	Principal Amount (In Thousands)
1998	$ 2,439
1999	2,619
2000	2,814
2001	3,021
2002	3,256
2003 to 2023	105,300
	$119,449

The Facility Bonds and the Corporate Credit Bonds are subject to early redemption in whole or in part at the option of the CRRA upon notice by the Partnership of its intent to prepay rental payments under the Lease Agreement with respect to the Facility Bonds or principal payments under the Loan Agreements with respect to the Corporate Credit Bonds, in each case, at prices set forth in the respective indentures.

The Facility Bonds and the Corporate Credit Bonds are special obligations of the CRRA payable solely from and secured by revenues and other sources pledged therefor including (a) money paid by the Partnership under the Lease Agreement with respect to the Facility Bonds and the Loan Agreements under the Corporate Credit Bonds, (b) income from investments of the proceeds of the bonds and reserve funds held by the Trustee, (c) revenues derived by the Partnership from the operation of the Facility, (d) funds from the Support Agreement (as defined in Note 5) with respect to the Facility Bonds and the corporate guaranty agreements with respect to the Corporate Credit Bonds and (e) money paid by the state of Connecticut pursuant to the terms of a special capital reserve fund for the Facility Bonds and the Corporate Credit Bonds.

Certain proceeds of the Facility Bonds are held in escrow under the indenture for the Facility Bonds and money from such funds would be used to make payment of principal and interest on the applicable bonds if other money has not been provided for that purpose. Appropriation of funds from the State of Connecticut general funds is deemed to have occurred if inadequate funds are held in escrow upon delivery of a certificate from the chairman of the CRRA and such appropriations would replenish the escrow account.

The Partnership may be relieved of its obligation with respect to the Facility Bonds (and thereby the Parents of their obligations) if certain termination events occur pursuant to the Service Agreement and a Ref-Fuel Release Date (as defined below) has occurred.

The Ref-Fuel Release Date is defined as the latest of (a) the date the Partnership notifies the CRRA that it has terminated the Service Agreement due to the CRRA's failure to provide certain additional credit support, (b) the date the CRRA notifies the Partnership that it has terminated the Service Agreement due to certain events related to uncontrollable circumstance events, state change in law, or an adverse litigation event, or (c) the final resolution of an uncontrollable circumstance related to such Service Agreement terminations. The events whereby the CRRA can terminate the Service Agreement include an economic test in which the net present value of projected tip fee increases by more than 100 percent.

5. OPERATIONAL AND OTHER AGREEMENTS:

The SCRRRA was created on January 16, 1985, by a joint resolution of the participating municipalities. Each participating municipality has entered into a municipal service agreement with SCRRRA. The participating municipalities are obligated to pay SCRRRA the net operating costs of the Facility (including the service fee to

the Partnership). The SCRRRA is obligated to deliver or cause to be delivered to the Facility all acceptable waste generated within the participating municipalities and other municipalities with which the SCRRRA enters into contracts for disposal of acceptable waste. The SCRRRA is also obligated to furnish landfill capacity to dispose of the Facility's residue and bypass waste.

Service Agreement

The Service Agreement entered into by the Partnership and the CRRA extends through November 11, 2015, unless terminated or extended as provided therein. The Partnership is obligated to operate and maintain the Facility and process acceptable waste delivered thereto. The CRRA is obligated to deliver or cause to be delivered for processing or disposal by the Partnership all acceptable waste delivered to CRRA by the participating municipalities and to pay, solely from revenues received from the participating municipalities, the service fee for such disposal service. The CRRA is also obligated to provide a disposal facility for disposal of residue and bypass waste. The service fee is calculated from a formula which contains certain elements which are to be paid whether or not that waste has been delivered by the participating municipalities. The Partnership is obligated to process acceptable waste in amounts up to the Facility capacity and has obligations to pay a predetermined price for bypass waste (subject to an allowance for bypass) resulting from its unexcused failures to process certain minimum quantities of waste. The total revenues generated by the Service Agreement were approximately $16.4 million for the year ended September 30, 1997, representing approximately 65 percent of total revenues. Outstanding receivables from the CRRA were approximately $1.3 million or 23 percent of accounts and other receivables as of September 30, 1997.

Solid Waste Allocation Agreement

The Partnership and the SCRRRA entered into a solid waste allocation agreement dated October 15, 1991, to establish an orderly mechanism for waste processing and for obtaining waste from sources other than SCRRRA member municipalities. This agreement provides the Partnership with additional marketing rights and the potential for additional revenues depending on the circumstances. This agreement establishes waste processing priorities and liabilities that will be assumed by the Partnership and by the SCRRRA if either party violates these waste processing priorities. The term of this agreement is the same as that of the Service Agreement.

The Partnership entered into Solid Waste Disposal Agreements, effective September 21, 1991, with related BFI and Air Products partnerships, namely American REF-FUEL Company of Hempstead and American REF-FUEL Company of Essex County and, effective March 24, 1993, American REF-FUEL Company of Niagara L.P. (collectively, the Customers), providing for disposal of all acceptable waste brought by these Customers to the Partnership after giving first priority to the acceptance of CRRA waste.

Parents' Credit Support

The Parents each are obligated, pursuant to a support agreement as amended (the Support Agreement) to provide on a several basis (i.e., each to the extent of one half of the total obligation) funds required by the Partnership in order to perform its obligations under the Service Agreement and the Lease Agreement, subject to certain limitations and exceptions, should a shortfall in Partnership funds occur. Support of the Service Agreement obligations may be terminated by delivery of financial guarantees of the Facility Bonds.

If the Partnership defaults in its obligations under the Service Agreement and the CRRA terminates the Service Agreement, each Parent must either (a) contribute one half of the amounts required by the Partnership to pay lease rentals measured by the principal amount of Facility Bonds (together with accrued interest thereon) becoming due by reason of a consequent acceleration of the Facility Bonds pursuant to the indenture or (b) guarantee one half of the outstanding Facility Bonds.

The Parents are each also obligated, pursuant to financial guarantees dated as of December 1, 1988, and September 1, 1992, to provide on a several basis funds to cover any shortfall in funds required to make payments under the Loan Agreements as they relate to the Corporate Credit Bonds.

The Parents are each also obligated pursuant to the terms of the Parent Undertaking Agreement, as amended, dated as of December 1, 1987 (the Parent Undertaking), to provide specified credit support to the Partnership for up to $15 million of bonds to finance certain costs of uncontrollable circumstance events. In addition, if the Service Agreement is terminated due to Partnership default, the Parents are required to fund liquidated damages of $2 million (50 percent from each Parent) which would be owed by the Partnership to the CRRA.

One Parent may substitute for the other Parent such that the substituted Parent (provided that it is not the subject of certain bankruptcy or reorganization proceedings) becomes the sole obligor with respect to Parent obligations under the Support Agreement, the guarantees (as defined above) and the Parent Undertaking.

The Partnership has approximately $33.2 million in subordinated notes payable to the Parents including interest of approximately $4.5 million. Such notes are due on demand and are unsecured under the Loan Agreements. These notes are payable from surplus cash generated by the Partnership as defined by the 1988 Facility Bonds indenture. The notes bear interest at a rate specified from time to time by the Internal Revenue Service pursuant to Section 1274(d) of the Internal Revenue Code. That rate averaged 5.78 percent during fiscal 1997.

Other Related-Party Transactions

American REF-FUEL Company (REF-FUEL), a general partnership which is also owned by indirect subsidiaries of Air Products and BFI, billed the Partnership approximately $2.2 million for general and administrative expenses and $1.1 million for operational expenses during fiscal 1997. As of September 30, 1997, there is approximately $313,000 payable to REF-FUEL which is included in accounts payable to affiliates in the accompanying balance sheet. Included in accounts payable to affiliates in the accompanying balance sheet is approximately $328,000 payable to American REF-FUEL Finance Company, a general partnership which is also owned by indirect subsidiaries of Air Products and BFI. This balance relates to the financing of the Facility during the construction phase.

Included in total revenues on the accompanying statement of operations are $195,000 and $55,000 of revenues generated from the delivery of waste by BFI and a related BFI and Air Products partnership, TransRiver Marketing Company, L.P., respectively. As of September 30, 1997, approximately $2,300 and $– was outstanding from BFI and TransRiver Marketing Company, L.P., respectively, and is included in accounts receivable from affiliates in the accompanying balance sheet.

Additionally, included in operating expenses is approximately $903,000 of costs related to the disposal of ash by BFI for the Facility. As of September 30, 1997, approximately $67,000 was outstanding related to ash disposal and is included in accounts payable to affiliates in the accompanying balance sheet.

Energy Purchase Agreement

The Partnership, the CRRA and the SCRRRA are parties to an Energy Purchase Agreement with the Connecticut Light and Power Company (CL&P) dated December 2, 1988 (the Energy Purchase Agreement). Pursuant to the Energy Purchase Agreement, CL&P is obligated, subject to certain conditions, to take and pay for electricity through February 17, 2017, from the Facility. Partnership revenues generated from CL&P were approximately $5.9 million for the year ended September 30, 1997, representing approximately 24 percent of total revenues. Outstanding receivables due from CL&P were approximately $3.8 million or 66 percent of accounts and other receivables as of September 30, 1997.

The Energy Purchase Agreement originally ordered by the Connecticut Department of Public Utilities Control (CDPU) obligated CL&P to pay for electrical energy generated at the Facility at the municipal retail rate. CL&P appealed the award of the municipal retail rate. Subsequently, the CDPU on remand from the Connecticut Supreme Court determined that CL&P should pay the municipal retail rate for electricity generated from waste from towns in CL&P's service area and its 1986 avoided cost for the remainder. During fiscal 1993, CL&P challenged the decision by the CDPU in federal district court and, pursuant to an order by the federal court judge, CL&P applied for a declaratory ruling by the Federal Energy Resolution Commission (FERC) on whether or not the Connecticut Municipal Rate Statute is preempted by federal law. On January 11, 1995, the FERC issued a declaratory order, wherein the FERC determined that the rate CL&P was paying for the majority of the output from the Facility, as mandated by the Connecticut Municipal Rate Statute, is preempted by federal law if the rate in the Energy Purchase Agreement and required by the statute exceeds the relevant avoided cost as defined by the Public Utilities Regulatory Policies Act (PURPA). The Energy Purchase Agreement contemplated the possibility of this order and, as such, provides for a "fall-back rate" in the event such an order were issued by the FERC and sustained on a final, unappealable basis. The FERC order is not final, and the Partnership, CRRA and SCRRRA (collectively, the Sellers) have appealed. This matter will likely take several years to resolve through the judicial process in which the Sellers, individually or collectively, will be actively involved. A favorable final outcome cannot be assured. During the appeal period, the Sellers will continue to receive municipal retail rate-based payments, subject to potential refund with interest. Management has performed an analysis of the impact to the Partnership as of September 30, 1997, which indicates a negative impact resulting from a loss of the FERC appeal. Accordingly, the Partnership has recorded a reserve of approximately $1,000,000 as the outcome of the case cannot be assured at this time.

During fiscal 1993, a dispute arose with CL&P regarding the rate to be paid for electricity delivered to CL&P in excess of 13.85 megawatts. CL&P claims that power produced in excess of 13.85 megawatts, measured hourly, is not entitled to contract rates and that CL&P's current avoided cost rate (Rate 980) applies for power produced in excess of 13.85 megawatts. The Partnership maintains that such electricity deliveries are entitled to receive contract rates. CDPU issued a final ruling in this dispute on September 20, 1995, in which CDPU found that power produced up to 13.85 megawatts, measured on a monthly basis, is to be paid at contract rates, and that power produced in excess of 13.85 megawatts, measured on a monthly basis, is to be paid at Rate 980. The Partnership is appealing the CDPU decision on the basis that the electricity in excess of 13.85 megawatts is entitled to the contract rates, and CL&P is appealing the decision on the basis that the hourly calculation of the 13.85 megawatts is proper. Both the Partnership and CL&P appeared in September 1996 before the State of Connecticut Appellate Court to argue their case.

In January 1997, the Appellate Court ruled in favor of the Partnership and stated that all power produced is to be paid at the contract rates. The Partnership has recorded revenues and included receivables in the accompanying balance sheet based on this ruling. CL&P is appealing the decision.

The Partnership received notices dated December 6, 1993, and January 11, 1994, from CL&P that it disputes a certain portion of its past payments on the basis that CL&P alleges that power generated from waste originating from non-SCRRRA towns is not entitled to the municipal retail rate but instead is entitled to the 1986 avoided cost rate. In connection with this dispute, CL&P threatened to offset past alleged overpayments against future payments by CL&P. On March 22, 1994, the Partnership, the CRRA and the SCRRRA filed a petition with the CDPU requesting that the CDPU issue a declaratory ruling to resolve this issue. On March 29, 1994, CL&P filed a counterpetition with the CDPU seeking a declaratory ruling in its favor on this same dispute. On April 20, 1994, the CDPU issued a final decision granting the petition of the Partnership, the CRRA and the SCRRRA and denied the petition of CL&P. In June 1994, CL&P instituted an action against the Partnership, the CRRA, the SCRRRA and the CDPU in the Connecticut Superior Court seeking to reverse the decision by the CDPU. CL&P's appeal has been stayed by mutual consent of the parties pending the outcome of the appeal of the FERC decision discussed above. Management continues to believe that CL&P does not have a meritorious case.

Management believes that the ultimate resolution of the matters discussed above, either individually or in the aggregate, will not have a material adverse impact on the future results of operations or financial position of the Partnership.

6. COMMITMENTS AND CONTINGENCIES:

The Partnership is involved in various claims or litigation in the ordinary course of business. Management believes that the ultimate resolution of these matters, either individually or in the aggregate, will not have a material adverse impact on the future results of operations or financial position of the Partnership.

The Partnership and the other REF-FUEL entities have guaranteed the payments by REF-FUEL on a subordinated basis related to its contractual obligation under the American REF-FUEL Company Long-Term Incentive Plan dated October 1, 1993, as amended.

The Partnership and the other REF-FUEL entities have guaranteed REF-FUEL's performance on a subordinated basis under its building lease for Timberway One in Houston, Texas.

The Partnership and the other REF-FUEL entities are jointly and severally liable to a bank in connection with a letter of credit in the amount of $500,000 issued on behalf of an insurance provider.

7. BENEFIT PLANS:

REF-FUEL is the sponsor of the American REF-FUEL Company Retirement Savings Plan (the Savings Plan) which covers substantially all employees of the Partnership, as well as employees of REF-FUEL and other REF-FUEL entities with common ownership by Air Products and BFI. The Savings Plan, adopted July 1, 1988, as amended January 1, 1992, incorporates a defined contribution account for each employee with deferred savings features permitted under the Internal Revenue Code Section 401(k). REF-FUEL's matching contribution is defined as 50 percent of the first 5 percent of regular earnings contributed by the member. In addition, REF-FUEL makes a basic contribution on a member's behalf in an amount equal to 3 percent of a member's regular earnings less than the Social Security Wage Base plus 6 percent of a member's regular earnings in excess of the Social Security Wage Base. Contributions are made on a biweekly basis and are directed to the investment funds in the same proportion as the employees have directed their voluntary contributions. The Partnership's share of the Savings Plan expense was approximately $111,000 for the year ended September 30, 1997.

8. SUBSEQUENT EVENT:

In April 1996, Air Products announced as part of its strategic plan its intent to divest its 50 percent interest in American REF-FUEL entities including its 50 percent interest in the Partnership. As of December 5, 1997, AP Ref-Fuel and AP Ref-Fuel LP and certain other wholly owned subsidiaries of Air Products and Duke/UAE Ref-Fuel LLC (DUR), Duke/UAE SECONN LLC (DUS) and certain other entities formed by DUR sold under the terms of a purchase agreement dated as of November 1, 1997 (the Purchase Agreement), their interests in certain solid waste entities including the Partnership.

Under the Purchase Agreement, (a) AP Ref-Fuel and AP Ref-Fuel LP sold, transferred and assigned, and DUS purchased and acquired, 100 percent of the stock of AP Ref-Fuel and 99 percent of the partnership interests of AP Ref-Fuel LP; (b) after December 5, 1998, DUS has a right to purchase 1 percent of the partnership interests in AP Ref-Fuel LP at the price specified in the Purchase Agreement; and (c) if such 1 percent interest is purchased, AP Ref-Fuel LP will no longer be a partner of the Partnership. In addition, DUS substitutes for Air Products as the holder of the Partnership's subordinated notes payable to Air Products.

