

PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2012

NEW ISSUE

Fitch Ratings, Inc.: AAA
Moody's Investors Service, Inc.: Aaa
Standard & Poor's: AAA
(See "RATINGS")

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes.



MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

\$226,710,000\*
State Revolving Fund Bonds, Series 16
consisting of
\$89,960,000\* Subseries 16A
(Competitive)†
and
\$136,750,000\* Subseries 16B
(Negotiated)‡

\$125,870,000\*
State Revolving Fund Refunding Bonds, Series 2012
consisting of
\$29,830,000\* Subseries 2012A
(Competitive)†
and
\$96,040,000\* Subseries 2012B
(Negotiated)‡

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The Subseries 16A Bonds (the "Series 16A Bonds"), the Subseries 16B Bonds (the "Series 16B Bonds" and, together with the Series 16A Bonds, the "Series 16 Bonds"), the Subseries 2012A Bonds (the "Series 2012A Bonds") and the Subseries 2012B Bonds (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Series 2012 Bonds" and, collectively with the Series 16 Bonds, the "Bonds") will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds.

The Trust will use the proceeds of the Series 16 Bonds to finance or refinance costs of certain water pollution abatement and drinking water projects for governmental units or other eligible borrowers, and to pay the Trust's \$100,000,000 State Revolving Fund Bond Anticipation Notes, Series 16. The Trust will use the proceeds of the Series 2012 Bonds, together with other funds of the Trust, to refund a portion of certain bonds previously issued by the Trust.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE TRUST AND ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH AND CREDIT OF THE TRUST, WHICH HAS NO TAXING POWER. NEITHER THE COMMONWEALTH OF MASSACHUSETTS NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

WITH RESPECT TO THE SERIES 16A BONDS AND THE SERIES 2012A BONDS, ELECTRONIC BIDS WILL BE RECEIVED BY THE TRUST IN ACCORDANCE WITH THE OFFICIAL NOTICE OF SALE UNTIL 11:00 A.M. (BOSTON TIME) ON MAY 31, 2012.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the legality of the Bonds by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Trust, and subject to certain other conditions.

JEFFERIES

BofA Merrill Lynch
J.P. Morgan

Barclays
Morgan Stanley
Siebert Branford Shank & Co., LLC

Citigroup
Ramirez & Co., Inc.

Cabrera Capital Markets, LLC
Fidelity Capital Markets
Lebenthal & Co., LLC
Piper Jaffray & Co.
Rice Financial Products Company

CastleOak Securities, LP
Jackson Securities
Loop Capital Markets LLC
Raymond James | Morgan Keegan
Roosevelt & Cross, Inc.
Wells Fargo Securities

Corby Capital Markets Inc.
Janney Montgomery Scott
M.R. Beal & Company
RBC Capital Markets
Stifel, Nicolaus & Company, Incorporated

May \_\_, 2012

\* Preliminary; subject to change.

† The Series 16A Bonds and the Series 2012A Bonds will be sold on a competitive sale basis as described herein under "COMPETITIVE SALE OF THE SERIES 16A BONDS AND THE SERIES 2012A BONDS" and pursuant to the Official Notice of Sale attached hereto as Appendix I.

‡ Only the Series 16B Bonds and the Series 2012B Bonds will be purchased by the Underwriters listed above, as described under "UNDERWRITING OF THE SERIES 16B BONDS AND THE SERIES 2012B BONDS" herein.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**\$89,960,000\***

**State Revolving Fund Bonds, Series 16  
Subseries 16A**

<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †	<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †
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**\$136,750,000\***

**State Revolving Fund Bonds, Series 16  
Subseries 16B**

<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †	<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †
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**\$29,830,000\***

**State Revolving Fund Refunding Bonds, Series 2012  
Subseries 2012A**

<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †	<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †
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**\$96,040,000\***

**State Revolving Fund Refunding Bonds, Series 2012  
Subseries 2012B**

<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †	<u>Maturity</u> <u>(August 1)</u> *	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> †
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\*Preliminary; subject to change.

†Copyright 2012, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the Trust does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information set forth herein has been obtained from the Trust and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriters. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the affairs of the Trust or the other matters described herein since the date hereof.

The Underwriters of the Series 16B Bonds and the Series 2012B Bonds have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 16B BONDS AND THE SERIES 2012B BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 16B BONDS AND THE SERIES 2012B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**BOARD OF TRUSTEES**

Steven Grossman, Chairman .....	Treasurer and Receiver-General of The Commonwealth of Massachusetts
James A. MacDonald .....	Designee of the Treasurer and Receiver-General
Jay Gonzalez.....	Secretary of the Executive Office for Administration and Finance of The Commonwealth of Massachusetts
Scott A. Jordan .....	Designee of the Secretary of the Executive Office for Administration and Finance
Kenneth L. Kimmell.....	Commissioner of the Department of Environmental Protection of The Commonwealth of Massachusetts
Steven J. McCurdy .....	Designee of the Commissioner of the Department of Environmental Protection

**SENIOR MANAGEMENT**

Susan E. Perez .....	Executive Director
W. Drew Smith.....	Treasurer
Michael C. Murphy.....	Controller
Scott A. Jordan .....	Director of Finance and Administration
Steven J. McCurdy .....	Director of Program Development

**ADVISORS**

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. ....	Bond Counsel
Edwards Wildman Palmer LLP.....	Program Counsel
Public Financial Management, Inc. ....	Financial Advisor
KPMG LLP .....	Auditors
U.S. Bank National Association .....	Program Trustee
U.S. Bank National Association .....	Bond Trustee

## SUMMARY

This Summary is provided for the convenience of potential investors and is expressly qualified by the entire Official Statement, which should be reviewed in its entirety by potential investors.

- Issuer: Massachusetts Water Pollution Abatement Trust (the “Trust”).
- Issue: \$226,710,000\* Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 16 (the “Series 16 Bonds”), consisting of \$89,960,000\* State Revolving Fund Bonds, Subseries 16A (the “Series 16A Bonds”) and \$136,750,000\* State Revolving Fund Bonds, Subseries 16B (the “Series 16B Bonds”); and  
  
\$125,870,000\* State Revolving Fund Refunding Bonds, Series 2012 (the “Series 2012 Bonds” and, collectively with the Series 16 Bonds, the “Bonds”), consisting of \$29,830,000\* State Revolving Fund Refunding Bonds, Subseries 2012A (the “Series 2012A Bonds”) and \$96,040,000\* State Revolving Fund Refunding Bonds, Subseries 2012B (the “Series 2012B Bonds”).
- Dated Date: Date of Issuance.
- Interest Due: February 1 and August 1, commencing February 1, 2013.
- Principal Due: As shown on the inside cover of this Official Statement.
- Redemption: The Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein under “THE BONDS – Terms of Payment and Redemption.”
- Authorization: The Trust is authorized to issue bonds under Chapter 29C of the General Laws of the Commonwealth. The Bonds will be issued pursuant to the Program Resolution (hereafter defined) and the Bond Resolution (hereafter defined).
- Purpose: The Series 16 Bonds are being issued to finance or refinance costs of certain water pollution abatement and drinking water projects for governmental units or other eligible borrowers, and to pay the Trust’s \$100,000,000 State Revolving Fund Bond Anticipation Notes, Series 16. The Series 2012 Bonds are being issued to refund, together with other funds of the Trust, certain bonds previously issued by the Trust (the “Prior Bonds”). Concurrently with the issuance of the Bonds, the Trust will finance or refinance costs of additional water pollution abatement and drinking water projects for governmental units or other eligible borrowers through direct loans to such borrowers (the “Series 16 Direct Loans”). See “THE BONDS – Plan of Finance.”
- Security: The Bonds are special obligations of the Trust, payable solely from the funds pledged therefor pursuant to the Program Resolution and the Bond Resolution, including without limitation, borrower loan repayments from the Series 16 Direct Loans, loans funded with, or local governmental obligations purchased with, proceeds of the Series 16 Bonds, contract assistance payments and, subject to the prior lien described herein, revenues pledged to secure the Prior Bonds. Neither The Commonwealth of Massachusetts nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payments of the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS,” “THE POOL SRF BONDS” and “THE BONDS.”

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\* Preliminary; subject to change.

- Credit Rating:** The Bonds have been rated “AAA” by Fitch Ratings, Inc., “Aaa” by Moody’s Investors Services, Inc. and “AAA” by Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc. See “RATINGS.”
- Program:** The Trust administers the Commonwealth’s State Revolving Fund (“SRF”) programs, which are authorized by federal legislation — the Water Quality Act of 1987 for the clean water SRF and the Safe Drinking Water Act of 1996 for the drinking water SRF — to provide financial assistance to borrowers for water pollution abatement projects and drinking water projects. The Trust’s SRF programs were established to accept federal grants and required Commonwealth matching funds. Concurrently with the issuance of the Bonds, the Trust will apply a portion of such federal grants and state matching funds and other moneys available to the Trust to fund the Series 16 Direct Loans. Interest payments by such borrowers, together with contract assistance payments made to the Trust by the Commonwealth, will be applied to pay a portion of the debt service on the Bonds. See “INTRODUCTORY STATEMENT.”
- Tax Matters:** In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described in the Official Statement, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code. However, such interest will be included in adjusted current earnings when calculating corporate alternative minimum taxable income under section 56(g) of the Code. Bond Counsel is further of the opinion that, under existing law, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See “TAX EXEMPTION.”
- Book-Entry Form:** The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds. See “Appendix G – The Depository Trust Company.”
- Additional Information:** Questions regarding this Official Statement or requests for additional information concerning the Trust should be directed to Susan E. Perez, Executive Director, Massachusetts Water Pollution Abatement Trust, 3 Center Plaza, Suite 430, Boston, Massachusetts 02108, (617) 367-9333.

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**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**OFFICIAL STATEMENT**

Relating to

<b>\$226,710,000*</b> <b>State Revolving Fund Bonds, Series 16</b> consisting of <b>\$89,960,000* Subseries 16A</b> (Competitive) and <b>\$136,750,000* Subseries 16B</b> (Negotiated)	<b>\$125,870,000*</b> <b>State Revolving Fund Refunding Bonds, Series 2012</b> consisting of <b>\$29,830,000* Subseries 2012A</b> (Competitive) and <b>\$96,040,000* Subseries 2012B</b> (Negotiated)
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**INTRODUCTORY STATEMENT**

This Official Statement (which includes the cover page and the Appendices hereto) is furnished by the Massachusetts Water Pollution Abatement Trust (the “Trust”) to provide information concerning the Trust’s \$226,710,000\* State Revolving Fund Bonds, Series 16 (the “Series 16 Bonds”), consisting of \$89,960,000\* State Revolving Fund Bonds, Subseries 16A (the “Series 16A Bonds”), \$136,750,000\* State Revolving Fund Bonds, Subseries 16B (the “Series 16B Bonds”) and the Trust’s \$125,870,000\* State Revolving Fund Refunding Bonds, Series 2012 (the “Series 2012 Bonds” and, collectively with the Series 16 Bonds, the “Bonds”), consisting of \$29,830,000\* State Revolving Fund Refunding Bonds, Subseries 2012A (the “Series 2012A Bonds”) and \$96,040,000\* State Revolving Fund Refunding Bonds, Subseries 2012B (the “Series 2012B Bonds”) together with information about the Trust’s State Revolving Fund (“SRF”) programs. Capitalized terms not otherwise defined in this Official Statement shall have the meanings set forth in Appendix A hereto.

The Series 16A Bonds and the Series 2012A Bonds will be sold by competitive sale as set forth herein and in the Official Notice of Sale set forth in Appendix I hereto. See “COMPETITIVE SALE OF THE SERIES 16A BONDS AND THE SERIES 2012A BONDS” and Appendix I. The Series 16B Bonds and the Series 2012B Bonds will be purchased for re-offering by the Underwriters listed on the cover page of this Official Statement, as set forth herein under the heading “UNDERWRITING OF THE SERIES 16B BONDS AND THE SERIES 2012B BONDS.”

The Trust is a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”), created by Chapter 275 of the Acts of 1989, constituting, in part, Chapter 29C of the General Laws of the Commonwealth (collectively with other general and special laws of the Commonwealth amending or supplementing the foregoing, the “Act”). The Trust is issuing the Bonds to provide financial assistance to local governments and other eligible public borrowers in the Commonwealth under its SRF programs described in more detail below and to refund a portion of certain of its prior bonds which were issued to finance costs of water pollution abatement and drinking water projects. See “THE BONDS – Plan of Finance”.

**State Revolving Funds**

**Overview of Trust SRF Programs.** The Trust administers the Commonwealth’s SRF programs, which are authorized by federal legislation — the Water Quality Act of 1987 for the clean water SRF and the Safe Drinking Water Act of 1996 for the drinking water SRF — to provide financial assistance to borrowers for water pollution abatement projects and drinking water projects. The Trust’s SRF programs were established to accept federal grants and required Commonwealth matching funds in an amount equal to approximately 20% of the federal grants.

As described more fully herein, since 1993 the Trust has provided loans under its various SRF bond financing programs across the Commonwealth to approximately 290 borrowers in an aggregate amount of approximately \$5.5\* billion, including the loans to be funded with the proceeds of the Series 16 Bonds (the “Series 16 Leveraged Loans”). Borrowers under the Trust’s SRF programs include local governments, public authorities

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\*Preliminary; subject to change.

and certain private entities throughout the Commonwealth, each of which is referred to as a “borrower.” In November 2010, a private water company defaulted on its loan repayments to the Trust related to its loan in the original principal amount of \$1,730,000. This loan constituted a “direct loan” under the Trust’s SRF program and, accordingly, the applicable loan agreement provided that loan repayments were to be payable directly to the Program Trustee and not to any bond trustee. Other than as noted above, to date, no borrower has defaulted on any of its loan repayments.

The Trust applies federal grants and state matching funds and other moneys available to the Trust (“SRF Program Funds”) to provide additional security for its Bonds and to reduce financing costs for its borrowers. Concurrently with the issuance of the Bonds, the Trust will apply a portion of such SRF Program Funds held under the Bond Resolution to fund direct loans to borrowers that will be pledged as security for the Bonds (the “Series 16 Direct Loans”). Interest payments on the Series 16 Direct Loans will be applied to pay a portion of the debt service on the Bonds, thereby supplementing the borrower loan repayment obligations related to the Series 16 Leveraged Loans. Principal payments on the Series 16 Direct Loans will be pledged as further security for the Bonds.

In the past the Trust has applied such SRF Program Funds to establish reserve funds to secure the Trust’s bonds issued to fund such projects, and applied investment earnings on such reserve funds to pay a portion of the debt service on the related bonds, thereby subsidizing the borrowers’ loan repayment obligations. Depending on the type of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers were entitled, the Trust sized the reserve funds for its SRF Bonds (defined below) in an amount equal to between 33% and 50% of the original principal amount of the related loans. In the future, to provide for the payment of and security for a series of Trust SRF Bonds, the Trust may apply its SRF Program Funds to fund (i) loans to borrowers that are pledged as a source of payment of and security for such series of Trust SRF Bonds (“Pledged Direct Loans”), (ii) a reserve fund for such series of Trust SRF Bonds, or (iii) a combination thereof.

**Trust SRF Bonds.** The Trust issues revenue bonds (“SRF Bonds”) and uses the proceeds to make loans to borrowers to fund water pollution abatement and drinking water projects or to refund bonds previously issued by the Trust. Each series of SRF Bonds is secured by and payable from (i) related borrower loan repayments; (ii) either borrower loan payments related to Pledged Direct Loans, in the case of the Bonds offered hereby, or reserve funds funded with SRF Program Funds, in the case of prior SRF Bonds; and (iii) Commonwealth assistance payments made to the Trust on behalf of the borrowers, together with earnings thereon. The Commonwealth’s obligation to make such assistance payments to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Proceeds of refunding SRF Bonds are applied to refund a portion of one or more prior series of SRF Bonds. Such refunding SRF Bonds are then payable from and secured by borrower loan repayments and Commonwealth assistance payments not needed to pay the unrefunded portion of such prior SRF Bonds, subject to the prior pledge of such amounts to such unrefunded portions of prior SRF Bonds and any other SRF Bonds previously issued to refund another portion of such prior SRF Bonds.

**Clean Water and Drinking Water SRFs.** The Trust initially allocates clean water SRF Program Funds and drinking water SRF Program Funds separately to secure its SRF Bonds issued for each purpose, and maintains separate accounts for those SRF Program Funds. The Trust may, however, use SRF Program Funds for one purpose to cure or prevent a default on SRF Bonds issued to fund the other purpose, subject to replenishment.

**Borrower Loans.** Each loan to a borrower made with the proceeds of the Trust’s SRF Bonds is in the form of either a loan or the purchase of the borrower’s bonds, in either case, pursuant to a financing agreement between the Trust and the borrower. Both forms of assistance are referred to as a “loan.” Pursuant to the financing agreements, each borrower delivers its own general or special obligation bond to the Trust referred to as a “local bond,” in order to secure its loan repayment obligations. The Trust makes loans under its clean water SRF program with terms up to thirty (30) years from project completion and under its drinking water SRF program with terms up to twenty (20) years from project completion, but in no event does the Trust make a loan longer than the expected useful life of the project financed or refinanced by such loan.

**Commonwealth Assistance Payments.** Pursuant to the Act, the Commonwealth makes payments to the Trust on behalf of certain borrowers to be used to pay a portion of the debt service on the related series of the Trust’s SRF Bonds, and thereby reduce the borrowers’ loan repayment obligations. The obligation of the Commonwealth to make such payments to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged.

**Revolving Nature of SRF Programs.** The SRF programs are called the State *Revolving* Fund programs because the SRF Program Funds that are applied to secure a series of Trust SRF Bonds, by funding either Pledged Direct Loans or reserve funds, are returned to the Trust in perpetuity. Principal repayments made on Pledged Direct Loans are returned to the Trust to the extent not needed to cure or prevent a default on the any Trust SRF Bonds. As the Trust repays principal on its SRF Bonds secured by a reserve fund funded from SRF Program Funds, the amount required to be held in such reserve fund is reduced proportionately, and the excess reserve amounts are returned to the SRF Program Fund. Such amounts are then available to the Trust to fund new direct loans, to establish reserve funds for new Trust SRF Bonds, or for other eligible purposes.

### **The Trust's SRF Bond Financing Programs**

The Trust issues SRF Bonds pursuant to its "Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program" adopted on March 4, 1993, as amended and supplemented (the "Program Resolution"), for several SRF programs including:

- **Pool SRF Bonds** issued to provide financial assistance to borrowers, as more fully described below under the heading "The Pool SRF Bonds." As of the date hereof, the Trust has Pool SRF Bonds outstanding under the clean water SRF and the drinking water SRF in the approximate principal amounts of \$2.47 billion and \$746 million, respectively. In addition, the Trust has outstanding \$100,000,000 State Revolving Fund Bond Anticipation Notes, Series 16 (the "Series 16 BANs"). The Series 16 BANs will be paid with a portion of the proceeds of the Series 16 Bonds. Approximately \$205.9\* million of Series 16 Bond proceeds will be applied to fund loans under the clean water SRF and approximately \$65.2\* million of Series 16 Bond proceeds will be applied to fund loans under the drinking water SRF of which \$87.9 million and \$12.1 million, respectively, were financed on a temporary basis with the proceeds of the Series 16 BANs.
- **MWRA SRF Bonds** issued to provide financial assistance to the Massachusetts Water Resources Authority ("MWRA"). As of the date hereof, the Trust has MWRA SRF Bonds outstanding under the clean water SRF and the drinking water SRF in the approximate principal amounts of \$96.8 million and \$9.0 million, respectively. The MWRA also is a borrower under the Trust's Pool Program.
- **SESD SRF Bonds** issued to provide financial assistance to the South Essex Sewerage District ("SESD"). As of the date hereof, the Trust has SESD SRF Bonds outstanding under the clean water SRF in the approximate principal amount of \$3.8 million. SESD also is a borrower under the Trust's Pool Program.
- **New Bedford SRF Bonds** issued to provide financial assistance to the City of New Bedford. As of the date hereof, the Trust has New Bedford SRF Bonds outstanding under the clean water SRF in the approximate principal amount of \$43.3 million. The City of New Bedford also is a borrower under the Trust's Pool Program.

To date, the Trust has issued SRF Bonds for each of these programs under separate bond resolutions. Each issue of Pool SRF Bonds, including the Bonds, also is issued under a bond resolution separate from other issues of Pool SRF Bonds. The Bonds will be issued under the Trust's Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of \$\_\_\_\_\_ State Revolving Fund Bonds, Series 16, consisting of \$\_\_\_\_\_ Subseries 16A and \$\_\_\_\_\_ Subseries 16B, and \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Series 2012, consisting of \$\_\_\_\_\_ Subseries 2012A and \$\_\_\_\_\_ Subseries 2012B, adopted by the Trust on May \_\_, 2012 (the "Bond Resolution").