[This page intentionally left blank]

AMERICAN REF-FUEL COMPANY OF
SOUTHEASTERN CONNECTICUT

FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 1996
TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of
American REF-FUEL Company
of Southeastern Connecticut:

We have audited the accompanying balance sheet of American REF-FUEL Company of Southeastern Connecticut (a Connecticut general partnership) as of September 30, 1996, and the related statements of operations, partners' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American REF-FUEL Company of Southeastern Connecticut as of September 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Houston, Texas
December 2, 1996

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

BALANCE SHEET--SEPTEMBER 30, 1996

(In Thousands)

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 4,760
Restricted short-term investments	4,405
Accounts receivable, net of allowance for doubtful accounts of $215	2,934
Accounts receivable from affiliates	150
Inventory	816
Prepaids and other current assets	379
Total current assets	13,444
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $24,243	128,707
FINANCING COSTS, net of accumulated amortization of $833	3,120
RESTRICTED INVESTMENTS	1,954
Total assets	$147,225

LIABILITIES AND PARTNERS' DEFICIT

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	$ 936
Accounts payable to affiliates	406
Current obligations under capital lease	1,946
Current maturities of Corporate Credit Bonds	330
Interest payable	3,734
Total current liabilities	7,352
OBLIGATIONS UNDER CAPITAL LEASE	74,309
CORPORATE CREDIT BONDS	45,140
SUBORDINATED NOTES PAYABLE TO PARENTS, including accrued interest of $6,610	35,355
OTHER LONG-TERM LIABILITIES	1,565
Total liabilities	163,721
PARTNERS' DEFICIT:	
Contributed capital	8,859
Accumulated deficit	(25,355)
Total partners' deficit	(16,496)
Total liabilities and partners' deficit	$147,225

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

(In Thousands)

REVENUES FROM OPERATIONS	$ 23,126
OPERATING EXPENSES	(5,619)
DEPRECIATION AND AMORTIZATION EXPENSE	(5,626)
GENERAL AND ADMINISTRATIVE EXPENSE	(2,965)
LOSS ON ASSET RETIREMENTS	(46)
OPERATING INCOME	8,870
INTEREST EXPENSE	(12,087)
INTEREST INCOME	607
NET LOSS	$ (2,610)

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

STATEMENT OF PARTNERS' DEFICIT

FOR THE YEAR ENDED SEPTEMBER 30, 1996

(In Thousands)

	Contributed Capital	Accumulated Deficit	Total Partners' Deficit
BALANCE AT SEPTEMBER 30, 1995	$8,859	$(22,745)	$ (13,886)
NET LOSS	-	(2,610)	(2,610)
BALANCE AT SEPTEMBER 30, 1996	$8,859	$(25,355)	$ (16,496)

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 1996

(In Thousands)

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Net loss	$ (2,610)
Adjustments to reconcile net loss to net cash provided by operating activities-	
Depreciation and amortization	5,626
Loss on asset retirements	46
Provision for doubtful accounts	59
	3,121
Changes in assets and liabilities-	
Decrease in restricted investments	48
Decrease in accounts receivable	1,587
Increase in accounts receivable from affiliates	(43)
Increase in inventory	(56)
Increase in prepaids and other current assets	(166)
Increase in accounts payable and accrued and other liabilities	963
Decrease in accounts payable to affiliates	(3,854)
Decrease in interest payable	(57)
Increase in accrued interest on Parent subordinated debt	1,913
Net cash provided by operating activities	3,456
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Capital additions	(605)
Proceeds from sale of asset	6
Net cash used in investing activities	(599)
CASH FLOWS USED IN FINANCING ACTIVITIES:	
Payments on corporate credit bonds	(310)
Payments on obligations under capital lease	(1,817)
Net cash used in financing activities	(2,127)
NET INCREASE IN CASH AND CASH EQUIVALENTS	730
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,030
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,760
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest	$ 10,232

The accompanying notes are an integral part of these financial statements.

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

1. ORGANIZATION AND PURPOSE:

American REF-FUEL Company of Southeastern Connecticut (the Partnership) is a Connecticut general partnership owned 1 percent by BFI Energy Systems of Southeastern Connecticut, Inc. (BFI Ref-Fuel), a Delaware corporation and an indirect wholly owned project-specific subsidiary of Browning-Ferris Industries, Inc. (BFI or Parent), 1 percent by Air Products Ref-Fuel of Connecticut (S.E.), Inc. (AP Ref-Fuel), a Delaware corporation and an indirect wholly owned project-specific subsidiary of Air Products and Chemicals, Inc. (Air Products or Parent), 49 percent by BFI Energy Systems of Southeastern Connecticut, Limited Partnership (BFI Ref-Fuel LP), a Delaware limited partnership doing business as Delaware BFI Energy Systems of Southeastern Connecticut, Limited Partnership, and 49 percent by Air Products Ref-Fuel of Southeastern Connecticut, L.P. (AP Ref-Fuel LP), a Delaware limited partnership. BFI Ref-Fuel is the sole general partner of BFI Ref-Fuel LP, and Browning-Ferris Industries, Inc. (Massachusetts) (a Massachusetts corporation), is the sole limited partner of BFI Ref-Fuel LP. AP Ref-Fuel is the sole general partner of AP Ref-Fuel LP, and Air Products is the sole limited partner of AP Ref-Fuel LP.

The Partnership was established for the sole purpose of designing, constructing and operating a mass-burn resource recovery facility (the Facility) located in the town of Preston, Connecticut (the Town). The Facility is owned by the Connecticut Resources Recovery Authority (the CRRA) and is leased to the Partnership under a lease agreement dated December 1, 1988, as amended (the Lease Agreement), between the CRRA and the Partnership pursuant to which the Partnership has the right to occupy, use, operate and maintain the Facility, subject to certain terms and conditions. The Partnership and the CRRA also entered into a Service Agreement dated December 1, 1987, as amended (the Service Agreement), pursuant to which the Partnership has agreed to carry out its purpose and the CRRA has agreed to cause delivery of certain specified solid wastes and to pay a service fee as provided therein. All items of income, gain, loss and credit of the Partnership are allocated 1 percent to each of BFI Ref-Fuel and AP Ref-Fuel and 49 percent to each of BFI Ref-Fuel LP and AP Ref-Fuel LP.

On April 10, 1996, Air Products announced, as part of its strategic plan, its intent to divest its 50 percent interest in American Ref-Fuel entities including its 50 percent interest in the Partnership. There are no assurances that a sale of Air Products' interest or interests will occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are subsequently revised as deemed necessary when additional information becomes available. Actual results could differ from those estimates.

Restricted Investments

Restricted investments are stated at cost, which approximates market, and include accrued interest income.

Restricted investments primarily represent monies held in escrow by Fleet Bank (the Trustee) to fund capital lease obligations and principal and interest payments. Investments classified as short-term will be available during fiscal 1997 to the Partnership for certain purposes pursuant to terms specified in the Indenture of Mortgage and Trust dated as of December 1, 1988. Additionally, investments classified as long-term restricted investments represent funds that will be available for the Partnership's obligations due on the Corporate Credit Bonds and the Facility Bonds (see Note 4).

Accounts Receivable

As of September 30, 1996, accounts and other receivables included approximately $500,000 related to a shortfall in payments by the CRRA related to contract year 1996. Per Section 6.02(f) of the Service Agreement, the CRRA can elect to defer payment to the Partnership of amounts due either in equal monthly payments over the remaining portion of the then-current contract year or by paying such amounts in the next fiscal year; interest shall be payable on the unpaid balance at a rate equal to the prime rate plus 1 percent.

Inventory

Inventory consists of maintenance spare parts that are expected to be used in the next operating cycle. It is stated at the lower of cost or market on a basis which approximates the first-in, first-out method of inventory valuation.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. The Partnership provides for depreciation of property, plant and equipment using the straight-line method over lives ranging from three to 35 years. Gains and losses on dispositions or retirements of assets are included in the statement of operations.

Routine repairs and maintenance are charged against current operations. At periodic intervals, the Partnership conducts a complete shutdown and inspection of significant units (turnaround) at the Facility to perform necessary repairs and replacements. Costs associated with these turnarounds are deferred and amortized over the period until the next planned turnaround. Expenditures which materially increase values, change capacities or extend useful lives are capitalized as property, plant and equipment.

The site of the Facility is owned by the Southeastern Connecticut Regional Resources Recovery Authority (SCRRRA) and is leased to the Partnership pursuant to the site lease agreement dated December 1, 1988, for a basic term ending November 2015 and for a nominal rental amount so long as the Service Agreement is in effect. The lease may be renewed for six additional five-year periods by the Partnership, and rentals are based on fair market value of the site thereafter.

Financing Costs

Financing costs are amortized over the life of the related debt.

Income Taxes

The Partnership is not subject to income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Instead, the income tax attributes of the Partnership accrue directly to the limited and general partners.

Statement of Cash Flows

For purposes of the statement of cash flows, all unrestricted temporary investments purchased with a maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

The Partnership invests excess cash and funds held in trust in bank deposit accounts, commercial paper or money market investments with a limited number of major banks. The Partnership has not realized any losses on its investments.

The Partnership has exposure to credit risk in its accounts receivable as it sells its power to a single electric utility. In addition to the participating municipalities in the SCRRRA, its other customers are primarily in the refuse removal industry and are concentrated in the northeastern United States. The Partnership maintains reserves for potential credit losses, and such losses have been within management's expectations.

Environmental and Regulatory Risk

The Partnership operates in an environmentally sensitive industry and incurs operating costs and capital expenditures related to environmental protection and monitoring. These expenditures have not had a material adverse effect on the Partnership's financial position or its results of operations. However, such costs are subject to federal and state regulations and may be impacted, either positively or negatively, by future legislation or regulation.

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consisted of the following as of September 30, 1996 (in thousands):

Construction in progress	$ 33
Land improvements	3,410
Buildings	6,511
Machinery and equipment	142,389
Office furniture, fixtures and equipment	391
Transportation equipment	216
	152,950
Less- Accumulated depreciation	24,243
Property, plant and equipment, net	$128,707

Effective October 1, 1995, the Partnership adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which established accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used, and for long-lived assets and certain intangibles to be disposed of. The adoption of this standard did not have a material impact on the financial position or the results of operations of the Partnership.

4. FINANCING ARRANGEMENTS:

The Partnership is the indirect obligor on certain bonds issued by the CRRA consisting of $102.6 million (aggregate principal amount) of Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A) issued December 1988 and $3.9 million (aggregate principal amount) of Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1989 Series A) issued June 8, 1989 (together, the Facility Bonds), together with $16.3 million (aggregate principal amount) of Corporate Credit Bonds/Tax-Exempt Interest (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A) issued December 1988 and $30.0 million

(aggregate principal amount) of Corporate Credit Bonds/Tax-Exempt Interest (American REF-FUEL Company of Southeastern Connecticut Project - 1992 Series A) issued in September 1992 (together, the Corporate Credit Bonds).

The Lease Agreement between the CRRA and the Partnership has a term which is contemporaneous with the Facility Bonds. The Partnership is obligated to make lease payments to the Trustee necessary to satisfy principal and interest on the Facility Bonds, except for approximately $15.4 million, which is allocable to the CRRA and for which the Partnership is contingently obligated, and $9.8 million, which is held in escrow and controlled by the terms of the indenture agreements between the Trustee and the CRRA. These funds accordingly are not reflected in the Partnership's financial statements. The Partnership's obligations pursuant to the Lease Agreement are accounted for as a capital lease. The short-term and long-term obligations under capital lease of approximately $1.9 million and $74.3 million, respectively, reflected in the accompanying balance sheet represent the Partnership's obligation with respect to the Facility Bonds as of September 30, 1996. Approximately $300,000 of the Facility Bonds is held in escrow and is reflected as long-term restricted investments in the accompanying balance sheet. The fair value of the Partnership's obligation with respect to the Facility Bonds, as of September 30, 1996, is approximately $88.9 million, based on the quoted market prices for similar issues. The Partnership has the right to purchase the Facility for a nominal payment after the Facility Bonds have been satisfied.

The Partnership and the CRRA entered into Loan Agreements dated December 1, 1988, and September 1, 1992 (Loan Agreements), in connection with the issuance of the Corporate Credit Bonds, pursuant to which the Partnership has the obligation to make loan payments to the Trustee for the account of the CRRA necessary to satisfy the principal and interest on the Corporate Credit Bonds. The Loan Agreements are for a term which is contemporaneous with the Corporate Credit Bonds. The Partnership's obligations pursuant to the Corporate Credit Bonds are being accounted for as debt. Approximately $1.6 million of the Corporate Credit Bonds is held in escrow and is reflected as long-term restricted investment in the accompanying balance sheet. Failure of the Partnership to pay any lease or loan obligation when due may cause the remaining lease or loan payments to become immediately due and payable. The fair value of the Corporate Credit Bonds as of September 30, 1996, is approximately $48.7 million. This was estimated based on the quoted market prices for similar issues.

The 1988 Facility Bonds include $28.5 million of serial bonds which have matured or will mature from November 15, 1993, through 2003 and bear interest at rates ranging from 6.9 percent to 7.85 percent, $12.7 million of term bonds maturing November 15, 2006, bearing interest at 7.875 percent and $61.4 million of term bonds maturing November 15, 2015, bearing interest at 8.0 percent. The term bonds are subject to mandatory redemption by the CRRA from sinking fund installments as provided under the 1988 Facility Bonds indenture, beginning November 15, 2004, for the $12.7 million term bonds and November 15, 2009, for the $61.4 million term bonds. Interest on the 1988 Series A Facility Bonds is payable semiannually.

The 1988 Corporate Credit Bonds include $4.3 million of serial bonds which have matured or will mature from November 15, 1993, through 2003 and bear interest at rates ranging from 7.0 percent to 7.9 percent, $3.5 million of term bonds maturing November 15, 2008, bearing interest at 8.0 percent and $8.5 million of term bonds maturing November 15, 2015, bearing interest at 8.1 percent. The term bonds are subject to mandatory redemption by the CRRA from sinking fund installments as provided under the indenture beginning November 15, 2004, for the $3.5 million term bonds and November 15, 2009, for the $8.5 million term bonds. The 1992 Corporate Credit Bonds are due in a single payment on November 15, 2022, and bear interest at a rate of 6.45 percent. Interest on the Corporate Credit Bonds is payable semiannually.

The Partnership's principal payments and sinking fund obligations due on the Facility Bonds and the Corporate Credit Bonds during the indicated fiscal years are as follows:

Fiscal Year	Principal Amount (In Thousands)
1997	$ 2,276
1998	2,439
1999	2,619
2000	2,814
2001	3,021
2002 to 2023	108,556
	$121,725

The Facility Bonds and the Corporate Credit Bonds are subject to early redemption in whole or in part at the option of the CRRA upon notice by the Partnership of its intent to prepay rental payments under the Lease Agreement with respect to the Facility Bonds or principal payments under the Loan Agreements with respect to the Corporate Credit Bonds, in each case, at prices set forth in the respective indentures.

The Facility Bonds and the Corporate Credit Bonds are special obligations of the CRRA payable solely from and secured by revenues and other sources pledged therefor including (a) money paid by the Partnership under the Lease Agreement with respect to the Facility Bonds and the Loan Agreements under the Corporate Credit Bonds, (b) income from investments of the proceeds of the bonds and reserve funds held by the Trustee, (c) revenues derived by the Partnership from the operation of the Facility, (d) funds from the Company Support Agreement (see Note 5) with respect to the Facility Bonds and the corporate guaranty agreements with respect to the Corporate Credit Bonds and (e) money paid by the State of Connecticut pursuant to the terms of a special capital reserve fund for the Facility Bonds and the Corporate Credit Bonds.

Certain proceeds of the Facility Bonds are held in escrow under the indenture for the Facility Bonds and money from such funds would be used to make payment of principal and interest on the applicable bonds if other money has not been provided for that purpose. Appropriation of funds from the State of Connecticut general funds is deemed to have occurred if inadequate funds are held in escrow upon delivery of a certificate from the chairman of the CRRA and such appropriations would replenish the escrow account.