The Trust also uses its SRF Program Funds to provide interim loans to borrowers on a temporary basis in anticipation of the issuance of SRF Bonds. As of the date hereof, the Trust has \$294.3\* million of interim loans outstanding, \$62.7\* million of which are expected to be refinanced with a portion of the Series 16 Bond proceeds.

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\*Preliminary; subject to change.

The Trust also uses its SRF Funds to make direct loans to borrowers. Concurrently with the issuance of the Bonds, the Trust intends to apply \$82.4\* million of SRF Program Funds to fund Series 16 Direct Loans under the clean water SRF and \$30.0\* million of SRF Program Funds to fund Series 16 Direct Loans under the drinking water SRF.

## SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS

### Special Obligations

The SRF Bonds are special obligations of the Trust and do not constitute a pledge of its full faith and credit. The SRF Bonds are payable solely from the funds pledged therefor pursuant to the Program Resolution and the applicable bond resolution. The Trust has no taxing power. Neither the Commonwealth nor any political subdivision thereof is obligated to pay the SRF Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision is pledged to the payment of the SRF Bonds. See “Sources of Payment – *Commonwealth Assistance Payments*” below.

### Sources of Payment

The debt service on the Trust’s SRF Bonds issued to fund water pollution abatement and drinking water projects is expected to be paid from a combination of three sources: (i) borrower loan repayments; (ii) interest payments on Pledged Direct Loans or earnings on reserve funds established for such SRF Bonds or a combination thereof; and (iii) payments provided by the Commonwealth pursuant to the Act and the Commonwealth Assistance Contract described below and interest earnings, if any, thereon. Prior to the issuance of a series of SRF Bonds, the Trust must certify that the borrower loan repayments (including interest payments on any Pledged Direct Loans), reserve fund earnings, if any, Commonwealth assistance payments and other moneys expected to be available to pay the debt service on such SRF Bonds are in the aggregate at least sufficient to pay, when due, such debt service.

- ***Loan Repayments.*** Each borrower is obligated to repay the principal amount of its loan at an interest rate of 2% or less, depending on the subsidy level to which each borrower is entitled. Certain borrowers with loan terms greater than 20 years may have an interest rate in excess of 2% in order to provide sufficient cash flow to pay the net additional interest expense on the related SRF Bonds that results from extending the term of the financing beyond 20 years. Payments on the Series 16 Leveraged Loans and the Series 16 Direct Loans are due to the Trust fifteen (15) days in advance of debt service payments on the Bonds. Along with certain other Commonwealth agencies, the Trust has the right to intercept local aid payments made by the Commonwealth to a city or town if such city or town fails to make its payments under its financing agreement as described more fully herein. See “SECURITY FOR THE BORROWER OBLIGATIONS” for a description of the security and sources of payment for the local bonds issued by the borrowers.
- ***Other Payments.*** In addition to receiving payments from borrowers with loans financed by SRF Bonds the Trust receives (i) interest payments on Pledged Direct Loans, if any, (ii) earnings on reserve funds, if any, established in an amount initially equal to between 33% and 50% of the original principal amount of the related loans or SRF Bonds, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled or (iii) a combination thereof. Concurrently with the issuance of the Bonds, the Trust will fund the Series 16 Direct Loans, and will apply the interest payments on such loans to the payment of a portion of the debt service on the Bonds. The Trust will not establish a reserve fund for the Bonds. The Trust has established reserve funds for each of its prior series of SRF Bonds, as described above. In the future, to provide subsidies to borrowers with loans financed by Trust SRF Bonds and to provide security for such Trust SRF Bonds, the Trust may apply its SRF Program Funds to fund (i) Pledged Direct Loans, (ii) a reserve fund for such series of Trust SRF Bonds, or (iii) a combination thereof.
- ***Investment of Reserve Funds.*** To assure the receipt of investment earnings in amounts and at times sufficient to provide adequate reserve fund earnings to pay debt service on the related series of SRF

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\* Preliminary; subject to change.

Bonds, the Trust has, at or prior to the delivery of the related series of SRF Bonds, (i) entered into investment agreements with one or more investment agreement providers or (ii) invested amounts in the debt service reserve fund in other Investment Obligations with terms sufficient to maintain the ratings on the related series of SRF Bonds. The investment agreements are general obligations of the related providers. The providers, however, do not guarantee payment of any portion of the principal of or interest on the related series of SRF Bonds.

The investment agreements for the debt service reserve funds securing SRF Bonds to date have been with providers (or a guarantor of such providers' obligations) rated at the time of execution of such agreements at least "AA-" by Standard & Poor's Ratings Services ("Standard & Poor's") and "Aa3" by Moody's Investors Services, Inc. ("Moody's"). See Appendix F - "Table of Debt Service Reserve Fund Investment Providers" for additional information regarding the specific investment agreements relating to the SRF Bonds. Each investment agreement to date has required that the obligations of the provider be collateralized either upon execution of such agreement or, unless other remedial action is taken, upon the happening of certain events, and at all times thereafter, by securities or other obligations issued or guaranteed by the United States, by certain federal agencies or corporations or, in some cases, by corporate or municipal issuers rated "AAA" by Standard & Poor's and "Aaa" by Moody's, at the time of delivery of such collateral with a market value sufficient to ensure that there is no adverse effect on the ratings on the related SRF Bonds. The collateral securities, if any, are held by the Bond Trustee or a third-party collateral agent for the account of the Bond Trustee and may be liquidated by the Bond Trustee upon any payment default by a provider under the related investment agreement. Upon any payment default by a provider, such provider is obligated to reimburse the Trust (either directly or through the sale of collateral) for any unpaid principal and accrued interest on the investment agreement and for any loss realized by the Trust upon reinvestment. Investment agreements entered into in connection with the issuance of SRF Bonds in the future, if any, may have different ratings or collateralization requirements than those described above.

- ***Commonwealth Assistance Payments.*** Pursuant to the Act and the Amended and Restated Agreement for Contract Assistance dated as of November 9, 2007 (the "Commonwealth Assistance Contract") between the Trust and the State Treasurer, the Commonwealth makes payments to the Trust on behalf of borrowers when necessary to provide for a portion of the debt service subsidy on loans. Such payments together with investment earnings thereon are applied to pay a portion of the debt service on the related series of SRF Bonds.

The obligation of the Commonwealth under the Commonwealth Assistance Contract to provide assistance payments to the Trust constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged. The Commonwealth Assistance Contract is pledged under the Program Resolution to the Program Trustee for the benefit of all holders of the Trust's SRF Bonds. While the Commonwealth Assistance Contract is not pledged under the Bond Resolution or any other bond resolution of the Trust, the Commonwealth's assistance payments are pledged, upon receipt, under the Bond Resolution and all other bond resolutions, as applicable. In addition, the Trust has covenanted in the Bond Resolution and all other bond resolutions to enforce the terms of the Commonwealth Assistance Contract as they pertain to the applicable series of SRF Bonds.

The Act limits the aggregate annual amount of Commonwealth assistance payments that may be provided to loans funded by the Trust. At the date of this Official Statement, the maximum amount of Commonwealth assistance payments that will be payable in any fiscal year with respect to all loans currently outstanding or for which the Trust has issued firm commitments does not exceed the applicable limits provided in the Act.

Payments under the Commonwealth Assistance Contract are made during the first twenty years of the term of the applicable series of SRF Bonds. For certain SRF Bonds with a term greater than twenty years, portions of the Commonwealth's assistance payments received in the first twenty years are in some cases deposited in a subsidy fund held under the related bond resolution and invested in investment agreements or other instruments with provisions similar to those described above for the investment of reserve funds. The amounts deposited in the subsidy funds and the related investment earnings are used to

pay debt service on the related SRF Bonds after the first twenty years. The Trust does not expect to establish a subsidy fund for the Bonds.

### **SRF Reserves and Other Security for SRF Bonds**

Except as described below with respect to the 2004 Refunding Bonds (as defined below), each series of SRF Bonds previously issued by the Trust was secured by a reserve fund held under the applicable bond resolution and funded with SRF Program Funds. The Bonds will not be secured by a reserve fund under its Bond Resolution; however they will be secured by loan repayments on the Series 16 Direct Loans. Pool SRF Bonds, including the Bonds, are further secured by the Pool Program Reserve Fund and all SRF Bonds are further secured by the Deficiency Fund, both held under the Program Resolution, all as further described below.

- ***Pledged Direct Loans.*** Upon the issuance of a series of Trust SRF Bonds, the Trust may pledge repayments on certain direct loans that it has previously made or is concurrently funding from SRF Program Funds to provide a source of payment and security for such SRF Bonds. Concurrently with the issuance of the Bonds, the Trust will apply a portion of its SRF Program Funds to fund the Series 16 Direct Loans. The interest payments on the Series 16 Direct Loans will be applied to pay a portion of the debt service on the Bonds. The principal repayments on the Series 16 Direct Loans will be available to cure or prevent any default in the payment of debt service on the Bonds. On each date that the Trust pays down the principal amount of the Bonds, principal repayments on the Series 16 Direct Loans that are not needed to cure or prevent a default on the Bonds will be transferred to the Pool Program Reserve Fund, and then to the Deficiency Fund, as described below. The Bonds are the first series of Trust SRF Bonds that have used the approach of applying SRF Program Funds to fund Pledged Direct Loans that provide a source of payment and security for the Bonds.
- ***Reserve Funds.*** In the past, the Trust has used SRF Program Funds to fund a reserve fund for each series of SRF Bonds issued to fund water pollution abatement and drinking water projects in an amount initially equal to between 33% and 50% of the original principal amount of the related loans or SRF Bonds, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers were entitled. Such reserve funds are available to cure or prevent any default in the payment of debt service on such related series of SRF Bonds, or, if applicable, on any scheduled payments due from the Trust pursuant to an interest rate hedge agreement in accordance with the applicable bond resolution.

On each date that the Trust pays down the principal amount of a series of such SRF Bonds or borrowers pay down the principal amount of the related loans, the amount held in the related reserve fund is reduced proportionately, and the amounts released from each such reserve fund (other than the 2004 Debt Service Reserve Fund described below) are transferred either to the Pool Program Reserve Fund and then to the Deficiency Fund as described below, or directly to the Deficiency Fund.