The Partnership may be relieved of its obligation with respect to the Facility Bonds (and thereby the Parents of their obligations) if certain termination events occur pursuant to the Service Agreement and a Ref-Fuel Release Date (as defined below) has occurred.

The Ref-Fuel Release Date is defined as the latest of (a) the date the Partnership notifies the CRRA that it has terminated the Service Agreement due to the CRRA's failure to provide certain additional credit support, (b) the date the CRRA notifies the Partnership that it has terminated the Service Agreement due to certain events related to uncontrollable circumstance events, state change in law, or an adverse litigation event, or (c) the final resolution of an uncontrollable circumstance related to such Service Agreement terminations. The events whereby the CRRA can terminate the Service Agreement include an economic test in which the net present value of projected tip fee increases by more than 100 percent.

5. OPERATIONAL AND OTHER AGREEMENTS:

The SCRRRA was created on January 16, 1985, by a joint resolution of the participating municipalities. Each participating municipality has entered into a municipal service agreement with SCRRRA. The participating municipalities are obligated to pay SCRRRA the net operating costs of the Facility (including the service fee to the Partnership). The SCRRRA is obligated to deliver or cause to be delivered to the Facility all acceptable

waste generated within the participating municipalities and other municipalities with which the SCRRRA enters into contracts for disposal of acceptable waste. The SCRRRA is also obligated to furnish landfill capacity to dispose of the Facility's residue and bypass waste.

Service Agreement

The Service Agreement entered into by the Partnership and the CRRA extends through November 11, 2015, unless terminated or extended as provided therein. The Partnership is obligated to operate and maintain the Facility and process acceptable waste delivered thereto. The CRRA is obligated to deliver or cause to be delivered for processing or disposal by the Partnership all acceptable waste delivered to CRRA by the participating municipalities and to pay, solely from revenues received from the participating municipalities, the service fee for such disposal service. The CRRA is also obligated to provide a disposal facility for disposal of residue and bypass waste. The service fee is calculated from a formula which contains certain elements which are to be paid whether or not that waste has been delivered by the participating municipalities. The Partnership is obligated to process acceptable waste in amounts up to the Facility capacity and has obligations to pay a predetermined price for bypass waste (subject to an allowance for bypass) resulting from its unexcused failures to process certain minimum quantities of waste. The total revenues generated by the Service Agreement were approximately $16.0 million for the year ended September 30, 1996, representing approximately 70 percent of total revenues. Outstanding receivables from the CRRA were approximately $674,000 or 23 percent of accounts receivable as of September 30, 1996.

Solid Waste Allocation Agreement

The Partnership and the SCRRRA entered into a solid waste allocation agreement dated October 15, 1991, to establish an orderly mechanism for waste processing and for obtaining waste from sources other than SCRRRA member municipalities. This agreement provides the Partnership with additional marketing rights and the potential for additional revenues depending on the circumstances. This agreement establishes waste processing priorities and liabilities that will be assumed by the Partnership and by the SCRRRA if either party violates these waste processing priorities. The term of this agreement is the same as that of the Service Agreement.

The Partnership entered into Solid Waste Disposal Agreements, effective September 21, 1991, with related BFI and Air Products partnerships, namely American REF-FUEL Company of Hempstead and American REF-FUEL Company of Essex County and, effective March 24, 1993, American REF-FUEL Company of Niagara L.P. (collectively, the Customers), providing for disposal of all acceptable waste brought by these Customers to the Partnership after giving first priority to the acceptance of CRRA waste.

Parents' Credit Support

The Parents each are obligated, pursuant to a support agreement as amended (the Company Support Agreement) to provide on a several basis (i.e., each to the extent of one half of the total obligation) funds required by the Partnership in order to perform its obligations under the Service Agreement and the Lease Agreement, subject to certain limitations and exceptions, should a shortfall in Partnership funds occur. Support of the Service Agreement obligations may be terminated by delivery of financial guarantees of the Facility Bonds.

If the Partnership defaults in its obligations under the Service Agreement and the CRRA terminates the Service Agreement, each Parent must either (a) contribute one half of the amounts required by the Partnership to pay lease rentals measured by the principal amount of Facility Bonds (together with accrued interest thereon) becoming due by reason of a consequent acceleration of the Facility Bonds pursuant to the indenture or (b) guarantee one half of the outstanding Facility Bonds.

The Parents are each also obligated, pursuant to financial guarantees dated as of December 1, 1988, and September 1, 1992, to provide on a several basis funds to cover any shortfall in funds required to make payments under the Loan Agreements as they relate to the Corporate Credit Bonds.

The Parents are each also obligated pursuant to the terms of the Parent Undertaking agreement, as amended, dated as of December 1, 1987 (the Parent Undertaking), to provide specified credit support to the Partnership for up to $15 million of bonds to finance certain costs of uncontrollable circumstance events. In addition, if the Service Agreement is terminated due to Partnership default, the Parents are required to fund liquidated damages of $2 million (50 percent from each Parent) which would be owed by the Partnership to the CRRA.

One Parent may substitute for the other Parent such that the substituted Parent (provided that it is not the subject of certain bankruptcy or reorganization proceedings) becomes the sole obligor with respect to Parent obligations under the Company Support Agreement, the guarantees (as defined above) and the Parent Undertaking.

The Partnership has approximately $35.4 million in subordinated notes payable to the Parents including interest of approximately $6.6 million. Such notes are due on demand and are unsecured under the loan agreements. These notes are payable from surplus cash generated by the Partnership as defined by the 1988 Facility Bonds indenture. The notes bear interest at a rate specified from time to time by the Internal Revenue Service pursuant to Section 1274(d) of the Internal Revenue Code. That rate averaged 5.6 percent during fiscal 1996.

Other Related-Party Transactions

American REF-FUEL Company (REF-FUEL), a general partnership which is also owned by indirect subsidiaries of Air Products and BFI, billed the Partnership approximately $1.9 million for general and administrative expenses and $1.0 million for operational expenses during fiscal 1996. As of September 30, 1996, there is approximately $82,000 due from REF-FUEL which is included in accounts receivable from affiliates in the accompanying balance sheet. Included in accounts payable to affiliates in the accompanying balance sheet is approximately $328,000 payable to American REF-FUEL Finance Company, a general partnership which is also owned by indirect subsidiaries of Air Products and BFI. This balance relates to the financing of the Facility during the construction phase.

Included in total revenues on the accompanying statement of operations are $779,000 and $137,000 of revenues generated from the delivery of waste by BFI and a related BFI and Air Products partnership, TransRiver Marketing Company, L.P., respectively. As of September 30, 1996, approximately $27,000 and $41,000 was outstanding from BFI and TransRiver Marketing, respectively, and is included in accounts receivable from affiliates in the accompanying balance sheet.

Additionally, included in operating expenses is approximately $1,024,000 of costs related to the disposal of ash by BFI for the Facility. As of September 30, 1996, approximately $66,000 was outstanding at year-end related to ash disposal and is included in accounts payable to affiliates in the accompanying balance sheet.

Energy Purchase Agreement

The Partnership, the CRRA and the SCRRRA are parties to an Energy Purchase Agreement with the Connecticut Light and Power Company (CL&P) dated December 2, 1988 (the Energy Purchase Agreement). Pursuant to the Energy Purchase Agreement, CL&P is obligated, subject to certain conditions, to take and pay for electricity through February 17, 2017, from the Facility. Partnership revenues generated from CL&P were approximately $4.2 million for the year ended September 30, 1996, representing approximately 18 percent of total revenues. Outstanding receivables due from CL&P were approximately $1.7 million or 52 percent of accounts receivable as of September 30, 1996.

The Energy Purchase Agreement originally ordered by the Connecticut Department of Public Utilities Control (CDPU) obligated CL&P to pay for electrical energy generated at the Facility at the municipal retail rate. CL&P appealed the award of the municipal retail rate. Subsequently, the CDPU on remand from the Connecticut Supreme Court determined that CL&P should pay the municipal retail rate for electricity generated from waste from towns in CL&P's service area and its 1986 avoided cost for the remainder. During fiscal 1993, CL&P challenged the decision by the CDPU in federal district court and, pursuant to an order by the federal court judge, CL&P applied for a declaratory ruling by the Federal Energy Resolution Commission (FERC) on whether or not the Connecticut Municipal Rate Statute is preempted by federal law. On January 11, 1995, the FERC issued a declaratory order, wherein the FERC determined that the rate CL&P was paying for the majority of the output from the Facility, as mandated by the Connecticut Municipal Rate Statute, is preempted by federal law if the rate in the Energy Purchase Agreement and required by the statute exceeds the relevant avoided cost as defined by the Public Utilities Regulatory Policies Act (PURPA). The Energy Purchase Agreement contemplated the possibility of this order and, as such, provides for a "fall-back rate" in the event such an order were issued by the FERC and sustained on a final, unappealable basis. The FERC order is not final, and the Partnership, CRRA and SCRRRA (collectively, the Sellers) have appealed. This matter will likely take several years to resolve through the judicial process in which the Sellers, individually or collectively, will be actively involved. A favorable final outcome cannot be assured. During the appeal period, the Sellers will continue to receive municipal retail rate-based payments, subject to potential refund with interest. Management has performed an analysis of the impact to the Partnership as of September 30, 1996, which indicates a negative impact resulting from a loss of the FERC appeal. Accordingly, the Partnership has recorded a reserve of approximately $590,000 as the outcome of the case cannot be assured at this time.

During fiscal 1993, a dispute arose with CL&P regarding the rate to be paid for electricity delivered to CL&P in excess of 13.85 megawatts. CL&P claims that power produced in excess of 13.85 megawatts, measured hourly, is not entitled to contract rates and that CL&P's current avoided cost rate (Rate 980) applies for power produced in excess of 13.85 megawatts. The Partnership maintains that such electricity deliveries are entitled to receive contract rates. CDPU issued a final ruling in this dispute on September 20, 1995, in which CDPU found that power produced up to 13.85 megawatts, measured on a monthly basis, is to be paid at contract rates, and that power produced in excess of 13.85 megawatts, measured on a monthly basis, is to be paid at Rate 980. The Partnership is appealing the CDPU decision on the basis that the electricity in excess of 13.85 megawatts is entitled to the contract rates, and CL&P is appealing the decision on the basis that the hourly calculation of the 13.85 megawatts is proper. Both the Partnership and CL&P appeared in September 1996 before the State of Connecticut Appellate Court to argue their case. A decision is expected during fiscal 1997. The Partnership has recorded revenues and included receivables in the accompanying balance sheet based on the monthly calculation of the 13.85 megawatt contract limit.

The Partnership received notices dated December 6, 1993, and January 11, 1994, from CL&P that it disputes a certain portion of its past payments on the basis that CL&P alleges that power generated from waste originating from non-SCRRRA towns is not entitled to the municipal retail rate but instead is entitled to the 1986 avoided cost rate. In connection with this dispute, CL&P threatened to offset past alleged overpayments against future payments by CL&P. On March 22, 1994, the Partnership, the CRRA and the SCRRRA filed a petition with the CDPU requesting that the CDPU issue a declaratory ruling to resolve this issue. On March 29, 1994, CL&P filed a counterpetition with the CDPU seeking a declaratory ruling in its favor on this same dispute. On April 20, 1994, the CDPU issued a final decision granting the petition of the Partnership, the CRRA and the SCRRRA and denied the petition of CL&P. In June 1994, CL&P instituted an action against the Partnership, the CRRA, the SCRRRA and the CDPU in the Connecticut Superior Court seeking to reverse the decision by the CDPU. CL&P's appeal has been stayed by mutual consent of the parties pending the outcome of the appeal of the FERC decision discussed above. Management continues to believe that CL&P does not have a meritorious case.

Management believes that the ultimate resolution of the matters discussed above, either individually or in the aggregate, will not have a material adverse impact on the future results of operations or financial position of the Partnership.

6. COMMITMENTS AND CONTINGENCIES:

In August 1994, the Partnership was notified by the CRRA of certain unresolved items relating to the calculation of the fiscal 1994 service fee pursuant to the Service Agreement. The Partnership and the CRRA resolved these issues through arbitration in which the Partnership recognized, in fiscal year 1995, $550,000 of interest income on service fee amounts past due. During the course of fiscal year 1996, the CRRA paid to the Partnership all amounts deemed due by the arbitration, although the CRRA is continuing to appeal the decision. Management believes the CRRA's claim is without merit.

The Partnership is also involved in various other claims or litigation in the ordinary course of business. Management believes that the ultimate resolution of these matters, either individually or in the aggregate, will not have a material adverse impact on the future results of operations or financial position of the Partnership.

The Partnership and the other REF-FUEL entities are jointly and severally liable to a bank in connection with a letter of credit in the amount of $500,000 issued on behalf of an insurance provider.

7. BENEFIT PLANS:

REF-FUEL is the sponsor of the American REF-FUEL Company Retirement Savings Plan (the Savings Plan) which covers substantially all employees of the Partnership, as well as employees of REF-FUEL and other REF-FUEL entities with common ownership by Air Products and BFI. The Savings Plan, adopted July 1, 1988, as amended January 1, 1992, incorporates a defined contribution account for each employee with deferred savings features permitted under the Internal Revenue Code (Code) Section 401(k). REF-FUEL's matching contribution is defined as 50 percent of the first 5 percent of regular earnings contributed by the member. In addition, REF-FUEL makes a basic contribution on a member's behalf in an amount equal to 3 percent of a member's regular earnings less than the Social Security Wage Base plus 6 percent of a member's regular earnings in excess of the Social Security Wage Base. Contributions are made on a biweekly basis and are directed to the investment funds in the same proportion as the employees have directed their voluntary contributions. The Partnership's share of the Savings Plan expense was approximately $119,000 for the year ended September 30, 1996.

[This page intentionally left blank]

APPENDIX E

INFORMATION EXTRACTED FROM AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

Southeastern Project - Balance Sheets (In Thousands)

	June 30, 1997	June 30, 1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$4,562	$524
Service payments receivable	2,233	4,080
Accounts receivable	1,043	988
Accrued interest and other receivables	554	413
Prepaid expenses	17	16
Total Current Assets	8,409	6,021
Restricted Assets:		
Cash and cash equivalents	4,689	5,569
Investments	1,374	1,362
Accrued interest receivable	394	390
Total Restricted Assets	6,457	7,321
Development and Bond Issuance Costs	7,450	8,957
Long-term Receivables	1,246	0
Property, Plant and Equipment:		
Plant	6,771	6,771
Equipment	13	13
	6,784	6,784
Less accumulated depreciation	(3,393)	(2,424)
Net Property, Plant and Equipment	3,391	4,360
TOTAL ASSETS	$26,953	$26,659
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Current portion of:		
Bonds Payable	$1,406	$1,342
Accounts payable and accrued expenses	5,585	4,470
Total Current Liabilities	6,991	5,812
Long-term Liabilities:		
Bonds payable	17,069	19,702
TOTAL LIABILITIES	24,060	25,514
Retained Earnings:		
Reserved	879	839
Unreserved	2,014	306
Total Retained Earnings	2,893	1,145
TOTAL FUND EQUITY	2,893	1,145
TOTAL LIABILITIES AND FUND EQUITY	$26,953	$26,659

Southeastern Project - Statements of Revenues, Expenses And Changes in Retained Earnings For the Years Ended June 30, 1997 and 1996 (In Thousands)

	June 30, 1997	June 30, 1996
Operating Revenues:		
Service charges - Members	$13,804	$14,528
Service charges - Other	961	527
Other income	7	0
Total operating revenues	14,772	15,055
Operating expenses:		
Solid Waste Operations	10,937	11,384
Depreciation and amortization	1,361	1,426
Project administration	293	782
Total operating expenses	12,591	13,592
Operating income	2,181	1,463
Nonoperating revenues (expenses):		
Interest income	215	349
Settlement income	880	0
Bond interest expense	(1,468)	(1,661)
Other	(10)	(30)
Total nonoperating revenues (expenses)	(383)	(1,342)
Income before operating transfers	1,798	121
Operating transfers out	(50)	(50)
Net income	1,748	71
Retained earnings (deficit), beginning of year	1,145	1,074
Retained earnings, end of year	$2,893	$1,145

[This page intentionally left blank]

APPENDIX F

AUDITED FINANCIAL STATEMENTS OF SCRRRA

[This page intentionally left blank]

SOUTHEASTERN CONNECTICUT REGIONAL RESOURCES RECOVERY AUTHORITY

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 1997

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

TABLE OF CONTENTS

Lanza, Smith and Company
Certified Public Accountants

400 BAYONET STREET
NEW LONDON, CT 06320
TELEPHONE (860) 442-4373
IN CT 1-800-521-3460
FACSIMILE (860) 442-1124

INDEPENDENT AUDITORS' REPORT

Southeastern Connecticut Regional
Resources Recovery Authority
Preston, Connecticut

We have audited the accompanying financial statements of the Southeastern Connecticut Regional Resources Recovery Authority as of June 30, 1997, and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

LANZA, SMITH AND COMPANY
Certified Public Accountants

New London, Connecticut
August 27, 1997

Exhibit "A"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

COMBINED BALANCE SHEET--ALL FUND TYPES

AND ACCOUNT GROUPS

June 30, 1997

	Fund Types			Account Groups		
	Operating Funds	Special Revenue Funds	Proprietary Funds	General Fixed Assets Account	General Long-term Debt Account	Totals (Memorandum Only)
CURRENT ASSETS						
Cash	$ 336,900	$ --	$ 100,347	$ --	$ --	$ 437,247
Accounts Receivable	91,872	158,779	9,823	--	--	260,474
Note Receivable - Current	250,000	--	--	--	--	250,000
Total Current Assets	678,772	158,779	110,170	-0-	-0-	947,721
PROPERTY, PLANT AND EQUIPMENT	-0-	-0-	-0-	7,985,183	-0-	7,985,183
NOTE RECEIVABLE	750,000	-0-	-0-	-0-	-0-	750,000
AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES	-0-	-0-	-0-	-0-	9,642	9,642
AMOUNT TO PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM DEBT	-0-	-0-	-0-	-0-	618,300	618,300
AMOUNT TO BE PROVIDED FOR CLOSURE AND POST-CLOSURE CARE COSTS	-0-	-0-	-0-	-0-	1,098,483	1,098,483
TOTAL ASSETS	$ 1,428,772	$ 158,779	$ 110,170	$ 7,985,183	$ 1,726,425	$ 11,409,329
LIABILITIES						
Accounts Payable	$ 14,631	$ 158,779	$ 2,084	$ --	$ --	$ 175,494
Accrued Employee Benefits	--	--	--	--	9,642	9,642
Notes Payable	--	--	--	--	13,000	13,000
Total Liabilities	14,631	158,779	2,084	-0-	22,642	198,136
DEFERRED REVENUE	1,000,000	-0-	-0-	-0-	-0-	1,000,000
LONG-TERM DEBT						
Notes Payable	--	--	--	--	605,300	605,300
Closure and Post-closure Care Costs	--	--	--	--	1,098,483	1,098,483
Total Long-Term Debt	-0-	-0-	-0-	-0-	1,703,783	1,703,783
FUND EQUITY						
Investments in General Fixed Assets	--	--	--	7,985,183	--	7,985,183
Retained Earnings:						
Restricted	--	--	108,086	--	--	108,086
Fund Balance:						
Unrestricted	414,141	--	--	--	--	414,141
Total Fund Equity	414,141	-0-	108,086	7,985,183	-0-	8,507,410
TOTAL LIABILITIES AND FUND EQUITY	$ 1,428,772	$ 158,779	$ 110,170	$ 7,985,183	$ 1,726,425	$ 11,409,329

See Accompanying Notes to Financial Statements

Exhibit "B"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

Year Ended June 30, 1997

	Fund Types		Totals (Memorandum Only)
	Operating Funds	Special Revenue Funds	
REVENUES			
Tipping Fee Allocation	$ 736,471	$ --	$ 736,471
Interest Income	9,350	--	9,350
Transportation Subsidy	--	158,779	158,779
Miscellaneous	5,324	--	5,324
Total Revenues	751,145	158,779	909,924
EXPENDITURES	617,753	158,779	776,532
EXCESS OF REVENUES OVER EXPENDITURES	133,392	-0-	133,392
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Land	250,000	--	250,000
Tipping Fee Stabilization	(250,000)	--	(250,000)
Total Other Financing Sources (Uses)	-0-	-0-	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	133,392	-0-	133,392
FUND BALANCE, Beginning of Year, as Restated	280,749	-0-	280,749
FUND BALANCE, End of Year	$ 414,141	$ -0-	$ 414,141

See Accompanying Notes to Financial Statements

Exhibit "C"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

COMBINED STATEMENT OF CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 30,140
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Decrease in Customer Account Receivable	13,880
(Decrease) in Accounts Payable	(2,623)
Net Cash Provided by Operating Activities	41,397
NET INCREASE IN CASH	41,397
CASH AT BEGINNING OF YEAR	58,950
CASH AT END OF YEAR	$ 100,347
Interest Expense Paid	$ -0-
Income Taxes Paid	-0-

See Accompanying Notes to Financial Statements

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Organization** - The Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA") was organized for the purpose of developing and implementing a long-term solution to problems in regional resources recovery and the disposal of municipal solid waste in Southeastern Connecticut. The by-laws of the authority were adopted on January 16, 1985. The Authority is made up of member municipalities who have elected to participate in the Authority.

SCRRRA entered into a Bridge and Management Agreement with the Connecticut Resources Recovery Authority ("CRRA") as of December 1, 1987, and has entered into municipal service contracts with thirteen municipalities for the disposal of solid waste. Under the Bridge and Management Agreement, CRRA is required to cause a resource recovery facility (the "Facility") to be constructed and operated for a twenty-five year period and SCRRRA is required to provide the waste from the municipalities executing municipal service agreements to the Facility and to pay service fees to cover the costs of constructing and operating the Facility. In turn, the municipalities under the municipal service agreements are obligated to supply SCRRRA with waste and to reimburse SCRRRA for all service fees payments.

(b) **Revenue Recognition** - The Authority prepares its financial statement on the modified accrual basis of accounting.

(c) **Fund Accounting** - To ensure observance of limitations and restrictions placed on the use of the resources available to the Authority, the accounting records are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. A separate chart of accounts is maintained for each fund.

Within each fund group funds restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purposes established by the sources of such funds and are in contrast with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

Operating Fund - This fund is established to account for resources and costs devoted to financing the operations of SCRRRA.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Funds

Proprietary funds are used to account for SCRRRA's ongoing activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The following is SCRRRA's proprietary fund type:

Recycling Funds - Recycling funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

General Fixed Assets Account Group - General fixed assets are recorded as expenditures in their respective fund at the time of purchase. Such acquired assets have been capitalized at cost in the General Fixed Asset Group of Accounts. When assets are disposed of, the amount of cash proceeds or cost, if available, is removed from the accounts. Depreciation is not recorded for general fixed assets in accordance with generally accepted accounting principles.

General Long-term Debt Account Group - The General Long-term Debt account group is used to account for all long-term general obligations of SCRRRA. These obligations are expected to be repaid from the Operating Fund through Tipping Fee Allocation from CRRA.

(d) Proprietary Fund Accounting - SCRRRA has implementation of Statement No. 20 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. This Statement provides guidance on the applicability of accounting pronouncements from other standards setting organizations. Under SCRRRA's election, its proprietary funds must apply all GASB pronouncements and the following pronouncements issued before November 30, 1989, unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. The implementation of this Statement has no effect on the financial statements.

(e) Interfund Transfers - The following is a description of the basic type of interfund transactions:

Operating Transfers - Transactions to shift revenue from the fund budgeted to receive them to the fund budgeted to expend them - these transactions are recorded as transfers in and out.

NOTE 2 - FUNDING

Major funding sources for the year ended June 30, 1997, were interest on project and landfill revenue bonds and charges to participating municipalities.

NOTE 3 - TOTAL COLUMN ON COMBINED STATEMENTS

The total column in the combined financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

NOTE 4 - CASH AND INVESTMENTS

"Qualified Public Depositories" for the Authority's funds are defined by state statutes and means a state bank and trust company, national bank association, savings bank, federal savings bank, savings and loan association, federal savings and loan association, credit union or federal credit union located in this state which receives or holds public deposits and segregates eligible collateral for public deposits as described in the statutes. State statutes also permit the Authority to make temporary investments in obligations of the U.S. Government, including the joint and several obligations of U.S. Government agencies. Investment in state-administered "Short-Term Investment Funds" is also permitted. Trust funds, including pension trust funds, are afforded greater latitude by state statutes in the investment of funds. In addition to deposits and temporary investments described above, investments permitted include real estate mortgages, bonds, stocks or other securities selected by the trustee with the care of a prudent investor.

Cash and investments are held and accounted for separately by each of the Authority's funds.

Deposits - Deposits are carried at cost plus accrued interest. The carrying amount of deposits separately stated on the balance sheet as "Cash" is in one financial institution and the carrying amount included in the total (memorandum only) column is as follows:

CASH AND CASH EQUIVALENTS:	
Deposits	$ 129,596
Short-term Investment Fund	307,651*
Total Cash and Cash Equivalents	$ 437,247

* These amounts are not subject to risk categorization since the Authority does not own identifiable securities but invests as a shareholder of the investment pool.

As of June 30, 1997, the carrying amount of the Authority's deposits totaled $129,596, with a bank balance of $178,014.

The insured and collateral status of the year-end bank balance was as follows:

Insured - FDIC	$ 100,000
Uninsured/Uncollateralized (covered under Multiple Financial Institution Collateral Pool - see note)	78,014
	$ 178,014

Note: Each public depository participates in a state collateral pool whereby it shall at all times maintain, segregated from its other assets, eligible collateral having a value at least equal to three percent of the average of all public deposits held by it. In the event of a loss, the state banking commission utilizes pool assets. As of June 30, 1997, the extent of which deposits were collateralized under this pool was not determinable.

NOTE 5 - EMPLOYEE BENEFITS

Accumulated unpaid vacation is accrued when incurred using the accrual basis of accounting. As of June 30, 1997, the amount of the accrual was $9,324 for the basic authority fund and $318 for the recycling fund.

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Authority contributes to a SEP/IRA plan for its employees. The Board of Directors determines the contribution rate based on the Authority's member Towns average contribution rates. The Board voted to increase the contribution from 8% to 8.5% effective January 1, 1997. Employees have no obligation to contribute to this plan. All employees are eligible to participate after six months of employment with the Authority and are 100% vested upon eligibility.

Contributions made during the year totaled approximately $13,458, which was the required amount. The Authority's total payroll for the year was approximately $178,190 of which $168,231 was covered payroll.

NOTE 7 - OPERATING LEASE

The Authority leases a recycling plant in Groton under an operating lease. The payments are $2,000 a month. This lease will be terminated as of July 1, 1997.

NOTE 8 - WASTE-TO-ENERGY FACILITY

The waste-to-energy facility, which was completed during the 91/92 fiscal year, has been funded with bonds issued by Connecticut Resources Recovery Authority. Once the bonds are paid, ownership of the facility will transfer to American Ref-fuel. Southeastern Connecticut Regional Resources Recovery Authority will not show the facility on their financial statements as Property, Plant and Equipment since their only involvement is a maintenance agreement with American Ref-fuel.

NOTE 9 - POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Authority to place a final cover on its Montville landfill site when the cell reaches final grade to perform certain maintenance and monitoring functions at the site for thirty years after final closure.

Although postclosure care costs will be paid only near or after the date that the landfill stops accepting ash, the Authority reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,098,483 reported as landfill closure and postclosure care liability at June 30, 1997, represents the cumulative amount reported to date based on the 54.11 percent of the estimated capacity of the landfill. The Authority will recognize the remaining estimated cost of closure and postclosure care of $1,015,923 over the estimated remaining life of 3 years as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 1997. The Authority expects to close the landfill in the year 2000. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Authority is in compliance with these requirements, and, at June 30, 1997, investments of $405,279.15 are held for these purposes by the Connecticut Resource Recovery Authority. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

NOTE 10 - PILOT AGREEMENTS

The Southeastern Connecticut Regional Resource Recovery Authority ("SCRRRA") has entered into an agreement with the Town of Montville, Connecticut, whereby SCRRRA will make quarterly payments to the Town in lieu of property tax. Under the agreement, the quarterly amount is calculated by multiplying a pre-determined rate times tonnage of ash dropped, in addition to a flat base fee.

Since the Montville Water Pollution Control Authority does not allow SCRRRA to discharge lechtate from the landfill to the Town's treatment plant, SCRRRA is allowed to take a total credit against the pilot payments equal to the actual incremental cost of disposing of the lechtate not to exceed $400,000 or greater annual credits of $80,000.

Prior to the date of closure, SCRRRA is required to establish and fund an interest bearing account for the benefit of the Town in the amount of $328,572. During the contract year wherein the balance of the account is less than $328,572, SCRRRA shall deposit an annual amount of approximately $58,000 less a deduction for any annual interest earned in the account, plus any expenses incurred to maintain the account at a lending or financial institution mutually agreed to by both parties. At the date of closure, all annual interest earned shall be paid to the Town. In the event that the site is returned to a use which subjects it to taxation by the Town, interest payments from the account shall terminate and the principal of $328,572 shall be returned to SCRRRA and any excess shall be paid to the Town.

NOTE 11 - LONG-TERM DEBT

A summary of changes in outstanding general long-term debt during the year ended June 30, 1997, is as follows:

Description	Balance at June 30, 1996	Issued/ Additions	Redeemed/ Matured	Balance June 30, 1997
Notes Payable	$ 631,073	$ -0-	$ 12,773	$ 618,300

The Authority's obligation under Notes Payable at June 30, 1997, consisted of the following:

Note payable for acquisition of Montville Landfill Property, interest at 11.75%, due in monthly installments of $7,221.81 with a maturity date of January, 2013	$ 605,300
Less: Current Portion	13,000
Total Notes Payable - Long-term Portion	$ 618,300

The future scheduled maturities of long-term debt are as follows:

Years Ending June 30,	
1997	$ 13,000
1998	14,400
1999	15,600
2000	16,800
2001	18,000
Thereafter	540,500
	$ 618,300

Per the agreement, interest is recalculated annually in February at three interest points above the prime interest rate. Monthly installments also may vary with any change in interest rate.

NOTE 12 - NOTE RECEIVABLE - SALE OF LAND

On January 11, 1996, SCRRRA entered into an agreement with the Mohegan Tribe of Indians of Connecticut to sell a portion of its land in Montville, Connecticut, whereby the Tribe will make a $250,000 payment at the date of sale and annual payments of $250,000 for the next 5 years on the anniversary date. Any payments not made by the due date shall bear interest at the prime rate established by Fleet Bank or its successor plus one percent. This agreement is collateralized by a Letter of Credit. The note receivable balance at June 30, 1997, is $1,000,000.

NOTE 13 - RECYCLING FACILITY GRANT

During the years ended June 30, 1997 and 1996, the Authority received grants of $112,000 and $200,000, respectively, from the Connecticut Resource Recovery Authority for the development of a new recycling facility.

The activity relating to the grants is reflected in the recycling fund and is as follows for the year ended June 30, 1997:

	Grant 1	Grant 2	Grant 3	Total
Grant Funds Available at July 1, 1996	$ 73,627	$ --	$ --	$ 73,627
Grant Revenues	--	27,000	85,000	112,000
	73,627	27,000	85,000	185,627
Grant Expenditures:				
Building/Site Design Phase Services	59,510	--	--	59,510
Equipment	--	9,188	--	9,188
Repairs	--	11,567	5,020	16,587
Staff Administration	14,117	--	--	14,117
Miscellaneous	--	560	--	560
	73,627	21,315	5,020	99,962
Grant Funds Available at June 30, 1997	$ -0-	$ 5,685	$ 79,980	$ 85,665

Management has committed all grant funds available at June 30, 1997, to specific projects and expects to expend the total remaining funds early in the fiscal year ending June 30, 1998.