In the future, to pay the debt service of and provide security for a series of Trust SRF Bonds, the Trust may apply its SRF Program Funds to fund (i) Pledged Direct Loans, (ii) a reserve fund for such series of Trust SRF Bonds, or (iii) a combination thereof. The application of Trust SRF Program Funds to secure future series of SRF Bonds may be funded at levels greater than or less than the levels applicable to the outstanding SRF Bonds, whether under the Pledged Direct Loan approach or the reserve fund approach, or a combination thereof, as described above. If the security provided by the Trust from its SRF Program Funds for a future series of Pool SRF Bonds is funded at a level less than the levels applicable to the outstanding Pool SRF Bonds, the Trust is required to obtain a confirmation from each rating agency then rating the outstanding Pool SRF Bonds that such reduction will not by itself cause such rating agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool SRF Bonds. See Appendix B - "Summary of Certain Provisions of the Program Resolution - Conditions Precedent to Securing Program Bonds under Program Resolution." The Trust expects to receive such confirmation in connection with the issuance of the Bonds.

- **2004 Debt Service Reserve Fund.** Unlike other SRF Bonds, the Trust’s Pool Program Refunding Bonds, Series 2004A and 2004B (the “2004 Refunding Bonds”), which were issued to refund portions of several series of SRF Bonds, are secured by a reserve fund (the “2004 Debt Service Reserve Fund”) which was funded from proceeds of the 2004 Refunding Bonds and will be maintained in an amount equal to 10% of the principal amount of the 2004 Refunding Bonds outstanding from time to time. Amounts in the 2004 Debt Service Reserve Fund are available to pay debt service on the 2004 Refunding Bonds to the extent of any deficiency in the debt service fund for the 2004 Refunding Bonds following application to such purpose of available amounts in the Pool Program Reserve Fund and the Deficiency Fund. Amounts released from the 2004 Debt Service Reserve Fund are applied to the payment of debt service on the 2004 Refunding Bonds, and are not transferred to the Pool Program Reserve Fund.
- **Pool Program Reserve Fund.** The Pool Program Reserve Fund is held by the Program Trustee under the Program Resolution. As amounts are released from each reserve fund securing each prior series of Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund), such amounts, together with certain amounts released from the reserve funds securing SESD SRF Bonds, MWRA SRF Bonds and New Bedford SRF Bonds which have been refunded in part by Pool SRF Bonds, are transferred to the Pool Program Reserve Fund. As borrowers make principal repayments on the Series 16 Direct Loans, such amounts will be transferred to the Pool Program Reserve Fund (to the extent not needed to cure or prevent a default in the payment of debt service on the Bonds). The Pool Program Reserve Fund is pledged to secure all Pool SRF Bonds, including the Bonds, on a parity basis, as well as scheduled payments payable by the Trust pursuant to any interest rate hedge agreement with respect to Pool SRF Bonds, in accordance with the Program Resolution.

Amounts in the Pool Program Reserve Fund are available to pay debt service on any series of Pool SRF Bonds, or if applicable, scheduled payments payable by the Trust pursuant to any related interest rate hedge agreement, to the extent that there are insufficient funds available in the related reserve fund to make such payment, or to the extent that the repayments on such date under the related Pledged Direct Loans are insufficient to make such payment, as applicable. In addition, amounts necessary to satisfy a deficiency in any reserve fund for a series of Pool SRF Bonds are held in the Pool Program Reserve Fund to the extent amounts in the Pool Program Reserve Fund are sufficient to satisfy such deficiency. Amounts not required to be used or held in the Pool Program Reserve Fund are promptly transferred to the Deficiency Fund. See “THE POOL SRF BONDS – Pool SRF Bonds Debt Service and Pool Program Reserve Fund” below for a table setting forth the amounts expected to be transferred from the reserve funds related to the Pool SRF Bonds or from principal repayments on the Pledged Direct Loans to the Pool Program Reserve Fund and available on each principal and interest payment date to secure Pool SRF Bonds as described above.

- **Deficiency Fund.** The Deficiency Fund is held by the Program Trustee under the Program Resolution. As amounts are released from each reserve fund securing the MWRA SRF Bonds, the SESD SRF Bonds and the New Bedford SRF Bonds (other than those amounts from such reserve funds first transferred to the Pool Program Reserve Fund), such amounts, together with certain Direct Loan repayments not otherwise pledged to secure any series of Trust SRF Bonds under the applicable bond resolution, are transferred to the Deficiency Fund, together with funds released from the Pool Program Reserve Fund. The Deficiency Fund secures all SRF Bonds issued by the Trust, including the Bonds, on a parity basis as well as scheduled payments payable by the Trust pursuant to any interest rate hedge agreement, in accordance with the Program Resolution.

Amounts in the Deficiency Fund are available to pay debt service on any series of SRF Bonds, or if applicable, scheduled payments payable by the Trust pursuant to any interest rate hedge agreement, to the extent that there are insufficient funds available in the related reserve fund to make such payment or in the event of any other insufficiency. In addition, amounts necessary to satisfy a deficiency in any reserve fund for a series of SRF Bonds are held in the Deficiency Fund to the extent amounts in the Deficiency Fund are sufficient to satisfy such deficiency. Amounts not required to be used or held in the Deficiency Fund are promptly transferred to the applicable Equity Fund. The Equity Funds are not pledged as security for any SRF Bonds.

The availability of amounts in the Pool Program Reserve Fund and the Deficiency Fund to satisfy deficiencies with respect to the Trust's SRF Bonds is dependent on the borrowers making their payments in a timely manner, including borrowers making repayments on Pledged Direct Loans, on the timely receipt of earnings on the reserve funds and Commonwealth assistance payments, and on the timing of scheduled releases from the reserve funds allocable to such borrowers or the Trust's SRF Bonds.

For a more detailed description of the sources of payment and security for the SRF Bonds, see Appendix B - "Summaries of Certain Provisions of the Program Resolution — Pool Program Reserve Fund; Deficiency Fund."

### **Derivative Transactions**

In connection with the issuance of the Trust's Pool Program Refunding Bonds, Series 2006, on December 14, 2006 (the "Series 2006 Bonds"), the Trust entered into two interest rate swap agreements (the "2006 Swap Agreements") with Bear Stearns Capital Markets, Inc. (the "Series 2006 Counterparty") in notional amounts of \$30,650,000 and \$46,605,000, respectively, in order to create a "synthetic fixed rate" for the Series 2006 Bonds maturing on August 1, 2022 and August 1, 2023 which bear interest at a variable rate. Under the terms of the 2006 Swap Agreements, the Series 2006 Counterparty has agreed to make variable rate payments to the Trust which are equal to the Trust's variable rate debt service payments on such Series 2006 Bonds and the Trust has agreed to make fixed rate payments to the Series 2006 Counterparty which are secured on a parity with and payable from the funds pledged to all other Series 2006 Bonds. The obligations of the Series 2006 Counterparty are guaranteed by JPMorgan Chase & Co. Effective December 10, 2008, all of the rights and obligations of the Series 2006 Counterparty under the 2006 Swap Agreements were transferred to JPMorgan Chase Bank, N.A. ("JPMorgan"). In connection with such transfer, the obligations of JPMorgan under the 2006 Swap Agreements were guaranteed by The Bear Stearns Companies LLC.

The 2006 Swap Agreements are subject to mandatory and optional termination by the Trust or the counterparty under certain circumstances. If at the time of any termination the Trust would be liable to the counterparty for a termination payment, such amount is payable solely from amounts which are not pledged to the payment of any debt obligations of the Trust outstanding at the date of such termination, including any outstanding Bonds or other SRF Bonds.

For further information regarding the 2006 Swap Agreements, reference is made to the audited financial statements of the Trust for the fiscal year ended June 30, 2011 which have been filed with the Municipal Securities Rulemaking Board (the "MSRB").

### **THE POOL SRF BONDS**

The Bonds will be the twentieth and twenty-first series of SRF Bonds issued by the Trust under its Pool SRF Bond program. The Pool SRF Bonds previously issued by the Trust consist of nineteen series issued in the original aggregate principal amount of \$5.5 billion between 1993 and 2010, of which approximately \$1.3 billion was issued to refund portions of certain series of prior Pool SRF Bonds, together with a portion of the SESD SRF Bonds, the New Bedford SRF Bonds and MWRA SRF Bonds. Upon the issuance of the Bonds, the aggregate outstanding principal amount of Pool SRF Bonds will be approximately \$3.6\* billion. The Trust expects to issue additional SRF Bonds under the Pool SRF Bond program; however, the timing and amounts of such issuances have not been determined.

As described above, Pool SRF Bonds are payable in part from borrower loan repayments made pursuant to financing agreements, and are secured by local bonds issued by each related borrower and by the rights of the Trust in the related financing agreements. See Appendix C – "Pool SRF Bonds - Borrowers" for a description of the Pool Borrowers following the issuance of the Bonds. Upon the issuance of the Bonds, approximately 74%\* in aggregate principal amount of the outstanding loans funded by Pool SRF Bonds will be general obligations of the related borrowers under the Pool SRF program, payable from general revenues, including, but not limited to, ad valorem taxes, and approximately 26%\* in aggregate principal amount of the outstanding loans funded by Pool SRF Bonds will be revenue obligations payable solely from water and wastewater revenues of the related borrowers. See "SECURITY FOR THE BORROWER OBLIGATIONS."

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\*Preliminary; subject to change.

As further described above, each series of Pool SRF Bonds is also payable in part from Commonwealth assistance payments and investment earnings thereon and either from interest payments on Pledged Direct Loans or from investment earnings on the reserve fund established for a series of Pool SRF Bonds under the applicable bond resolution. Upon the issuance of the Bonds, assuming the receipt of all such revenues, approximately \_\_\_\_% of the aggregate future debt service on the Pool SRF Bonds is expected to be paid from repayments received from borrowers (including interest payments allocable to the Series 16 Direct Loans), approximately \_\_\_\_% is expected to be paid from Commonwealth assistance payments and investment earnings on certain of such payments and approximately \_\_\_\_% is expected to be paid from investment earnings on the reserve funds.