[This page intentionally left blank]

SUPPLEMENTARY INFORMATION

Schedule "1"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

OPERATING FUNDS

STATEMENT OF REVENUES

Year Ended June 30, 1997

	Basic Authority Funds
REVENUES	
Tipping Fee Allocation	$ 736,471
Miscellaneous	5,324
Interest Earned	9,350
TOTAL REVENUES	$ 751,145

Schedule "2"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

OPERATING FUNDS

STATEMENT OF EXPENDITURES

Year Ended June 30, 1997

	Basic Authority Fund
PROJECT EXPENDITURES	
Executive Director - Salary	$ 62,082
Executive Director - Benefits	6,683
Operations Analyst - Salary	35,875
Operations Analyst - Benefits	8,549
Administrative Secretary - Salary	37,552
Administrative Secretary - Benefits	9,753
Telephone	4,079
Office Expense/Computer Services	8,684
Office Equipment	11,606
Consulting	10,243
Audit	4,350
Insurance	9,233
Attorney	50,905
Miscellaneous	560
Total Project Expenditures	260,154
LANDFILL EXPENSES	
Attorney	980
Debt Service	88,092
Permitting/Engineering	65,204
Environmental Testing	48,720
Lechtate Disposal	140,205
Landfill Operations	14,398
Total Landfill Expenses	357,599
TOTAL BASIC AUTHORITY EXPENDITURES	$ 617,753

Schedule "3"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1997

	Transportation Subsidy
ASSETS	
Accounts Receivable	$ 158,779
LIABILITIES	
Accounts Payable	$ 158,779

Schedule "4"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

Year Ended June 30, 1997

	Transportation Subsidy
REVENUES	
Transportation Subsidy	$ 158,779
EXPENDITURES	158,779
EXCESS OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE BEGINNING OF YEAR, AS RESTATED	-0-
FUND BALANCE END OF YEAR	$ -0-

Schedule "5"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

PROPRIETARY FUNDS

COMBINING BALANCE SHEET

June 30, 1997

	Recycling Fund
ASSETS	
Cash	$ 100,347
Accounts Receivable	9,823
TOTAL ASSETS	$ 110,170
LIABILITIES	
Accounts Payable	$ 2,084
FUND EQUITY	
Retained Earnings: Reserved	108,086
TOTAL LIABILITIES AND FUND EQUITY	$ 110,170

Schedule "6"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN RETAINED EARNINGS

Year Ended June 30, 1997

	Recycling Fund
OPERATING REVENUES	
Recycling Fees	$ 62,094
OPERATING EXPENSES	
Salaries - Recycling Coordinator	42,680
Benefits - Recycling Coordinator	11,177
Telephone	1,207
Lease	4,000
Operating Costs	51,299
Contingencies	10,777
Leasehold Improvements	5,848
Attorney	3,795
Miscellaneous	13,357
Total Operating Expenses	144,140
OPERATING INCOME (LOSS)	(82,046)
NONOPERATING REVENUES	
Interest Income	186
Other Revenue	112,000
Total Nonoperating Revenues	112,186
NET INCOME	30,140
RETAINED EARNINGS, BEGINNING OF YEAR	77,946
RETAINED EARNINGS, END OF YEAR	$ 108,086

Schedule "7"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

Year Ended June 30, 1997

Leasehold Improvements	$ 32,369
Furniture and Fixtures	50,065
Land	1,549,600
Landfill Improvements	6,335,695
INVESTMENT IN PROPERTY AND EQUIPMENT, July 1, 1996	7,967,729
Add: Current Year Additions - Landfill Improvements	17,454
INVESTMENT IN PROPERTY AND EQUIPMENT, June 30, 1997	$7,985,183

SOUTHEASTERN CONNECTICUT REGIONAL RESOURCES RECOVERY AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 1996

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

TABLE OF CONTENTS

Lanza, Smith and Company
Certified Public Accountants

400 BAYONET STREET
NEW LONDON, CT 06320
TELEPHONE (203) 442-4373
IN CT 1-800-521-3460
FACSIMILE (203) 442-1124

INDEPENDENT AUDITORS' REPORT

Southeastern Connecticut Regional
Resources Recovery Authority
Preston, Connecticut

We have audited the accompanying financial statements of the Southeastern Connecticut Regional Resources Recovery Authority as of June 30, 1996, and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Lanza, Smith & Company

LANZA, SMITH AND COMPANY
Certified Public Accountants

New London, Connecticut
August 30, 1996

Exhibit "A"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

COMBINED BALANCE SHEET--ALL FUND TYPES

AND ACCOUNT GROUPS

June 30, 1996

	Fund Types			Account Groups		
	Operating Funds	Special Revenue Funds	Proprietary Funds	General Fixed Assets Account	General Long-term Debt Account	Totals (Memorandum Only)
CURRENT ASSETS						
Cash	$ 120,280	$ -	$ 58,950	$ -	$ -	$ 179,230
Accounts Receivable	202,867	146,722	23,703	-	-	373,292
Note Receivable - Current	250,000	-	-	-	-	250,000
Total Current Assets	573,147	146,722	82,653	-0-	-0-	802,522
PROPERTY, PLANT AND EQUIPMENT	-0-	-0-	-0-	7,967,729	-0-	7,967,729
NOTE RECEIVABLE	1,000,000	-0-	-0-	-0-	-0-	1,000,000
AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES	-0-	-0-	-0-	-0-	5,383	5,383
AMOUNT TO PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM DEBT	-0-	-0-	-0-	-0-	631,073	631,073
AMOUNT TO BE PROVIDED FOR CLOSURE AND POST-CLOSURE CARE COSTS	-0-	-0-	-0-	-0-	902,116	902,116
TOTAL ASSETS	$1,573,147	$ 146,722	$ 82,653	$7,967,729	$1,538,572	$11,308,823
LIABILITIES						
Accounts Payable	$ 189,120	$ 146,722	$ 4,707	$ -	$ -	$ 340,549
Accrued Employee Benefits	-	-	-	-	5,383	5,383
Notes Payable	-	-	-	-	12,000	12,000
Total Liabilities	189,120	146,722	4,707	-0-	17,383	357,932
DEFERRED REVENUE	1,250,000	-	-	-	-	1,250,000
LONG-TERM DEBT						
Notes Payable	-	-	-	-	619,073	619,073
Closure and Post-closure Care Costs	-	-	-	-	902,116	902,116
Total Long-Term Debt	-0-	-0-	-0-	-0-	1,521,189	1,521,189
FUND EQUITY						
Investments in General Fixed Assets	-	-	-	7,967,729	-	7,967,729
Retained Earnings						
Restricted	-	-	77,946	-	-	77,946
Fund Balance						
Unrestricted	134,027	-	-	-	-	134,027
Total Fund Equity	134,027	-0-	77,946	7,967,729	-0-	8,179,702
TOTAL LIABILITIES AND FUND EQUITY	$1,573,147	$ 146,722	$ 82,653	$7,967,729	$1,538,572	$11,308,823

See Accompanying Notes to Financial Statements

Exhibit "B"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

Year Ended June 30, 1996

	Fund Types		Totals (Memorandum Only)
	Operating Funds	Special Revenue Funds	
REVENUES			
Grants and Other Payments	$ 150,000	$ --	$ 150,000
Tipping Fee Allocation	952,983	--	952,983
Interest Income	2,903	--	2,903
Transportation Subsidy	--	146,722	146,722
Miscellaneous	9,770	--	9,770
Total Revenues	1,115,656	146,722	1,262,378
EXPENDITURES	1,051,946	146,722	1,198,668
EXCESS OF REVENUES OVER EXPENDITURES	63,710	-0-	63,710
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	(50,000)	--	(50,000)
Proceeds from the Sale of Land	250,000	--	250,000
Tipping Fee Stabilization	(250,000)	--	(250,000)
Total Other Financing Sources (Uses)	(50,000)	-0-	(50,000)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	13,710	-0-	13,710
FUND BALANCE, Beginning of Year, as Restated	120,317	-0-	120,317
FUND BALANCE, End of Year	$ 134,027	$ -0-	$ 134,027

See Accompanying Notes to Financial Statements

Exhibit "C"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

COMBINED STATEMENT OF CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 12,740
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
(Increase) in Customer Account Receivable	(15,033)
(Decrease) in Accounts Payable	(9,211)
Net Cash Provided by Operating Activities	(11,504)
NET DECREASE IN CASH	(11,504)
CASH AT BEGINNING OF YEAR	70,454
CASH AT END OF YEAR	$ 58,950
Interest Expense Paid	$ -0-
Income Taxes Paid	-0-

See Accompanying Notes to Financial Statements

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Organization** - The Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA") was organized for the purpose of developing and implementing a long-term solution to problems in regional resources recovery and the disposal of municipal solid waste in Southeastern Connecticut. The by-laws of the authority were adopted on January 16, 1985. The Authority is made up of member municipalities who have elected to participate in the Authority.

SCRRRA entered into a Bridge and Management Agreement with the Connecticut Resources Recovery Authority ("CRRA") as of December 1, 1987, and has entered into municipal service contracts with thirteen municipalities for the disposal of solid waste. Under the Bridge and Management Agreement, CRRA is required to cause a resource recovery facility (the "Facility") to be constructed and operated for a twenty-five year period and SCRRRA is required to provide the waste from the municipalities executing municipal service agreements to the Facility and to pay service fees to cover the costs of constructing and operating the Facility. In turn, the municipalities under the municipal service agreements are obligated to supply SCRRRA with waste and to reimburse SCRRRA for all service fees payments.

(b) **Revenue Recognition** - The Agency prepares its financial statement on the modified accrual basis of accounting.

(c) **Fund Accounting** - To ensure observance of limitations and restrictions placed on the use of the resources available to the authority, the accounting records are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. A separate chart of accounts is maintained for each fund.

Within each fund group funds restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purposes established by the sources of such funds and are in contrast with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

Operating Fund - This fund is established to account for resources and costs devoted to financing the operations of SCRRRA.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Funds

Proprietary funds are used to account for SCRRRA's ongoing activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The following is SCRRRA's proprietary fund type:

Recycling Funds - Recycling funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

General Fixed Assets Account Group - General fixed assets are recorded as expenditures in their respective fund at the time of purchase. Such acquired assets have been capitalized at cost in the General Fixed Asset Group of Accounts. When assets are disposed of, the amount of cash proceeds or cost, if available, is removed from the accounts. Depreciation is not recorded for general fixed assets in accordance with generally accepted accounting principles.

General Long-term Debt Account Group - The General Long-term Debt account group is used to account for all long-term general obligations of SCRRRA. These obligations are expected to be repaid from the Operating Fund through Tipping Fee Allocation from CRRA.

(d) **Proprietary Fund Accounting** - SCRRRA has implementation of Statement No. 20 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. This Statement provides guidance on the applicability of accounting pronouncements from other standards setting organizations. Under SCRRRA's election, its proprietary funds must apply all GASB pronouncements and the following pronouncements issued before November 30, 1989, unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. The implementation of this Statement has no effect on the financial statements.

(e) **Interfund Transfers** - The following is a description of the basic type of interfund transactions made during the year:

Operating Transfers - Transactions to shift revenue from the fund budgeted to receive them to the fund budgeted to expend them - these transactions are recorded as transfers in and out.

NOTE 2 - FUNDING

Major funding sources for the year ended June 30, 1996, were interest on project and landfill revenue bonds and charges to participating municipalities.

NOTE 3 - TOTAL COLUMN ON COMBINED STATEMENTS

The total column in the combined financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

NOTE 4 - CASH AND INVESTMENTS

"Qualified Public Depositories" for the Agency's funds are defined by state statutes and means a state bank and trust company, national bank association, savings bank, federal savings bank, savings and loan association, federal savings and loan association, credit union or federal credit union located in this state which receives or holds public deposits and segregates eligible collateral for public deposits as described in the statutes. State statutes also permit the Agency to make temporary investments in obligations of the U.S. Government, including the joint and several obligations of U.S. Government agencies. Investment in state-administered "Short-Term Investment Funds" is also permitted. Trust funds, including pension trust funds, are afforded greater latitude by state statutes in the investment of funds. In addition to deposits and temporary investments described above, investments permitted include real estate mortgages, bonds, stocks or other securities selected by the trustee with the care of a prudent investor.

Cash and investments are held and accounted for separately by each of the Agency's funds.

Deposits - Deposits are carried at cost plus accrued interest. The carrying amount of deposits separately stated on the balance sheet as "Cash" is in one financial institution and the carrying amount included in the total (memorandum only) column is as follows:

	Carrying Amount	Bank Balance
Insured - FDIC	$ 100,000	$ 100,000
Uninsured/Uncollateralized (Covered Under Multiple Financial Institution Collateral Pool - See Note)	79,230	116,136
	$ 179,230	$ 216,136

Note: Each public depository participates in a state collateral pool whereby it shall at all times maintain, segregated from its other assets, eligible collateral having a value at least equal to three percent of the average of all public deposits held by it. In the event of a loss, the state banking commission utilizes pool assets. As of June 30, 1996, the extent of which deposits were collateralized under this pool was not determinable.

NOTE 5 - EMPLOYEE BENEFITS

Accumulated unpaid vacation is accrued when incurred using the accrual basis of accounting. As of June 30, 1996, the amount of the accrual was $5,246 for the basic authority fund and $137 for the recycling fund.

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Agency contributes to a SEP/IRA plan for its employees. The Board of Directors voted to maintain the contributions at 8% of the employees' gross payroll. Contributions made during the year by the agency totaled approximately $8,031, which was the required amount. The contribution represents approximately 8% of the total current year covered payroll based on a prorated basis. Employees have no obligation to contribute to this plan. All employees are eligible to participate after six months of employment with the Authority and are 100% vested upon eligibility.

The Agency's total payroll for the year was approximately $161,407, of which $100,388 was covered payroll.

NOTE 7 - OPERATING LEASE

The Agency leases a recycling plant in Groton under an operating lease. The prior lease was for 5 years and 3 months and expired on January 31, 1996. The payments are $2,000 a month, or $24,000 a year. Management renewed this lease on a month-to-month basis.

NOTE 8 - WASTE-TO-ENERGY FACILITY

The waste-to-energy facility, which was completed during the 91/92 fiscal year, has been funded with bonds issued by Connecticut Regional Resources Recovery Authority. Once the bonds are paid, ownership of the facility will transfer to American Ref-fuel. Southeastern Connecticut Regional Resources Recovery Authority will not show the facility on their financial statements as Property, Plant and Equipment since their only involvement is a maintenance agreement with American Ref-fuel.

NOTE 9 - POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Authority to place a final cover on its Montville landfill site when the cell reaches final grade to perform certain maintenance and monitoring functions at the site for thirty years after final closure.

Although postclosure care costs will be paid only near or after the date that the landfill stops accepting ash, the Authority reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $902,117 reported as landfill closure and postclosure care liability at June 30, 1996, represents the cumulative amount reported to date based on the 38.60 percent of the estimated capacity of the landfill. The Authority will recognize the remaining estimated cost of closure and postclosure care of $1,179,570 over the estimated remaining life of 4 years as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 1996. The Authority expects to close the landfill in the year 2000. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Authority is in compliance with these requirements, and, at June 30, 1996, investments of $186,804 are held for these purposes by the Connecticut Resource Recovery Authority. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

NOTE 10 - PILOT AGREEMENTS

The Southeastern Connecticut Regional Resource Recovery Authority ("SCRRRA") has entered into an agreement with the Town of Montville, Connecticut, whereby SCRRRA will make quarterly payments to the Town in lieu of property tax. Under the agreement, the quarterly amount is calculated by multiplying a pre-determined rate times tonnage of ash dropped, in addition to a flat base fee.

Since the Montville Water Pollution Control Authority does not allow SCRRRA to discharge lechtate from the landfill to the Town's treatment plant, SCRRRA is allowed to take a total credit against the pilot payments equal to the actual incremental cost of disposing of the lechtate not to exceed $400,000 or greater annual credits of $80,000.

Prior to the date of closure, SCRRRA is required to establish and fund an interest bearing account for the benefit of the Town in the amount of $328,572. During the contract year wherein the balance of the account is less than $328,572, SCRRRA shall deposit an annual amount of not less than $13,143 less a deduction for any annual interest earned in the account, plus any expenses incurred to maintain the account at a lending or financial institution mutually agreed to by both parties. At the date of closure, all annual interest earned shall be paid to the Town. In the event that the site is returned to a use which subjects it to taxation by the Town, interest payments from the account shall terminate and the principal of $328,572 shall be returned to SCRRRA and any excess shall be paid to the Town.

NOTE 11 - SEWER ASSESSMENT

During the fiscal year ended June 30, 1995, SCRRRA entered into an agreement with the Town of Montville, Connecticut, whereby the Town would defer $32,520 of a total sewer assessment of $41,714 which is charged on the Montville Ash Landfill . This deferred portion of the assessment is to be paid at the date of partial sale. Since the payment of the assessment is contingent upon the partial sale of the property and the authority has no current intention of selling the property in the near future, the amount to be provided for payment of sewer assessment is included in the general long-term debt account.

During the fiscal year ended June 30, 1996, SCRRRA sold a portion of specified property and was required to pay the total deferred assessment, thus, no deferred property taxes existed at June 30, 1996.

NOTE 12 - LONG-TERM DEBT

The Authority's obligation under Notes Payable at June 30, 1996, consisted of the following:

Note payable for acquisition of Montville Landfill Property, interest at 12.25%, due in monthly installments of $7,426.18 with a maturity date of January, 2013	$ 631,073
Less: Current Portion	12,000
Total Notes Payable - Long-term Portion	$ 619,073

The future scheduled maturities of long-term debt are as follows:

Years Ending June 30,	
1996	$ 12,000
1997	14,400
1998	15,600
1999	16,800
2000	18,000
Thereafter	555,247
	$ 632,047

NOTE 13 - NOTE RECEIVAB' .LE OF LAND

On January 11, 1996, SCRRRA entered into an agreement with the Mohegan Tribe of Indians of Connecticut to sell a portion of its land in Montville, Connecticut, whereby the Tribe will make a $250,000 payment at the date of sale and annual payments of $250,000 for the next 5 years on the anniversary date. Any payments not made by the due date shall bear interest at the prime rate established by Fleet Bank or its successor plus one percent. This agreement is collateralized by a Letter of Credit. The note receivable balance at December 31, 1996, is $1,250,000.

NOTE 14 - RECYCLING FACILITY GRANT

During the year ended June 30, 1996, the Authority received a grant of $200,000 from the Connecticut Resource Recovery Authority for the development of a new recycling facility.

The revenues and expenditures relating to the grant are reflected in the recycling fund and are as follows for the year ended June 30, 1996:

Revenue - Grant	$ 200,000
Expenditures -	
Project definition/planning development costs	25,670
Permitting/recruitment costs	64,520
Contingency	23,703
Staff Administration	12,480
Total Costs	126,373
Excess of Revenues over Expenditures	$ 73,627

NOTE 15 - RESTATEMENT

The basic authority fund balance at the beginning of the fiscal year ended June 30, 1996, has been adjusted to correct an error in recording the amount to be received as transportation subsidy in the prior fiscal year. Had the error not been made, net income for the fiscal year ended June 30, 1995, would have decreased by $10,938.

[This page intentionally left blank]

SUPPLEMENTARY INFORMATION

Schedule "1"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

OPERATING FUNDS

STATEMENT OF REVENUES

Year Ended June 30, 1996

	Basic Authority Funds
REVENUES	
Tipping Fee Allocation	$ 952,983
Miscellaneous	9,770
Interest Earned	2,903
Wheelabrator Settlement	150,000
TOTAL REVENUES	$1,115,656

Schedule "2"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

OPERATING FUNDS

STATEMENT OF EXPENDITURES

Year Ended June 30, 1996

	Basic Authority Fund
PROJECT EXPENDITURES	
Executive Director - Salary	$ 48,906
Executive Director - Benefits	6,182
Operations Analyst - Salary	36,000
Operations Analyst - Benefits	6,749
Administrative Secretary - Salary	34,321
Administrative Secretary - Benefits	7,679
Telephone	3,657
Office Expense/Computer Services	9,207
Consulting	13,319
Audit	3,300
Insurance	8,577
Attorney	106,312
Miscellaneous	278
Fiscal Year 1994 Cash Flow Shortage Payment	100,000
Total Project Expenditures	384,487
LANDFILL EXPENSES	
Attorney	28,310
Debt Service	98,900
Permitting/Engineering	181,899
Sewer Assessment	32,646
Lechtate Disposal	280,330
Landfill Operations	45,374
Total Landfill Expenses	667,459
TOTAL BASIC AUTHORITY EXPENDITURES	$1,051,946

Schedule "3"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1996

	Transportation Subsidy
ASSETS	
Accounts Receivable	$ 146,722
LIABILITIES	
Accounts Payable	$ 146,722

Schedule "4"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

Year Ended June 30, 1996

	Transportation Subsidy
REVENUES	
Transportation Subsidy	$ 146,722
	146,722
EXPENDITURES	
EXCESS OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE BEGINNING OF YEAR, AS RESTATED	-0-
FUND BALANCE END OF YEAR	$ -0-

Schedule "5"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

PROPRIETARY FUNDS

COMBINING BALANCE SHEET

June 30, 1996

	Recycling Fund
ASSETS	
Cash	$ 58,950
Accounts Receivable	23,703
TOTAL ASSETS	$ 82,653
LIABILITIES	
Accounts Payable	$ 4,707
FUND EQUITY	
Retained Earnings:	
Reserved	77,946
TOTAL LIABILITIES AND FUND EQUITY	$ 82,653

Schedule "6"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN RETAINED EARNINGS

Year Ended June 30, 1996

	Recycling Fund
OPERATING REVENUES	
Recycling Fees	$ 51,675
Miscellaneous	275
Total Operating Revenues	51,950
OPERATING EXPENSES	
Salaries - Recycling Coordinator	42,180
Benefits - Recycling Coordinator	10,351
Engineering and Consulting	5,113
Telephone	728
Lease	24,000
Operating Costs	147,316
Contingencies	43,319
Leasehold Improvements	491
Attorney	13,211
Monitoring Costs	3,746
Total Operating Expenses	290,455
OPERATING INCOME (LOSS)	(238,505)
NONOPERATING REVENUES	
Interest Income	1,245
Other Revenue	200,000
Total Nonoperating Revenues	201,245
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(37,260)
OPERATING TRANSFERS	
Operating Transfers In	50,000
NET INCOME	12,740
RETAINED EARNINGS, BEGINNING OF YEAR	65,206
RETAINED EARNINGS, END OF YEAR	$ 77,946

Schedule "7"

SOUTHEASTERN CONNECTICUT

REGIONAL RESOURCES RECOVERY AUTHORITY

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

Year Ended June 30, 1996

Leasehold Improvements	$ 32,369
Furniture and Fixtures	50,065
Land	1,549,600
Landfill Improvements	6,294,119
INVESTMENT IN PROPERTY AND EQUIPMENT, July 1, 1995	7,926,153
Add: Current Year Additions - Landfill Improvements	41,576
INVESTMENT IN PROPERTY AND EQUIPMENT, June 30, 1996	$7,967,729

APPENDIX G

GENERAL INFORMATION CONCERNING DUKE CAPITAL CORPORATION

Duke Capital Corporation, a wholly owned subsidiary of Duke Energy Corporation ("Duke Energy"), is a provider of energy and related services worldwide. Duke Capital serves as the parent company to a number of Duke Energy affiliates, including PanEnergy Corp ("PanEnergy").

PanEnergy is a holding company whose subsidiaries are primarily engaged in the interstate transportation and storage of natural gas, in the gathering, processing, marketing and intrastate transportation and storage of natural gas, natural gas liquids ("NGLs") and crude oil, and in natural gas and electric power marketing and risk management services. Services relating to the interstate transportation and storage of natural gas are provided by its natural gas transmission group. This group includes four major interstate pipeline subsidiaries—Texas Eastern Transmission Corporation, Algonquin Gas Transmission Company, Panhandle Eastern Pipe Line Company and Trunkline Gas Company. Together, these subsidiaries own and operate one of the nation's largest gas transmission networks delivering approximately 12 percent of the natural gas consumed in the United States. This fully interconnected 37,500-mile system can receive natural gas from most major North American producing regions for delivery to markets throughout the Mid-Atlantic, New England and Midwest states. Services relating to the gathering, processing, marketing, intrastate transportation and storage of natural gas, NGLs and crude oil, as well as natural gas and electric power marketing and risk management services, are provided by its energy services group. Through Duke Energy Trading & Market Services, Inc., this group is one of the leading marketers of natural gas and electric power in North America.

Duke Capital's subsidiaries, Duke Energy International, Inc. and Duke Energy Services, Inc., develop, own, manage and operate energy facilities worldwide. Affiliates of Duke Energy Services recently won a bid to purchase three power plants in California from Pacific Gas and Electric Company for a purchase price of $501 million. Two other Duke Capital subsidiaries, Duke Engineering & Services, Inc., and the Duke/Fluor Daniel Group, a 50/50 partnership with Fluor Daniel, Inc., provide engineering, environmental services, project management, construction management, and operating and maintenance services for utilities, industry and government worldwide.

The diversified operations of Duke Capital include Crescent Resources, Inc., a real estate development and forestry company, and DukeNet Communications, Inc., which develops and manages communication systems, including fiber optic and wireless digital network services.

For the nine months ended September 30, 1997, Duke Capital reported revenues of approximately $8,406.8 million and earnings before interest and taxes of approximately $655.9 million compared to September 30, 1996 revenues of approximately $5,130.2 million and earnings before interest and taxes of approximately $643.3 million.

Note: *The September 30, 1996 financial information reflects accounting for the merger with PanEnergy Corp as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1996.*

DUKE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In millions)

	Three Months Ended September 30		Year to Date September 30	
	1997	1996[1]	1997[1]	1996[1]
Operating Revenues				
Natural gas and petroleum products				
Sales of natural gas and petroleum products	$3,032.0	$1,424.4	$5,666.4	$3,742.2
Transportation and storage of natural gas	360.5	370.8	1,128.7	1,131.4
Trading and marketing of electricity	984.9	28.9	1,179.9	33.4
Other	166.3	68.1	431.8	223.2
Total operating revenues	3,543.7	1,892.2	8,406.8	5,130.2
Operating Expenses				
Natural gas and petroleum products purchased	1,968.7	1,357.5	5,354.2	3,490.1
Net interchange and purchased power	978.6	-	1,173.7	-
Other operations and maintenance	312.8	254.8	933.5	733.5
Depreciation and amortization	88.6	75.7	250.2	224.7
Property and other taxes	20.6	20.2	76.6	64.0
Total operating expenses	3,369.3	1,708.2	7,788.2	4,512.3
Operating Income	174.4	184.0	618.6	617.9
Other Income and Expenses				
Deferred returns and allowance for funds used during construction	1.0	0.6	1.9	1.7
Other, net	2.7	13.3	35.4	23.7
Total other income and expenses	3.7	13.9	37.3	25.4
Earnings Before Interest and Taxes	178.1	197.9	**655.9**	643.3
Interest Expense	55.3	58.7	158.2	176.0
Minority Interest	(1.6)	2.2	10.7	2.2
Earnings Before Income Taxes	124.4	137.0	**437.0**	465.1
Income Taxes	52.2	52.0	201.7	177.2
Net Income	$ 72.2	$85.0	$285.3	$297.9

[1] Financial information reflects accounting for the merger with PanEnergy Corp as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1996.

DUKE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Millions)

	Year To Date September 30	
	1997[1]	1996[1]
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$205.3	$287.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	256.6	224.7
Deferred income taxes	47.2	48.4
(Increase) Decrease in		
Receivables	(303.9)	(180.5)
Inventory	(8.7)	8.0
Other current assets	(855.5)	(7.9)
Increase (Decrease) in		
Accounts payable	213.4	186.3
Taxes accrued	55.8	13.6
Interest accrued	(16.0)	(6.2)
Other current liabilities	759.6	(30.1)
Other, net	(26.0)	104.7
Net cash provided by operating activities	407.8	648.9
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(404.6)	(502.2)
Investment expenditures	(366.6)	(116.8)
Retirements and other Investing	78.8	72.2
Net cash used in investing activities	(692.4)	(546.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuances of		
Long-term debt	528.6	165.8
Common stock	-	8.8
Payments for the redemption of long-term debt	(184.4)	(61.3)
Net change in notes payable and commercial paper	(115.7)	(128.0)
Dividends paid	(72.7)	(106.3)
Other	14.4	(1.5)
Net cash provided by (used in) financing activities	170.2	(122.5)
Net decrease in cash and cash equivalents	(114.4)	(20.4)
Cash and cash equivalents at beginning of period	151.4	152.8
Cash and cash equivalents at end of period	$ 37.0	$ 132.4

[1] Financial information reflects accounting for the merger with PanEnergy Corp as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1996.

DUKE CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	Year to Date	
	September 30, 1997[1]	December 31, 1996[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$37.0	$151.4
Receivables	1,684.7	1,254.3
Inventory	179.7	171.0
Current portion of natural gas transition costs	66.9	67.9
Other	1,030.4	149.0
Total current assets	2,998.7	1,793.6
Investments and Other Assets		
Investments in affiliates	480.1	502.9
Pre-funded pension costs	298.4	280.6
Goodwill, net	485.9	222.1
Other	171.6	124.7
Total investments and other assets	1,436.0	1,130.3
Property, Plant and Equipment		
Cost	9,532.9	9,189.0
Less accumulated depreciation and amortization	3,570.4	3,388.3
Net property, plant and equipment	5,962.5	5,800.7
Regulatory Assets and Deferred Debits		
Debt expense	67.6	74.2
Regulatory asset related to Income taxes	14.5	4.5
Natural gas transition costs	207.8	250.0
Environmental clean-up cost	107.7	153.2
Other	112.4	133.9
Total regulatory assets and deferred debits	510.0	615.8
Total Assets	$ 10,907.2	$ 9,340.4

[1] Financial information reflects accounting for the merger with PanEnergy Corp as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1996.

DUKE CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	Year to Date	
	September 30, 1997[1]	December 31, 1996[1]
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$1,338.1	$996.1
Notes payable and commercial paper	243.4	359.1
Taxes accrued	142.3	86.5
Interest accrued	43.7	59.7
Current portion of natural gas transition liabilities	47.4	84.4
Current portion of environmental clean-up liabilities	26.9	32.4
Current maturities of long-term debt	30.7	175.1
Other	1,134.6	375.1
Total current liabilities	3,007.1	2,168.4
Long-term Debt	2,507.3	2,028.2
Deferred Credits and Other Liabilities		
Deferred income taxes	1,287.1	1,226.9
Natural gas transition liabilities	85.0	121.9
Environmental clean-up liabilities	170.6	188.9
Other	458.8	462.5
Total deferred credits and other liabilities	2,001.5	2,000.2
Minority Interest	120.9	83.4
Common Stockholder's Equity		
Paid-in-capital	2,765.6	2,744.7
Retained earnings	504.8	315.5
Total common stockholder's equity	3,270.4	3,060.2
Total Liabilities and Stockholder's Equity	$ 10,907.2	$ 9,340.4

[1] Financial information reflects accounting for the merger with PanEnergy Corp as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1996.

Duke Capital expects to file a Form 10 with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934 (the "Act") in the near future. If and when such filing occurs, such filing and any reports subsequently filed by Duke Capital with the Commission pursuant to Sections 13, 13(c), 14 or 15(d) of the Act subsequent to the initial filing of Form 10 and prior to the termination of the offering hereby of the 1998 Series A Bonds shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the date of filing of such documents.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this Official Statement except as so modified or superseded.

THE INFORMATION IN THIS APPENDIX G RELATES TO AND HAS BEEN OBTAINED FROM DUKE CAPITAL, AND NO REPRESENTATION OR WARRANTY IS MADE BY THE AUTHORITY, THE COMPANY OR THE UNDERWRITER WITH RESPECT THERETO.

APPENDIX H

GENERAL INFORMATION CONCERNING BROWNING-FERRIS INDUSTRIES, INC.

Browning-Ferris Industries, Inc., a Delaware corporation ("BFI"), is one of the largest publicly-held companies that engages, through its subsidiaries and affiliates, in providing waste services. BFI collects, transports, treats and/or processes, recycles and disposes of commercial, residential and municipal solid waste and industrial wastes. BFI is also involved in waste-to-energy conversion, medical waste services, portable restroom services, and municipal and commercial sweeping operations.