### **Pool SRF Bonds Debt Service and Pool Program Reserve Fund**

The following table sets forth certain information related to the expected sources of payment for debt service on all outstanding Pool SRF Bonds issued by the Trust, together with the amounts that will be transferred during each fiscal year to the Pool Program Reserve Fund, assuming that there is no Payment Default with respect to any SRF Bonds. **THE TABLE DOES NOT CURRENTLY INCLUDE ANY INFORMATION WITH RESPECT TO THE BONDS. THE TABLE WILL BE REVISED TO REFLECT THE ISSUANCE OF THE BONDS AFTER THE SALE OF SUCH BONDS.**

The following information is presented for each fiscal year for all outstanding Pool SRF Bonds:

- Debt service payments on all Pool SRF Bonds;
- The borrowers' loan repayment obligations under all financing agreements with respect to Pool SRF Bonds;
- The reserve fund earnings with respect to all Pool SRF Bonds or the interest payments on Pledged Direct Loans, together with amounts from the 2004 Debt Service Reserve Fund which will be used to pay a portion of the debt service on the 2004 Refunding Bonds on each payment date;
- Commonwealth contract assistance payments, together with amounts released from subsidy funds held under certain bond resolutions, including investment earnings on such subsidy funds referred to collectively as "Commonwealth Subsidies";
- The subsidized loan repayments, reserve fund earnings or interest payments on Pledged Direct Loans, Commonwealth Subsidies and other available amounts which, in the aggregate, at least equal the principal and interest payable on the Pool SRF Bonds;
- The amounts expected to be transferred to the Pool Program Reserve Fund from (i) each of the reserve funds for the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund) and (ii) the principal repayments on Pledged Direct Loans.

Funds in the Pool Program Reserve Fund on each February 1 and August 1 payment date are available on a pro rata basis to secure all Pool SRF Bonds as follows:

- *First*, on a pro rata basis, to pay debt service on any Pool SRF Bonds for which there are insufficient funds available in the related debt service fund or reserve fund to make such payment; and
- *Second*, on a pro rata basis, amounts will be retained in such Fund for the credit of any reserve fund (including the 2004 Debt Service Reserve Fund) against which a draw has been made to make a debt service payment on the related Pool SRF Bonds.

Amounts in the Pool Program Reserve Fund that are not applied as set forth above shall be transferred on each February 1 and August 1 payment date to the Deficiency Fund, and, together with amounts expected to be transferred to the Deficiency Fund on such dates from each of the reserve funds for all SRF Bonds other than the Pool SRF Bonds and certain Direct Loan repayments not otherwise pledged to secure a series of Trust SRF Bonds under the applicable bond resolution, shall be similarly available on a pro rata basis to secure all SRF Bonds (including the Pool SRF Bonds). The availability of amounts in the Pool Program Reserve Fund and Deficiency

Fund to satisfy deficiencies with respect to the Trust's SRF Bonds is dependent on the borrowers making their payments in a timely manner, on the timely receipt of reserve fund earnings and Commonwealth payments, and on the timing of scheduled releases from the reserve funds allocated to such borrowers or the Trust's SRF Bonds.

**Pool Program<sup>1</sup>**

**Available Revenues**

Fiscal Year Ending June 30,	Reserve Fund Earnings, 2004 Debt Service Reserve Fund Withdrawals and Interest Payments on Pledged				Commonwealth Contract Assistance Payments and Subsidy Fund Amounts <sup>4</sup>	Total Revenues Available to Pay Debt Service on Pool SRF Bonds	Transfers to Pool Program Reserve Fund <sup>5</sup>
	Debt Service Payments on Pool SRF Bonds <sup>2</sup>	Borrower Loan Repayment Obligations	Direct Loans <sup>3</sup>				
2013	\$335,720,771	\$205,633,998	\$51,928,874	\$81,244,081	\$338,806,953	\$64,171,972	
2014	342,926,852	204,181,619	51,662,657	88,489,171	344,333,447	68,767,963	
2015	337,123,273	202,163,212	48,636,094	86,323,968	337,123,273	66,073,763	
2016	322,135,022	197,267,001	45,820,805	79,047,216	322,135,022	65,493,262	
2017	314,531,079	196,760,747	43,008,302	74,762,029	314,531,079	67,361,865	
2018	279,614,025	190,518,279	39,674,976	49,420,770	279,614,025	69,112,887	
2019	276,183,354	190,330,882	35,738,617	50,232,021	276,301,520	71,080,465	
2020	257,698,891	181,426,743	32,239,520	44,294,790	257,961,054	67,782,160	
2021	255,264,669	173,238,683	28,492,949	53,896,752	255,628,384	69,337,340	
2022	231,964,198	160,084,690	22,243,829	50,135,088	232,463,606	52,135,746	
2023	225,460,921	159,037,915	19,561,354	48,585,895	227,185,165	59,009,768	
2024	206,206,135	149,019,414	17,538,371	43,133,069	209,690,853	57,780,821	
2025	182,669,936	137,131,531	13,867,702	33,890,768	184,890,002	50,451,081	
2026	169,375,023	127,868,886	13,122,965	29,865,317	170,857,169	51,700,357	
2027	150,174,147	115,669,028	9,930,960	25,049,862	150,649,851	43,426,441	
2028	129,050,957	100,103,086	7,703,343	22,241,024	130,047,452	29,239,509	
2029	114,204,764	87,895,902	7,020,407	21,006,361	115,922,670	32,068,293	
2030	94,678,568	75,291,151	5,854,543	14,519,108	95,664,801	27,438,952	
2031	86,553,382	72,645,642	4,630,918	9,932,095	87,208,655	26,622,176	
2032	55,264,033	45,059,458	3,759,694	6,882,132	55,701,284	15,954,264	
2033	54,491,133	45,009,202	3,103,470	6,808,001	54,920,674	16,454,173	
2034	46,542,346	42,909,097	2,452,606	1,608,184	46,969,888	15,770,993	
2035	40,992,338	38,722,601	1,849,363	664,853	41,236,817	14,254,402	
2036	33,280,861	32,064,105	1,322,664	-	33,386,769	11,988,094	
2037	28,730,249	28,065,228	868,286	-	28,933,513	10,656,692	
2038	20,938,444	20,543,294	497,806	-	21,041,100	7,927,757	
2039	12,739,599	12,595,727	246,160	-	12,841,887	4,771,623	
2040	4,179,260	4,152,706	71,487	-	4,224,193	1,391,250	
2041	4,133,593	4,152,705	24,006	-	4,176,711	1,422,750	
2042	-	-	-	-	-	-	
2043	-	-	-	-	-	-	

- THE TABLE DOES NOT CURRENTLY INCLUDE ANY INFORMATION WITH RESPECT TO THE BONDS. THE TABLE WILL BE REVISED TO REFLECT THE ISSUANCE OF THE BONDS AFTER THE SALE OF SUCH BONDS. Totals may not add due to rounding.**
- Interest payments related to Pool SRF Bonds issued as "build America bonds" have been reduced by the federal subsidy payments expected to be received with respect to such bonds.
- Includes investment earnings on the 2004 Debt Service Reserve Fund. Does not include any reserve fund earnings with respect to loans originally funded from the proceeds of SESD SRF Bonds or MWRA SRF Bonds. Such reserve fund earnings are expected to be used to pay debt service on the portion of the SESD SRF Bonds and the MWRA SRF Bonds, respectively, that were not refunded by Pool SRF Bonds.
- Includes amounts attributable to debt service savings which are expected to be allocated to the Trust from various refundings including the refunding of certain SESD SRF Bonds, MWRA SRF Bonds and New Bedford SRF Bonds with Pool SRF Bonds.
- These amounts represent the aggregate amounts that are expected to be transferred in each fiscal year to the Pool Program Reserve Fund from the reserve funds for each of the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund) and from principal repayments received on Pledged Direct Loans. The actual amounts expected to be transferred to the Pool Program Reserve Fund on each February 1 and August 1 and available on such dates are less than the aggregate amounts shown.

## THE BONDS

### Special Obligations

The Bonds are special obligations of the Trust and shall not constitute a pledge of its full faith and credit. The Bonds are payable solely from the funds pledged therefor pursuant to the Bond Resolution and the Program Resolution. The Trust has no taxing power. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to the payment of the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS.”

### Plan of Finance

The Series 16 Bonds are being issued and the Series 16 Direct Loans are being made to fund water pollution abatement projects and drinking water projects to the 61\* borrowers described in Appendix C hereto. The Series 16 BANs will be paid with a portion of the proceeds of the Series 16 Bonds. Proceeds of the Series 16 Bonds in the amount of \$205.9\* million are expected to be applied to fund Series 16 Leveraged Loans for projects under the clean water SRF and \$65.2\* million of Series 16 Bond proceeds are expected to be applied to fund Series 16 Leveraged Loans for projects under the drinking water SRF, of which \$87.9 million and \$12.1 million, respectively, were financed on a temporary basis with the proceeds of the Series 16 BANs. Concurrently with the issuance of the Bonds, the Trust intends to fund \$112.4\* million of Series 16 Direct Loans, of which \$82.4\* million and \$30.0\* million are expected to be applied to fund loans for projects under the clean water SRF and drinking water SRF, respectively. The interest repayments on the Series 16 Direct Loans will be used to pay a portion of the debt service due on the Bonds. The Trust anticipates expending all of the proceeds of the Series 16 Bonds within two years of such delivery. If there are unexpended funds left in a project account funded with Series 16 Bond proceeds upon completion of the related project, the unexpended funds will be used to prepay a portion of the related loan and applied to fund costs of other eligible projects for the applicable borrower or costs of eligible projects for other borrowers within such two year period. See Appendix B - “Summary of Certain Provisions of the Bond Resolution - Application of Project Fund.”

Concurrently with the issuance of the Bonds, the Trust will refund all or a portion of certain series of its outstanding SRF Bonds (collectively, the “Prior Bonds”). See Appendix H – “Table of Refunded Prior Bonds” for a description of the Prior Bonds to be refunded. On April 30, 2012, the Trust terminated certain investment agreements under which all or a portion of the reserve funds for the certain of the Prior Bonds were invested. The Trust will refund the Prior Bonds with proceeds of the Series 2012 Bonds and amounts it received in connection with the termination of investment agreements (the “Termination Payment”).

The Prior Bonds were previously issued pursuant to the applicable bond resolutions (collectively, the “Prior Bond Resolutions”) to finance or refinance costs of water pollution abatement projects and drinking water projects for certain borrowers (the “Prior Borrowers”). The portion of each series of Prior Bonds that remains outstanding after the issuance of the Series 2012 Bonds (the “Unrefunded Prior Bonds”) will be secured by and payable from payments by the applicable Prior Borrowers, earnings on the applicable debt service reserve fund for each series of Unrefunded Prior Bonds and contract assistance payments provided by the Commonwealth, and in some cases, earnings on such contract assistance payments (collectively, the “Prior Bond Revenues”). The Unrefunded Prior Bonds will have a lien on all applicable Prior Bond Revenues that is senior to the lien on such Prior Bond Revenues granted to the owners of the Bonds. See “Pledge Pursuant to the Bond Resolution” below.