BFI (including unconsolidated affiliates) operates in approximately 420 locations in North America and approximately 270 locations outside North America, and employs approximately 40,000 persons. No single customer or district accounts for a material amount of BFI's revenue or net income.

BFI has announced the signing of a definitive agreement for the sale of all of its operations located outside the United States, Puerto Rico, Canada and Mexico to SITA, S.A., a societe anonyme formed under the laws of the Republic of France ("SITA"). In return, BFI will receive US$950 million and ordinary shares of SITA equating to approximately 20% equity ownership in SITA. Upon consummation of the transaction, Suez Lyonnaise des Eaux, a societe anonyme formed under the laws of the Republic of France, will own more than 50% of the ordinary shares of SITA. The agreement contemplates a two-stage closing with the cash payment being made on March 31, 1998 and the stock payment being made in early April.

BFI reported consolidated net income of $85.2 million, before special credits and the cumulative effect of a change in accounting principles, for the fiscal quarter ended December 31, 1997. Consolidated revenues for the quarter were $1.4 billion. After special credits and the effect of the accounting change, net income for the first three months of fiscal 1998 was $73.0 million. These results reflect pre-tax special credits of $2.6 million (a $1.5 million gain after tax) and an after-tax charge of $13.8 million related to the cumulative effect of a change in accounting principles. These results compare with net income for the first three months of fiscal 1997 of $71.9 million on consolidated revenues of $1.5 billion.

BFI reported consolidated net income of $332.8 million before special charges and extraordinary items for the fiscal year ended September 30, 1997. Consolidated revenues were unchanged from fiscal 1996 at $5.8 billion. Pre-tax special charges reported in fiscal 1997 were $82 million ($49 million after taxes). The fiscal 1997 results were also reduced by after-tax extraordinary items of $18.5 million associated with the retirement of debt. After the special charges and extraordinary items, net income for fiscal 1997 was $265.2 million.

The fiscal 1997 results compare with net income of $273.0 million before special charges and an extraordinary item for the fiscal year ended September 30, 1996. Pre-tax special charges included in the fiscal 1996 results of operations were $447 million ($362 million after taxes) and the after-tax extraordinary item associated with the redemption of $745 million of Convertible Subordinated Debentures was $12.2 million. After the special charges and extraordinary item, BFI reported a net loss for fiscal 1996 of $101.3 million.

BFI makes periodic filings with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934 (the "Act"). Copies of these filings may be obtained at the Commission, the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Stock Exchange.

All reports filed by BFI with the Commission pursuant to Sections 13, 13(c), 14 or 15(d) of the Act subsequent to February 13, 1998, and prior to the termination of the offering hereby of the 1998 Series A Bonds shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this Official Statement except as so modified or superseded.

THE INFORMATION CONTAINED IN THIS APPENDIX H RELATES TO AND HAS BEEN OBTAINED FROM BROWNING-FERRIS INDUSTRIES, INC., AND NO REPRESENTATION OR WARRANTY IS MADE BY THE AUTHORITY, THE COMPANY OR THE UNDERWRITER WITH RESPECT THERETO.

APPENDIX I

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX I

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority, SCRRRA, the Company, BFI and Duke Capital will agree, pursuant to a Continuing Disclosure Agreement for the Authority's 1998 Series A Bonds in substantially the following form, which shall become effective on the Delivery Date of the 1998 Series A Bonds, to provide, or cause to be provided, (1) certain annual financial information and operating data, (2) timely notice of the occurrence of certain material events with respect to the 1998 Series A Bonds and (3) timely notice of any failure to provide the required annual information and operating data on or before the dates specified in the Continuing Disclosure Agreement.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of March 1, 1998, by and among the Connecticut Resources Recovery Authority (the "Authority"), the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA"), American REF-FUEL Company of Southeastern Connecticut (the "Company"), Browning-Ferris Industries, Inc. ("BFI"), Duke Capital Corporation ("Duke Capital") and State Street Bank and Trust Company, as successor in interest to The Connecticut National Bank, as Trustee (the "Trustee") (and dissemination agent by virtue of its position as Trustee) (the "Dissemination Agent") under an Indenture of Mortgage and Trust dated as of December 1, 1988, as amended (the "Indenture"), between the Authority and the Trustee, is executed and delivered in connection with the issuance by the Authority of $87,650,000 in aggregate principal amount of its Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1998 Series A) (the "1998 Series A Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article IV hereof and, if not defined in Article IV, as set forth in Appendix A to the Official Statement of the Authority, dated March 6, 1998, relating to the 1998 Series A Bonds. In consideration of the purchase of the 1998 Series A Bonds by the Underwriter and the subsequent holders and beneficial owners of the 1998 Series A Bonds and the undertakings set forth in this Agreement, the parties hereto agree as follows:

ARTICLE I
The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders and beneficial owners of the 1998 Series A Bonds, and is being executed and delivered solely for the purpose of enabling the Underwriter to comply with subsection (b)(5) of the Rule. This Agreement does not apply to any other bonds issued or to be issued by the Authority, whether in connection with the Facility or otherwise.

Section 1.2. Annual Financial Information. (a) Each of the Obligated Persons shall provide Annual Financial Information with respect to each of their respective fiscal years, commencing with any fiscal year ending on or after June 30, 1998, within seven months after the end of such Obligated Person's fiscal year,

to the Dissemination Agent; provided that neither BFI nor Duke Capital shall have any obligations under this Agreement to provide Annual Financial Information as long as it is a reporting company under the Securities Exchange Act of 1934. The Dissemination Agent shall provide such Annual Financial Information to (i) each NRMSIR and (ii) any SID, in each case within 10 Business Days after receipt by the Dissemination Agent.

(i) *Authority Annual Financial Information* Annual Financial Information means, with respect to the Authority, the financial information and operating data with respect to the Authority, for each fiscal year of the Authority, as follows:

(a) annual financial statements; and

(b) financial information and operating data of the nature included in the Official Statement in (1) the chart entitled **"System Revenues, Estimated Base Operating Cost and Debt Service Data"** under the heading **"THE SYSTEM AND ITS OPERATION - Certain System Financial Information"**, (2) the chart under the heading **"THE SYSTEM AND ITS OPERATION - Authority Operations - Certain System Financial Information"** and (3) the chart entitled **"Per Ton Service Fee for Participating Municipalities"** under the heading **"THE SYSTEM AND ITS OPERATION - Authority Operations - The Waste"**, for the fiscal year of the Authority for which such information is being provided.

(ii) *SCRRRA Annual Financial Information* Annual Financial Information means, with respect to SCRRRA, the financial information and operating data with respect to SCRRRA, for each fiscal year of SCRRRA, as follows:

(a) annual financial statements; and

(b) financial information and operating data of the nature included in the Official Statement in the chart entitled **"Municipal Solid Waste Deliveries"** under the heading **"THE SYSTEM AND ITS OPERATION - Authority Operations - The Waste"**, for the fiscal year of SCRRRA for which such information is being provided.

(iii) *Company Annual Financial Information* Annual Financial Information means, with respect to the Company, the financial information and operating data with respect to the Company, for each fiscal year of the Company, as follows:

(a) annual financial statements; and

(b) financial information and operating data of the nature included in the Official Statement in the chart entitled **"Company Financial and Operating Information"** under the heading **"THE SYSTEM AND ITS OPERATION - Company Operations"**, for the fiscal year of the Company for which information is being provided.

(iv) *Duke Capital and BFI Annual Financial Information* Annual Financial Information means, with respect to each of Duke Capital and BFI, its Annual Report to the Securities and Exchange Commission (the "Commission") on Form 10-K (or any successor form), excluding any exhibits or documents incorporated by reference therein other than (if

applicable) the audited financial statements appearing in its annual report to stockholders (the "Form 10-K"), or, if the Form 10-K is not then required or is not filed, its Audited Financial Statements. Information contained in any filing by Duke Capital or BFI with the Commission may be filed with each NRMSIR, the MSRB and any SID, by specific cross-reference to such filing with the Commission, to the extent consistent with the requirements of the Rule.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of any Obligated Person or the Dissemination Agent to provide the Annual Financial Information by the date specified in subsection (a) above, in each case to (i) either the MSRB or each NRMSIR, (ii) any SID and (iii) each Obligated Person.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof, each Obligated Person shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall provide any such Audited Financial Statements to (i) each NRMSIR and (ii) any SID, in each case within 10 Business Days after receipt by the Dissemination Agent.

Section 1.4. Material Event Notices. (a) If a Material Event occurs, the Company and the Authority (each, to the extent it has actual knowledge of any such Material Event) shall provide, in a timely manner, a Material Event Notice to the Dissemination Agent. The Dissemination Agent shall provide each such Material Event Notice to (i) either the MSRB or each NRMSIR, (ii) any SID and (iii) each Obligated Person, in each case within 10 Business Days after receipt by the Dissemination Agent.

(b) Upon any legal defeasance of the 1998 Series A Bonds, the Dissemination Agent shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) any SID, which notice shall state whether the 1998 Series A Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

(c) The Dissemination Agent shall promptly advise the Company and the Authority whenever, in the course of performing its duties as Trustee under the Indenture, the Dissemination Agent receives notice in the manner set out in the Indenture of an occurrence which, if material, would require the Company and the Authority to provide a Material Event Notice hereunder; provided, however, that the failure of the Dissemination Agent so to advise the Company or the Authority shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement or the Indenture; and provided, further, that the Dissemination Agent shall have no obligation under this Agreement to make a determination as to the materiality of events.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Obligated Persons from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Agreement. If the Obligated Persons choose to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Agreement, the Obligated Persons shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or Material Event Notice.

ARTICLE II
Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Obligated Persons provide Annual Financial Information by specific reference to (i) any documents either (a) provided to each NRMSIR existing at the time of such reference and any SID or (b) filed with the SEC, or (ii) any document available from the MSRB if such document is an Official Statement.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the 1998 Series A Bonds. Attached hereto as Exhibit B is a schedule of the CUSIP numbers of the 1998 Series A Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Dissemination Agent's sole determination, subject to technical and economic feasibility, the Dissemination Agent shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Obligated Persons' information and notices.

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Authority's current fiscal year is July 1 - June 30; SCRRRA's current fiscal year is July 1 - June 30; the Company's current fiscal year is October 1 - September 30; BFI's current fiscal year is October 1 - September 30; and Duke Capital's current fiscal year is January 1 - December 31. Each Obligated Person shall promptly notify the Dissemination Agent in writing of each change in its fiscal year. The Dissemination Agent shall provide such notice to (i) each NRMSIR and (ii) any SID, in each case within 10 Business Days after receipt by the Dissemination Agent.

ARTICLE III
Termination, Amendment and Enforcement

Section 3.1. Termination. (a) The obligations under this Agreement shall commence on the Delivery Date of the 1998 Series A Bonds and shall terminate upon a legal defeasance pursuant to the Indenture, prior redemption or payment in full of all of the 1998 Series A Bonds.

(b) All obligations of the Authority, SCRRRA, BFI, Duke Capital or the Company shall terminate if and when any of the Authority, SCRRRA, BFI, Duke Capital or the Company, respectively, is no longer an "obligated person" with respect to the 1998 Series A Bonds within the meaning of the Rule.

(c) This Agreement, or any provision hereof, shall be null and void with respect to any Obligated Person in the event that (1) the Dissemination Agent receives an opinion of Counsel, addressed to such Obligated Person and the Dissemination Agent, to the effect that those portions of the Rule which require this Agreement, or any of the provisions hereof, do not or no longer apply to such Obligated Person or to the 1998 Series A Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such

opinion to (i) each NRMSIR, (ii) any SID and (iii) the Obligated Persons. The Dissemination Agent shall so deliver such opinion within three (3) Business Days after receipt by the Dissemination Agent.

Section 3.2. Amendment; Waiver. This Agreement may be amended or any provision hereof may be waived, by written agreement of the parties, without the consent of the holders of the 1998 Series A Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) if such amendment or waiver relates to the provisions of Sections 1.2, 1.3, 1.4 or 3.2 or to any definition related thereto, such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of any one or more of the Obligated Persons or the type of business conducted thereby, (2) this Agreement as so amended or taking into account such waiver would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Dissemination Agent shall have received an opinion of Counsel, addressed to the Obligated Persons and the Dissemination Agent, to the same effect as set forth in clauses (1) and (2) above, (4) either (i) the Dissemination Agent shall have received an opinion of Counsel addressed to the Obligated Persons and the Dissemination Agent, to the effect that the amendment or waiver does not materially impair the interests of the holders of the 1998 Series A Bonds or (ii) two-thirds (2/3 rds) of the holders of the 1998 Series A Bonds consent to the amendment to or waiver of this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of 1998 Series A Bonds pursuant to the Indenture as in effect on the date of this Agreement, and (5) the Dissemination Agent shall have delivered copies of such opinion(s) and amendment or waiver to (i) each NRMSIR, (ii) any SID and (iii) the Obligated Persons. The Dissemination Agent shall so deliver such opinion(s) and amendment or waiver within three (3) Business Days after receipt by the Dissemination Agent.

(b) In addition to subsection (a) above, this Agreement may be amended and any provision of this Agreement may be waived, by written agreement of the parties, without the consent of the holders of the 1998 Series A Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued (including a judicial interpretation of the Rule), after the effective date of this Agreement which is applicable to this Agreement, (2) the Dissemination Agent shall have received an opinion of Counsel, addressed to the Obligated Persons and the Dissemination Agent, to the effect that performance by any one or more of the Obligated Persons and the Dissemination Agent under this Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the Dissemination Agent shall have delivered copies of such opinion and amendment or waiver to (i) each NRMSIR, (ii) any SID and (iii) the Obligated Persons. The Dissemination Agent shall so deliver such opinion and amendment or waiver within three (3) Business Days after receipt by the Dissemination Agent.

(c) To the extent any amendment to or waiver of a provision of this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment or waiver and the impact of the change.

(d) If a change is made to the accounting principles to be followed in preparing financial statements for an Obligated Person, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the

presentation of the financial information, in order to enable investors to evaluate the ability of the affected Obligated Person to meet its obligations. Notice of such amendment shall be provided by each applicable Obligated Person to the Dissemination Agent; the Dissemination Agent shall provide such notice to (i) each NRMSIR and (ii) any SID, in each case within three (3) Business Days after receipt by the Dissemination Agent. With respect to Duke Capital and BFI, such information regarding a change in their accounting principles may be filed with each NRMSIR and any SID by specific reference to each corporation's respective filings with the Commission, to the extent consistent with the requirements of the Rule.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the holders from time to time of the 1998 Series A Bonds, except that beneficial owners of 1998 Series A Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any other person or entity. The obligations of the parties to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding 1998 Series A Bonds, or by the Dissemination Agent on behalf of the holders of Outstanding 1998 Series A Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Dissemination Agent on behalf of the holders of Outstanding 1998 Series A Bonds; provided, however, that the Dissemination Agent shall not be required to take any enforcement action except at the direction of the Authority (but the Authority shall have no obligation to take any such action), or of the holders of not less than a majority in aggregate principal amount of the 1998 Series A Bonds at the time Outstanding, who shall have provided the Dissemination Agent with adequate security and indemnity. The holders' and Dissemination Agent's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligations under this Agreement. In consideration of the rights of the third-party beneficiary status of beneficial owners of 1998 Series A Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of 1998 Series A Bonds for purposes of this subsection (b).

(c) Any failure by a party to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture or the 1998 Series A Bonds; the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure; and the sole remedy hereunder shall be an action to compel performance.

(d) It shall be a condition precedent to the right, power, and standing of any person to bring an action to compel performance by any Obligated Person under this Agreement that (i) such person, not less than five business days prior to commencement of such action, shall have actually delivered to such Obligated Person notice of such person's intent to commence such action and the nature of the non-performance complained of, together with reasonable proof that such person is a person otherwise having such right, power and standing, and (ii) such Obligated Person shall not have cured the non-performance complained of. Neither the commencement nor the successful completion of an action to compel performance hereunder shall entitle the Dissemination Agent or any other person to attorneys' fees or any other relief, other than an order or injunction compelling performance.

(e) This Agreement (i) is not intended to impose obligations on any Obligated Person that are not required to achieve the purposes stated in Sections 1.2, 1.3 and 1.4 of this Agreement; (ii) does not constitute an acknowledgment by the Obligated Persons of the validity of the Rule; and (iii) is valid and binding only to the extent and for so long as the Rule is valid and remains in effect. Each Obligated Person expressly reserves the right to contest the validity of all or any portion of the Rule, including, without limitation, as a defense in any action or proceeding. If the Rule or any portion thereof is determined to be

invalid or is repealed, or is amended to reduce the undertakings required to be obtained from any "obligated person" within the meaning of the Rule, the obligations of any such Obligated Person under this Agreement shall be correspondingly reduced or terminated. Each Obligated Person expressly reserves the right to modify its performance of its obligations hereunder, to the extent not inconsistent with those portions, if any, of the Rule that remain valid and effective.

(f) Each Obligated Person, its directors, officers, employees and shareholders, to the extent applicable, shall have no liability under this Agreement for any act or failure to act.

(g) THIS AGREEMENT SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CONNECTICUT, AND ANY SUITS AND ACTIONS ARISING OUT OF THIS AGREEMENT SHALL BE INSTITUTED IN A COURT OF COMPETENT JURISDICTION IN THE STATE OF CONNECTICUT; PROVIDED, HOWEVER, THAT TO THE EXTENT THIS AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAWS, INCLUDING THE RULE, THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH SUCH FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

ARTICLE IV
Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Audited Financial Statements" means, with respect to each Obligated Person, the annual financial statements, if any, of such Obligated Person, audited by a firm of independent accountants. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that any Obligated Person may from time to time, if required by GAAP, law or mandated state statutory principles, modify the accounting principles to be followed in preparing its financial statements. The written notice of any such modification required by Section 3.2(d) hereof shall include a reference to the specific governing pronouncement describing such accounting principles.

(2) "Counsel" means Hawkins, Delafield & Wood or other bond counsel or counsel expert in federal securities laws.

(3) "GAAP" means generally accepted accounting principles in the United States of America in effect from time to time.

(4) "Material Event" means any of the following events with respect to the 1998 Series A Bonds, whether relating to the Obligated Persons or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or other events affecting the tax-exempt status of the 1998 Series A Bonds;
(vii) modifications to rights of holders of 1998 Series A Bonds;

(viii) bond calls of 1998 Series A Bonds;
(ix) defeasances of 1998 Series A Bonds;
(x) release, substitution, or sale of property securing repayment of the 1998 Series A Bonds; and
(xi) rating changes on the 1998 Series A Bonds.

(5) "Material Event Notice" means notice of a Material Event.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(7) "NRMSIR" means, at any time, a then-existing, nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs, as of the date of this Agreement, and filing information relating to such NRMSIRs, are set forth in Exhibit A hereto.

(8) "Obligated Person" means each of the Authority, SCRRRA, the Company, BFI and Duke Capital.

(9) "Official Statement" means the "final official statement", as defined in paragraph (f)(3) of the Rule.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of issuance and delivery of the 1998 Series A Bonds, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "SID" means, at any time, a then-existing State information depository, if any, as operated or designated as such within the State for the purposes referred to in the Rule. As of the date of this Agreement, there is no SID in the State.

(13) "State" means the State of Connecticut.

ARTICLE V
Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Dissemination Agent. The provisions of Article IX of the Indenture are hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture, and the Dissemination Agent, in the performance of its duties under this Agreement, shall be entitled to all of the rights, protections, limitations from liability and indemnities afforded to it as Trustee under the Indenture. The Dissemination Agent shall have only such duties under this Agreement as are specifically set forth in this Agreement, and the Obligated Persons agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct; and provided, however, that the indemnification obligation of the Authority and SCRRRA hereunder shall exist only to the extent permitted by law as applicable to each. Such indemnity shall be separate from and in addition to that provided to the Dissemination Agent under the Indenture. The obligations of the Obligated Persons under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 1998 Series A Bonds.

The Dissemination Agent agrees to disseminate the information provided to it hereunder in the form delivered by each Obligated Person. The Dissemination Agent is acting hereunder solely in an agency capacity and as such is merely a conduit for the Obligated Persons, and shall have no liability or responsibility for the form, content, accuracy or completeness of any information furnished hereunder. Any such information may contain a legend to that effect.

The Dissemination Agent shall have no obligation to make disclosure concerning the 1998 Series A Bonds, the Facility or any other matter except as expressly set out herein, provided that no provision of this Agreement shall limit the duties or obligations of the Trustee under the Indenture. The fact that the Dissemination Agent has or may have any banking, fiduciary or other relationship with any Obligated Person or any other party in connection with the Facility or otherwise, apart from the relationship created by the Indenture and this Agreement, shall not be construed to mean that the Dissemination Agent has knowledge or notice of any event or condition relating to the 1998 Series A Bonds or the Facility except in its respective capacities under such agreements.

No provision of this Agreement shall require or be construed to require any Obligated Person or the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder.

Annual Financial Information may contain such disclaimer language as the Obligated Person supplying same may deem appropriate. Any information disclosed hereunder by the Dissemination Agent may contain such disclaimer language as the Dissemination Agent may deem appropriate.

Section 5.2. Counterparts This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.3. Notices. All communications, notices, requests and formal actions hereunder will be in writing and mailed, telecopied or delivered, and confirmed as to receipt, to the appropriate notice parties at their respective addresses set forth below:

The Authority:

Connecticut Resources Recovery Authority
179 Allyn Street
Hartford, CT 06103

Telecopier: (860) 522-2390

Attention: Director of Finance

SCRRRA:

Southeastern Connecticut Regional Resources Recovery Authority
132 Military Highway
Preston, CT 06365

Telecopier: (860) 885-0191

Attention: Executive Director

The Company:

American REF-FUEL Company of Southeastern Connecticut
15990 North Barker's Landing
Suite 200
Houston, Texas 77079

Telecopier: (281) 649-4815

Attention: Chairman

BFI:

Browning-Ferris Industries, Inc.
757 North Eldridge
Houston, Texas 77079

Telecopier: (713) 870-7825

Attention: Secretary

Duke Capital:

Duke Capital Corporation
1105 North Market Street
Suite 1300
Wilmington, DE 19801

Telecopier: (302) 427-7395

Attention: Corporate Secretary

and to:

Duke Capital Corporation
422 South Church Street
Charlotte, NC 28242

Telecopier: (704) 382-4964

Attention: Corporate Secretary

The Dissemination Agent:

State Street Bank and Trust Company
225 Asylum Street
Hartford, CT 06103

Telecopier: (860) 244-1897

Attention: Corporate Trust Department

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

CONNECTICUT RESOURCES RECOVERY AUTHORITY

By:_____
Acting President

SOUTHEASTERN CONNECTICUT REGIONAL RESOURCES RECOVERY AUTHORITY

By:_____
President

AMERICAN REF-FUEL COMPANY OF SOUTHEASTERN CONNECTICUT

By:_____
Name:
Title:

BROWNING-FERRIS INDUSTRIES, INC.

By:_____
Name:
Title:

DUKE CAPITAL CORPORATION

By:_____
Name:
Title:

STATE STREET BANK AND TRUST COMPANY,
as Dissemination Agent and Trustee

By:_____
Name:
Title:

EXHIBIT A
to Continuing Disclosure Agreement

Filing information as of March 1, 1998 relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission:

Bloomberg Municipal Repositories
Attn.: Municipal Department
P.O. Box 840
Princeton, NJ 08542-0840
E-Mail Address: MUNIS@bloomberg.com
Internet Address: http://www.bloomberg.com
Telephone: (609) 279-3200
Fax: (609) 279-5962

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, New York 10014
E-Mail Address: Disclosure@muller.com
Telephone: (800) 689-8466
Fax: (212) 989-2078

DPC Data, Inc.
One Executive Drive
Suite 105
Fort Lee, NJ 07024
E-Mail Address: nrmsir@dpc.com
Telephone: (201) 346-0701
Fax: (201) 947-0107

Kenny Information Systems Inc.
Attn: Kenny Repository Service
65 Broadway, 16th Floor
New York, New York 10006
Internet Address: http://www.bluelist.com
Telephone: (212) 770-4595
Fax: (212) 797-7994

EXHIBIT B
to Continuing Disclosure Agreement

CUSIP Numbers of the 1998 Series A Bonds

Maturity	CUSIP
11/15/1999	20775N AA 8
11/15/2000	20775N AB 6
11/15/2001	20775N AC 4
11/15/2002	20775N AD 2
11/15/2003	20775N AE 0
11/15/2004	20775N AF 7
11/15/2005	20775N AG 5
11/15/2006	20775N AH 3
11/15/2007	20775N AJ 9
11/15/2008	20775N AK 6
11/15/2009	20775N AL 4
11/15/2010	20775N AM 2
11/15/2011	20775N AN 0
11/15/2012	20775N AP 5
11/15/2013	20775N AQ 3
11/15/2014	20775N AR 1
11/15/2015	20775N AS 9

APPENDIX J

FORM OF BOND COUNSEL OPINION

Upon the delivery of the 1998 Series A Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue a final approving opinion in substantially the following form:

[Delivery Date]

Connecticut Resources Recovery Authority
179 Allyn Street
Hartford, Connecticut 06103

Ladies and Gentlemen:

We have examined a record of proceedings relating to the authorization of $87,650,000 principal amount of Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project–1998 Series A) (the "Bonds") of Connecticut Resources Recovery Authority (the "Authority"), a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut (the "State"), organized and existing under the Connecticut Solid Waste Management Services Act, constituting Chapter 446e of the General Statutes of Connecticut, as amended (the "Act"), and other laws of the State.

The Bonds are issued under and pursuant to the Act, a resolution adopted by the Authority authorizing the issuance of the Bonds (the "Resolution"), and an Indenture of Mortgage and Trust between the Authority and State Street Bank and Trust Company, as trustee (the "Trustee"), dated as of December 1, 1988, as amended to the date hereof (the "Original Indenture"), and a 1998 Series A Supplemental Indenture, dated as of March 1, 1998 between the Authority and the Trustee (the "1998 Series A Supplemental Indenture" and, together with the Original Indenture, the "Indenture").

The Bonds are initially dated their date of delivery. The Bonds are issued in fully registered form registrable on the books of the Authority held at the principal office of the Trustee, in the denomination of $5,000 or any integral multiple thereof. The Bonds are lettered AR- and are numbered from one consecutively upward. Principal of the Bonds is payable at the corporate trust office of the Trustee in Boston, Massachusetts and interest thereon is payable by check or draft mailed to the registered Owner thereof as of the Record Date or, subject to certain conditions set forth in the Indenture, by wire transfer.

The Bonds are issued for the purpose of providing a portion of the funds needed to discharge a portion of the outstanding principal amount of the Authority's Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1988 Series A).

[This page intentionally left blank]

APPENDIX K
FORM OF DELAYED DELIVERY CONTRACT

Morgan Stanley & Co. Incorporated
1221 Avenue of the Americas
New York, New York 10020

Re: $87,650,000 Connecticut Resources Recovery Authority Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1998 Series A)

Dear Madam or Sir:

The undersigned Purchaser (the "Purchaser") hereby agrees to purchase from Morgan Stanley & Co. Incorporated (the "Underwriter") and the Underwriter agrees to sell to the Purchaser, upon the issuance thereof by Connecticut Resources Recovery Authority (the "Issuer") and the purchase thereof by the Underwriter:

Par Amount	Maturity Date	Coupon	CUSIP Number	Purchase Price

in aggregate principal amount of $87,650,000 Connecticut Resources Recovery Authority Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1998 Series A) (the "1998 Series A Bonds") offered by the Issuer's Preliminary Official Statement dated March 2, 1998 and the Official Statement dated March 6, 1998 (the "Official Statement"), receipt and review of copies of which (including without limitation the section entitled "Delayed Delivery" therein), is hereby acknowledged, at a purchase price and at the interest rates, principal amounts and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled "Delayed Delivery" therein), has considered the risks associated with purchasing the 1998 Series A Bonds, and is duly authorized to purchase the 1998 Series A Bonds. The Purchaser further acknowledges and agrees that the 1998 Series A Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of such 1998 Series A Bonds from the Underwriter on August 18, 1998 (the "Delivery Date").

Payment for the 1998 Series A Bonds which the Purchaser has agreed to purchase on the Delivery Date shall be made to the Underwriter or its order to a bank account specified by the Underwriter on the Delivery Date upon delivery to the Purchaser of the 1998 Series A Bonds then to be purchased by the Purchaser through the book-entry system of The Depository Trust Company.

Upon issuance by the Issuer of the 1998 Series A Bonds and purchase thereof by the Underwriter, the obligation of the Purchaser to take delivery hereunder shall be unconditional except in the event that (i) bond counsel cannot issue an opinion with respect to the 1998 Series A Bonds in substantially the form as

Appendix J to the Official Statement (provided that such opinion need not address the exclusion of interest on the 1998 Series A Bonds from State taxable income for purposes of the State income tax on individuals, trusts and estates and exclusion from amounts on which the net State minimum tax is based, and further provided that such opinion shall be deemed to be in substantially such form notwithstanding that the actual opinion delivered may state that federal legislative proposals are pending or may be advanced which, if enacted into law, would impair the exclusion from gross income of the interest on the 1998 Series A Bonds for federal income tax purposes or otherwise adversely affect the market value thereof), or (ii) changes in law are adopted which cause the issuance, offering or sale of the 1998 Series A Bonds be in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or which require registration of such offering or sale of the 1998 Series A Bonds under any such Acts, or (iii) governmental orders are issued to the effect that the issuance, offering or sale of the 1998 Series A Bonds would violate federal securities laws, or (iv) the Bond Insurer fails to issue the municipal bond insurance policy for the 1998 Series A Bonds, or (v) participants in the refinancing fail to deliver those certificates or opinions required under the Indenture as a condition of issuance of the 1998 Series A Bonds.

The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the 1998 Series A Bonds on the Delivery Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings anticipated to be assigned to the 1998 Series A Bonds or in the credit associated with the 1998 Series A Bonds generally, (b) changes in the financial condition, operations, performance, properties or prospects of either the Issuer, the Company, the Parents, SCRRRA, the Participating Municipalities, the State, the Bond Insurer or CL&P from the date hereof to the date of delivery of the 1998 Series A Bonds or (c) changes in federal tax laws (other than any change, including court decisions, regulations, proposed regulations or filings or actions of administrative agencies, which may prevent Bond Counsel from delivering its opinion referred to above). The Purchaser further acknowledges and agrees that it will remain obligated to purchase the 1998 Series A Bonds in accordance with the terms hereof even if the Purchaser decides to sell such 1998 Series A Bonds following the date hereof.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the 1998 Series A Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the written consent of the other and only in compliance with applicable securities laws.

The Purchaser acknowledges that the Underwriter is entering into an agreement with the Issuer to purchase the 1998 Series A Bonds in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

It is understood that the acceptance by the Underwriter of any Delayed Delivery Contract (including this one) is in the Underwriter's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Underwriter sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding

contract between the Underwriter and the Purchaser when such counterpart is so mailed or delivered by the Underwriter. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

Each of the Issuer and American REF-FUEL Company of Southeastern Connecticut shall be deemed a third party beneficiary of this Delayed Delivery Contract.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

[Purchaser]
[Address]

By:_____
Authorized Representative

Accepted March __, 1998

MORGAN STANLEY & CO. INCORPORATED

By:_____
Authorized Representative

[This page intentionally left blank]

APPENDIX L
FORM OF BOND INSURANCE POLICY

[This page intentionally left blank]

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No.

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to , or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Section 7 of the Connecticut Financial Guaranty Act.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this day of , 1994

MBIA Insurance Corporation

President

SPECIMEN

Attest: Assistant Secretary

STD-R-CT-6

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at [INSERT NAME OF TRUSTEE OR PAYING AGENT, INCLUDING CITY, STATE].

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF TRUSTEE OR PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean: [INSERT LEGAL TITLE OF BONDS, CENTERED AS FOLLOWS:]

[$ PAR AMOUNT]
[ISSUER]
[DESCRIPTION OF BONDS]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Connecticut Insurance Guaranty Association specified in Section 7 of the Connecticut Financial Guaranty Act.

MBIA Insurance Corporation

STD-R-CT-1


AMERICAN
REF-FUEL™