Upon the issuance of the Series 2012 Bonds and the application of the proceeds thereof, together with a portion of the Termination Payment, to refund a portion of the Prior Bonds (the “Refunded Prior Bonds”), the Prior Bond Revenues will be substantially greater than the principal and interest payable on the Unrefunded Prior Bonds. Such Unrefunded Prior Bonds are expected to be paid from the Prior Bond Revenues. Prior Bond Revenues not needed to pay debt service on the Unrefunded Prior Bonds will be applied to pay principal of and interest on the Bonds. Certain of the Prior Bonds were previously refunded in part by the 2004 Refunding Bonds or the Series 2006 Bonds, and any excess payments from Prior Borrowers or Commonwealth payments related to such previously partially refunded Prior Bonds will first be applied, together with other available funds, to pay debt service on the 2004 Refunding Bonds or the Series 2006 Bonds, as applicable, and then will be applied to pay principal of and interest on the Bonds.

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\*Preliminary; subject to change.

Upon authentication and delivery of the Bonds, proceeds of the Series 2012 Bonds and a portion of the Termination Payment in an aggregate amount sufficient to pay the principal of, redemption premium and interest payable on the Refunded Prior Bonds prior to and on the applicable redemption dates thereof will be deposited with each of the trustees for each series of the Refunded Prior Bonds (collectively, the “Prior Bond Trustees”), pursuant to a Refunding Escrow Agreement. Such amounts will be held in cash or invested in United States Treasury Obligations – State and Local Government Series (“Escrow Investments”), and will be applied on such redemption dates and at such redemption prices as set forth in Appendix H, plus accrued interest to the redemption date to refund the Refunded Prior Bonds. Upon deposit of the foregoing amounts with the Prior Bond Trustees, each series of the Refunded Prior Bonds will be defeased under the applicable Prior Bond Resolutions and will no longer be outstanding under or secured by the pledge created by the Prior Bond Resolutions for the benefit of the Refunded Prior Bonds, but will be payable solely from the amounts held by the applicable Prior Bond Trustees.

The following table sets forth (i) the debt service due on the Series 16 Bonds, (ii) the revenues that are expected to be available to pay the debt service on the Series 16 Bonds from Series 16 Leveraged Loan repayments, Series 16 Direct Loan principal and interest payments and Commonwealth assistance payments, (iii) the debt service coverage ratio and (iv) the amounts expected to be transferred to the Pool Program Reserve Fund to secure all Pool SRF Bonds, including the Series 16 Bonds.

**Revenues Allocable to the Series 16 Bonds**

<b>Fiscal Year ending June 30,</b>	<b>Series 16 Bonds Debt Service</b>	<b>Series 16 Leveraged Loan Repayments*</b>	<b>Series 16 Direct Loan Interest</b>	<b>Series 16 Direct Loan Principal</b>	<b>Commonwealth Assistance Payments</b>	<b>Total†</b>	<b>Coverage</b>	<b>Expected Transfers to the Pool Program Reserve Fund</b>
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
2043								

\* Adjusted for expected project fund earnings and for Trust equity utilized to make the first interest payment on the Series 16 Bonds.

† Total amounts may not add due to rounding.

**Sources and Uses of Funds**

Series 16 Bonds. It is anticipated that the proceeds of the Series 16 Bonds, the SRF Program Funds and Trust funds to be allocated thereto, will be applied as follows:

<b>Sources</b>	<u>Series 16A Bonds</u>	<u>Series 16B Bonds</u>	<u>Total</u>
Par amount of the Series 16 Bonds.....			\$
Net Original Issue Premium or (Discount).....			
SRF Program Funds <sup>(1)</sup> .....			
Trust Administrative Funds <sup>(2)</sup> .....			
Additional Trust Funds <sup>(3)</sup> .....			
Total Sources.....			\$
 <b>Uses</b>			
Payment of Series 16 BANs.....			\$
Series 16 Leveraged Loans <sup>(4)</sup> .....			
Series 16 Direct Loans <sup>(1)</sup> .....			
Costs of Issuance.....			
Underwriters' compensation.....			
Total Uses.....			\$

- 
- (1) This amount represents the aggregate amount of SRF Program Funds that are expected to be used to fund the Series 16 Direct Loans in connection with the issuance of the Series 16 Bonds.
  - (2) This amount will be applied to pay costs of issuance, including the Underwriters' compensation for the Series 16B Bonds.
  - (3) This amount will be applied to pay a portion of the interest payable on the Series 16 Bonds on February 1, 2013 pending receipt of payments from borrowers.
  - (4) Includes repayment of Interim Loans by certain borrowers with a portion of the proceeds of the Series 16 Bonds.

Series 2012 Bonds. It is anticipated that the proceeds of the Series 2012 Bonds and a portion of the Termination Payment will be applied as follows:

<b>Sources</b>	<u>Series 2012A Bonds</u>	<u>Series 2012B Bonds</u>	<u>Total</u>
Par amount of the Series 2012 Bonds.....			\$
Net Original Issue Premium or (Discount).....			
Additional Trust Funds <sup>(1)</sup> .....			
Total Sources.....			\$
 <b>Uses</b>			
Payment and Redemption of the Refunded Prior Bonds.....			
Costs of Issuance.....			
Underwriters' compensation.....			
Total Uses.....			\$

- 
- (1) Represents a portion of the Termination Payment.

**Pledge Pursuant to the Bond Resolution**

Pursuant to the Bond Resolution, the Trust has assigned and pledged to the Bond Trustee as security for the payment of the Bonds: (1) all Revenues, (2) all rights and interests of the Trust in and to all Series 16 Direct Loans, Series 16 Leveraged Loans and all rights and interests of the Trust under the financing agreements therefor (other than its rights of indemnification and reimbursement and its right to receive administrative fees and origination fees thereunder), (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement, any other Grant Agreement and, except as otherwise provided in the Bond Resolution, the

Commonwealth Assistance Contract) and all rights and interests of the Trust incident thereto and the proceeds thereof, and (4) all amounts held in all funds and accounts under the Bond Resolution (other than the Rebate Fund), whether any of the foregoing is now existing or hereafter acquired, subject only to the provisions of the Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein. Revenues include repayments by the borrowers allocable to the Series 16 Leveraged Loans, repayments of the Series 16 Direct Loans, Commonwealth assistance payments and all earnings on other funds held under the Bond Resolution. As further security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds, subject to the prior pledge thereof for the benefit of the Owners of the Unrefunded Prior Bonds, the 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, the Trust has pledged and granted a security interest, which is subordinate to the security interest held by the owners of the Unrefunded Prior Bonds, the 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, as described above under “THE BONDS – Plan of Finance”, in (1) the Prior Bond Revenues and (2) all rights and interests of the Trust in and to all Prior Loans, Prior Local Governmental Obligations and all rights and interests of the Trust under the Financing Agreements therefor (other than its rights of indemnification and reimbursement and its right to receive Administrative Fees thereunder) or otherwise incident thereto and the proceeds thereof, whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the bond resolutions for the Prior Bonds, the 2004 Refunding Bonds, the Series 2006 Bonds and the Bonds permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein. The Prior Bond Revenues include a portion of the repayments by the Prior Borrowers and Commonwealth assistance payments allocable to the Prior Loans. See Appendix A - “Definitions of Certain Terms” and Appendix B - “Summary of Certain Provisions of the Bond Resolution – Pledge of the Bond Resolution.”

***Substitution and Release.*** Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Prior Bonds, the 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, the Bond Resolution provides that the Trust may (1) substitute any Loan, any Local Governmental Obligation, Series 16 Direct Loan or any participation or other interest therein which is not in default or delinquent in the payment of Borrower Payments, Direct Loan Borrower Payments or Prior Borrower Payments, as applicable, thereon in exchange for another loan or local governmental obligation; provided that not less than 10 Business Days prior to any such substitution the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such substitution anticipated Revenues (excluding the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 16 Direct Loan) and Prior Bond Revenues, as applicable (taking into account such substituted loan or local governmental obligation), available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service payable by the Trust when due will not be less than the amount of Revenues and Prior Bond Revenues, as applicable, to be available for such purposes, if such Loan, Local Governmental Obligation or Series 16 Direct Loan is not so substituted; or (2) release from the pledge of the Bond Resolution any Loan, any Local Governmental Obligation, Series 16 Direct Loan or any participation or other interest therein, or transfer any such Loan, Local Governmental Obligation or Series 16 Direct Loan to itself free and clear of the pledge of the Bond Resolution; provided that prior to such release or transfer the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such release or transfer anticipated Revenues (excluding the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 16 Direct Loan) and Prior Bond Revenues, as applicable, available to pay in the current and each subsequent Fiscal Year will not be less than the Aggregate Debt Service on the Bonds payable by the Trust in the current and each subsequent Fiscal Year.

### **Pledge Pursuant to the Program Resolution**

Subject to the limitations provided in the Bond Resolution and in accordance with the Program Resolution, the payment of the principal of, premium if any, and interest on the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided in the Bond Resolution and the Program Resolution, (2) the Deficiency Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided in the Bond Resolution and the Program Resolution, and (3) the Commonwealth Assistance Contract, subject to the application of all Contract Assistance Payments thereunder as provided in the Bond Resolution and other bond resolutions for SRF Bonds, and in the related contract assistance determinations and to the lien on and pledge of such Contract Assistance Payments created by and pursuant to the Bond Resolution and other bond resolutions for

SRF Bonds. See Appendix A - "Definitions of Certain Terms" and Appendix B - "Summary of Certain Provisions of the Program Resolution – Pledge of the Program Resolution."

### **Flow of Funds Under the Bond Resolution**

**Revenue Fund.** The Bond Trustee shall hold all local bonds issued by borrowers to secure Series 16 Leveraged Loans and the Series 16 Direct Loans for the credit of the Revenue Fund established by the Bond Resolution. The Bond Trustee shall deposit in the Revenue Fund all payments received from the borrowers and the Commonwealth for Series 16 Leveraged Loans and Series 16 Direct Loans, and all earnings, if any, on other funds held under the Bond Resolution. The Bond Trustee shall also deposit in the Revenue Fund all Prior Bond Revenues and other amounts transferred to the Bond Trustee in accordance with the Bond Resolution. On or before each principal or interest payment date on the Bonds, the Bond Trustee shall withdraw from the Revenue Fund and transfer to the Debt Service Fund the amounts, if any, required to provide for the interest and principal on the Bonds due on such date.

Following the deposit to the Debt Service Fund, the Bond Trustee shall transfer any balance remaining in the Revenue Fund: *first*, to the Program Trustee for deposit in the Pool Program Reserve Fund in an amount representing principal repayments on Series 16 Direct Loans, *second*, to the Rebate Fund to the extent required so that the amount therein equals the rebate requirement, *third*, to the Program Trustee in an amount sufficient to reimburse either the clean water SRF or the drinking water SRF, as applicable, for any prior draw on the Pool Program Reserve Fund or Deficiency Fund under the Program Resolution to cure a default in a source of revenues related to the Series 16 Bonds to the extent of revenues received in satisfaction of such default or to cure a default in a source of revenues related to the Prior Bonds, but only to the extent of any payments under any of the prior loans related to the Prior Bonds (or any prior debt service reserve fund earnings or invested Commonwealth payments held for such Prior Bonds, if so directed by the Trust) received in satisfaction of such default and *fourth*, to the redemption fund, if so directed by the Trust.

The Bond Resolution permits the Trust to direct the Bond Trustee to pay all or any portion of amounts remaining in the Revenue Fund after such applications to the Trust, provided that prior to any such application the Trust shall have certified that such amounts remaining in the Revenue Fund are not required to make any future payments of interest and principal due or to become due on the Bonds. See Appendix B - "Summary of Certain Provisions of the Bond Resolution - Revenues and Revenue Fund."

### **Additional Bonds**

No additional bonds may be issued pursuant to the Bond Resolution, although bonds issued to refund all or a portion of the Bonds may be secured by the Revenues, Prior Bond Revenues, Loans, Local Governmental Obligations, Series 16 Direct Loans and funds and accounts pledged to the Bonds under the Bond Resolution. In addition to the Bonds, the Trust intends to issue bonds, including Pool SRF Bonds, pursuant to other bond resolutions to provide financial assistance to borrowers for projects eligible for financing under the Trust's SRF programs. Any additional Pool SRF Bonds will be secured on a parity with the Bonds with respect to the accounts in the Pool Program Reserve Fund and the Deficiency Fund that are pledged pursuant to the Program Resolution. In addition, other bonds and notes may be secured on a parity with all outstanding SRF Bonds, including the Bonds, with respect to the accounts in the Deficiency Fund that are pledged pursuant to the Program Resolution.

In the Program Resolution, the Trust has reserved the right to create a pledge on the funds and other property pledged to existing SRF Bonds, including the Bonds, that is junior and subordinate to any existing pledge, so long as such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding SRF Bonds. See Appendix B - "Summary of Certain Provisions of the Program Resolution - Issuance of Program Bonds; Pledge."

In the Bond Resolution, the Trust has reserved the right to create a pledge on the financing agreements, revenues and other property pledged to outstanding Bonds that is junior and subordinate to the pledge of such property to the Bonds so long as any such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding Bonds. See Appendix B - "Summary of Certain Provisions of the Bond Resolution - Covenant as to Pledge; Issuance of Additional Obligations."

## Terms of Payment and Redemption

The Bonds will be dated their date of delivery, will bear interest therefrom, payable on February 1 and August 1 of each year, commencing February 1, 2013. The Bonds will mature on August 1 in the years and in the principal amounts set forth on the inside cover page hereof. The Bonds are subject to optional redemption and mandatory sinking fund redemption as described below. The principal of and interest on the Bonds will be payable at the corporate trust office of U.S. Bank National Association, as trustee under the Bond Resolution (the “Bond Trustee”), or at the office designated for such payment by any successor Bond Trustee.

As long as the Bonds are registered in book-entry only form, principal and interest will be payable solely to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as the sole registered owner of the Bonds. See Appendix G – “The Depository Trust Company – Book-Entry Only System” herein. If Bonds are issued in certificated form, interest on the Bonds will be payable thereafter to the person appearing on the registration books of the Bond Trustee as the registered owner thereof on the Record Date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Bond Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the Bonds. The Bond Resolution establishes the fifteenth day of the month preceding each interest payment date (or if such day is not a Business Day, the next preceding Business Day) as the Record Date for such interest payment date.

### *Redemption.*

#### *Optional Redemption.*

Series 16A Bonds. The Series 16A Bonds maturing on or prior to August 1, 2022\* shall not be subject to redemption prior to maturity. The Series 16A Bonds maturing after August 1, 2022\* shall be subject to redemption prior to maturity on and after August 1, 2022\* in whole or in part at any time, by lot, at a redemption price equal to the principal amount of such Series 16A Bonds or portion thereof redeemed, plus accrued interest to the redemption date.

Series 16B Bonds. The Series 16B Bonds maturing on or prior to August 1, 2022\* shall not be subject to redemption prior to maturity. The Series 16B Bonds maturing after August 1, 2022\* shall be subject to redemption prior to maturity on and after August 1, 2022\* in whole or in part at any time, by lot, at a redemption price equal to the principal amount of such Series 16B Bonds or portion thereof redeemed, plus accrued interest to the redemption date.

Series 2012A Bonds. The Series 2012A Bonds maturing on or prior to August 1, 2022\* shall not be subject to redemption prior to maturity. The Series 2012A Bonds maturing after August 1, 2022\* shall be subject to redemption prior to maturity on and after August 1, 2022\* in whole or in part at any time, by lot, at a redemption price equal to the principal amount of such Series 2012A Bonds or portion thereof redeemed, plus accrued interest to the redemption date.

Series 2012B Bonds.\* The Series 2012B Bonds maturing on or prior to August 1, 20\_\_ shall not be subject to redemption prior to maturity. The Series 2012B Bonds maturing after August 1, 20\_\_ shall be subject to redemption prior to maturity on and after August 1, 20\_\_ in whole or in part at any time, by lot, at a redemption price equal to the principal amount of such Series 2012B Bonds or portion thereof redeemed, plus accrued interest to the redemption date.

#### *Mandatory Sinking Fund Redemption.*

Series 16A Bonds. The Series 16A Bonds will be issued as serial bonds or a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder. See Appendix I - Official Notice of Sale dated May 18, 2012.

Series 16B Bonds. The Series 16B Bonds maturing on August 1, 20\_\_ shall be subject to redemption prior to maturity in part on August 1 in each of the following years and in the following principal amounts through

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\* Preliminary; subject to change.

application of sinking fund installments at a redemption price equal to the principal amount of each Series 2012B Bond or portion thereof to be redeemed, plus accrued interest to the redemption date:

\$ \_\_\_\_\_ Term Bonds Due August 1, 20\_\_

August 1

Amount

Series 2012A Bonds. The Series 2012A Bonds will be issued as serial bonds or a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder. See Appendix I - Official Notice of Sale dated May 18, 2012.

Series 2012B Bonds. The Series 2012B Bonds maturing on August 1, 20\_\_ shall be subject to redemption prior to maturity in part on August 1 in each of the following years and in the following principal amounts through application of sinking fund installments at a redemption price equal to the principal amount of each Series 2012B Bond or portion thereof to be redeemed, plus accrued interest to the redemption date:

\$ \_\_\_\_\_ Term Bonds Due August 1, 20\_\_

August 1

Amount

If the Trust so directs, the Bond Trustee shall apply moneys held in the Debt Service Fund under the Bond Resolution prior to the forty-fifth (45<sup>th</sup>) day preceding a sinking fund redemption date to the purchase of Bonds of the maturity of a series or subseries that are subject to such sinking fund redemption, at prices not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption, plus unpaid interest accrued to the date of purchase. Upon such purchase of any such Bond, the Bond Trustee shall then credit an amount equal to the principal of the Bond so purchased towards the sinking fund installments for such Bonds in accordance with a certificate of an Authorized Officer of the Trust.

*Selection of Bonds to be Redeemed.* If less than all of the Bonds of a particular maturity of a particular series or subseries are redeemed, and so long as the book-entry only system remains in effect for the Bonds, the Bonds of such maturity of such series or subseries to be redeemed shall be selected by lot by DTC in such manner as DTC shall determine. If the book-entry only system no longer remains in effect for the Bonds, selection for redemption of less than all of the Bonds of a particular maturity of a particular series or subseries will be made by the Bond Trustee by lot as provided in the Bond Resolution. If any of the Bonds to be redeemed are Bonds for which sinking fund installments have been established, the Trust shall select the dates and amounts by which such sinking fund installments are to be reduced.

*Notice to Bondholders.* Notice of redemption of Bonds shall be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of redemption, to the registered owners of the Bonds, or portions thereof, so called, but the failure to so mail such notice or any defect therein with respect to any particular Bonds shall not affect the validity of such call for redemption of any Bonds with respect to which no such failure or defect has occurred. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Bond Resolution are on deposit with the Bond Trustee. If such moneys are not available on the redemption date, the Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Bond Trustee in an amount sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, *i.e.*,

subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited. So long as the book-entry only system is in effect, redemption notices shall be sent only to the Depository Trust Company or its nominee. See Appendix G – “The Depository Trust Company – Book-Entry Only System.”

## **SECURITY FOR THE BORROWER OBLIGATIONS**

Borrowers that receive loans funded with proceeds of Pool SRF Bonds may include local governmental units, including cities, towns, local and regional water and wastewater districts, municipal water and sewer commissions and the MWRA, and, in the case of the drinking water SRF program, private, for-profit owners of public water systems and not-for-profit owners of community water systems.

### **Cities and Towns**

Pursuant to the Act, each borrower that is a city or town is authorized to secure its loan with a local bond that is either a general obligation of such city or town payable from any source, including but not limited to ad valorem taxes, or a revenue obligation secured by water or sewer revenues or other particular revenues of the municipality, or a combination thereof.

Local bonds that are general obligations constitute a pledge of the full faith and credit of the city or town. Payment is not limited to a particular fund or revenue source. Except for the local aid intercepts described under “Local Aid Intercept” and taxes on the increased value of certain property in designated development districts which may be pledged for the payment of bonds issued to finance projects within such districts, neither the Trust nor other holders of general obligations of cities and towns have a statutory priority or security interest in any assets of the municipality, although the use of certain moneys may be restricted.

The principal tax of Massachusetts cities and towns is the tax on real and personal property. Massachusetts law directs municipal tax assessors to include annually in the property tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for and all amounts necessary to satisfy final judgments.” The total amount of the tax levy is limited by a statute known as Proposition 2½. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on specific bond issues.

The primary limitation on the amount of the tax levy is that the levy cannot exceed 2.5% of the full and fair cash value of the taxable property in the municipality. A secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year, as determined by the Commissioner of the Massachusetts Department of Revenue (“Commissioner of Revenue”), by more than 2.5%, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. This secondary or “growth” limitation on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the growth limit under this procedure does not permit a tax levy in excess of the primary limitation. The applicable tax limits may also be reduced in any year by a majority vote of the voters. The Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year.”

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance projects in such districts, no provision is made under Massachusetts law for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments rendered after the tax levy has been fixed. With the approval of the Commonwealth’s Director of Accounts, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Massachusetts cities and towns are subject to suit on their general obligation bonds and notes, and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the Proposition 2½ limits.

## **Regional Sewer Districts**

Certain regional districts, which include two or more cities or towns, including the SESD, have been established by the Massachusetts legislature to provide wastewater services within the district. Local bonds of such districts are general obligations of the districts, which have no taxing power and which assess debt service and other costs upon the constituent cities and towns within the district in accordance with the laws under which the districts were organized and with contractual agreements among such cities and towns. The constituent municipalities' obligations to pay such district assessments are general obligations of the municipalities, generally subject to the limitations of Proposition 2½ described above.

## **Water Districts**

Certain water districts have been established by the Legislature for the purpose of providing drinking water services to a designated area of a city or town, or to designated areas within more than one city or town. Such districts have taxing power within their specified service area, and also have the ability to charge water rates within such service area. They can impose taxes and set their rates and charges independently, and their rates and charges are not subject to regulation by any other governmental body. The local bonds of such districts are general obligations of the districts, generally subject to the limitations of Proposition 2½ described above.

## **Municipal Water and Sewer Commissions and the Massachusetts Water Resources Authority**

Loans funded by the Trust for municipal water and sewer commissions and for the MWRA are payable from retail or wholesale water and sewer revenues. Such commissions and the MWRA are public instrumentalities and political subdivisions of the Commonwealth which are responsible for the operation of the water and wastewater systems of a particular service area. They have no taxing power, but fund their operations through the collection of fees and charges and, in the case of the MWRA, by assessment upon its member cities, towns, districts and other service recipients. They set their rates, charges and assessments independently, and their rates, charges and assessments are not subject to regulation by any other governmental body. To finance improvements to their water and wastewater systems, such commissions and the MWRA issue revenue bonds secured by a lien on their revenues. The local bonds issued by the MWRA and certain of such commissions to the Trust are subordinated as to both lien and payment to the senior indebtedness issued by the MWRA or such commission, as applicable.

## **Private Water Systems**

Under the Drinking Water Act, private, for-profit owners of public water systems and not-for-profit owners of community water systems (as defined by the Drinking Water Act) may qualify for financial assistance from the Trust's drinking water SRF program. Upon the issuance of the Bonds, there will be two outstanding loans to private owners funded with proceeds of Pool SRF Bonds. Each local bond issued to the Trust to secure such loans is a general obligation of the applicable private owner, payable from assessments charged to the users of the applicable water system. Additionally, payment of the principal and interest on one such local bond is secured by an irrevocable letter of credit issued to the Trust, and payment of the principal and interest on the other such local bond is guaranteed by the parent company of the private owner, in each case on terms and conditions satisfactory to the Trust.

## **Local Aid Intercept**

Upon a borrower's default in payment on its loan, the Trust is authorized by the Act to utilize a mechanism referred to as a "local aid intercept" to obtain state financial assistance that would otherwise be transferred by the State Treasurer to any local governmental unit to which such default is directly or indirectly attributable.

Pursuant to the Act, if a borrower fails to make a timely payment of its debt service payments on its loan, the Trust is authorized to certify to the State Treasurer the amount owing to the Trust by reason of such failure, and the State Treasurer shall promptly pay to the Trust such amount, without further appropriation, from any local aid distribution otherwise payable to such borrower. If a borrower is an agency, commission or instrumentality of a city or town, the State Treasurer shall pay the local aid intercept to the Trust from amounts otherwise payable to such city or town as local aid distributions. Borrowers that are water districts or owners of private water systems generally receive little or no state financial assistance. Therefore, the value of the local aid intercept to the Trust is minimal or non-existent in the case of such borrowers.

If a governmental service recipient of a regional local governmental unit, including the MWRA, SESD and similar regional entities, fails to pay when due any charges of the regional entity required for the regional entity to meet its debt service payments to the Trust, the Act authorizes the regional entity to certify to the State Treasurer the amount owing to such regional entity by reason of such failure, and the State Treasurer shall promptly pay to the regional entity such amount, without further appropriation, from any local aid distribution otherwise payable to such city or town or other service recipient. If the Trust determines that a regional entity's failure to make a timely payment on its debt service payments on its loan is due to the failure by a city or town or other service recipient of such regional entity to pay an assessment or charge to the regional entity and that the regional entity has failed or refused to use the local aid intercept pursuant to the Act or any similar provision of law, then the Trust is authorized by the Act to certify to the State Treasurer the amount owing to the regional entity by reason of such failure, and the State Treasurer shall promptly pay to the Trust such amount, without further appropriation from any local aid payment otherwise payable to such city or town or service recipient. Any dispute regarding the amount of such local aid payments of cities, towns or other service recipients of a regional entity that are intercepted and paid by the State Treasurer to the Trust is subject to arbitration by an appeals board established by the Act.

Massachusetts law provides for other local aid intercepts under the Massachusetts Qualified Bond Act and for amounts due to the Commonwealth from a city or town for certain assessments, including assessments to the Massachusetts Bay Transportation Authority, the MWRA and the Massachusetts School Building Authority. Under the Qualified Bond Act, local debt service is paid directly by the Commonwealth, which then reimburses itself from otherwise distributable local aid. The Qualified Bond Act also contains a legislative covenant with bondholders that the act itself will not be modified to divert local aid to other purposes. The effect of this covenant, which was enacted in 1980, on the local aid intercept provisions in the Act, which was enacted in 1989, is uncertain, but it may be construed to grant a priority to holders of bonds issued under the Qualified Bond Act. With respect to the local aid intercepts that are triggered by a local default, Massachusetts law does not establish a priority of payment in the event of two or more defaults by a city or town which subject such city or town to such remedy.

## **THE TRUST**

### **General**

The Trust was created in 1989 by the Act. The Trust is a public instrumentality of the Commonwealth, and is responsible for administering the clean water SRF and the drinking water SRF established under the Act to provide financial assistance to borrowers for water pollution abatement projects and drinking water projects, respectively.

Title VI of the federal Clean Water Act, as amended by the federal Water Quality Act of 1987 (the "Clean Water Act") provides for the establishment of state revolving fund programs to provide financial assistance to borrowers in connection with the construction of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage. The amendments to the federal Safe Drinking Water Act adopted in 1996 (the "Drinking Water Act") provide for the establishment of state revolving fund programs to provide financial assistance to borrowers, including for-profit companies and not-for-profit community water systems, for expenditures which will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Drinking Water Act.

Pursuant to the clean water SRF, the Trust provides financing to borrowers to fund costs of water pollution abatement projects, including loans ("Title 5 Loans") to fund community septic management programs, which are eligible for funding pursuant to the Clean Water Act. Pursuant to the drinking water SRF, the Trust funds the costs of drinking water projects which are eligible for funding pursuant to the Drinking Water Act.

### **Organization**

The Trust is governed by a three-member Board of Trustees, serving ex officio, consisting of the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer"), whom the Act also designates as the Chairman of the Board of Trustees, the Secretary of the Executive Office for Administration and Finance and the Commissioner of the Department of Environmental Protection ("MassDEP"). The Trustees and their respective offices are as follows:

Trustee

Office

Steven Grossman, Chairman

Treasurer and Receiver-General of the Commonwealth

Jay Gonzalez, Vice Chairman

Secretary of the Executive Office for Administration and Finance of the Commonwealth

Kenneth L. Kimmell, Trustee

Commissioner of the Department of Environmental Protection of the Commonwealth

The Act authorizes each Trustee to appoint a designee to serve in the absence of such Trustee. The current designee of the State Treasurer is James A. MacDonald, Deputy Treasurer, the current designee of the Secretary of Administration and Finance is Scott A. Jordan, Assistant Secretary for Capital Finance and Intergovernmental Affairs, Executive Office for Administration and Finance, and the current designee of the Commissioner of MassDEP is Steven J. McCurdy, Director, Division of Municipal Services for the MassDEP.

The Board of Trustees of the Trust has adopted by-laws, dated August 2, 1990 and amended through March 2, 2011 (the “By-Laws”), to govern the Trust. The By-Laws establish seven officer positions, a Chairman, a Vice-Chairman, an Executive Director, a Treasurer, a Controller, a Director of Finance and Administration, and a Director of Program Development. The current officers of the Trust are as follows:

Officer

Trust Office

Steven Grossman

Chairman \*

Jay Gonzalez

Vice-Chairman \*

Susan E. Perez

Executive Director

W. Drew Smith

Treasurer

Michael C. Murphy

Controller

Scott A. Jordan

Director of Finance and Administration \*

Steven J. McCurdy

Director of Program Development \*

\* Each of these officers, in addition to their responsibilities to the Trust, have other responsibilities within their respective executive departments.

Pursuant to the By-Laws, the Executive Director, the Director of Finance and Administration and the Director of Program Development constitute the Executive Committee of the Trust. The Executive Director is the Chairman of the Executive Committee.

The Executive Director is the chief executive officer of the Trust and is responsible for supervising the administrative affairs and general management and operations of the Trust. The Treasurer is responsible, under the supervision of the Executive Director, for financial transactions relating to the Trust, including care and custody of all funds and securities of the Trust, and for keeping accurate records of all matters with respect to bonds issued by the Trust. The Controller is responsible, under the supervision of the Executive Director, for financial control of the Trust and for supervising all accounting and auditing matters of the Trust.

The Director of Finance and Administration is responsible for supervising all financial matters relating to the Trust, and for acting as liaison to the Executive Office for Administration and Finance. The Director of Program Development is responsible for supervising the development and implementation of the Trust’s financing programs as contemplated by the Act, for coordinating project approvals with MassDEP and for acting as liaison with the federal Environmental Protection Agency (“EPA”), MassDEP and the Executive Office of Environmental Affairs of the Commonwealth.

**Application and Compliance Process**

MassDEP has promulgated regulations which set forth its regulatory and supervisory powers associated with its approval of projects eligible for assistance from the Trust’s SRF programs. MassDEP determines which

projects on its annual priority list are eligible for funding under the Trust's SRF programs and includes such projects in the Intended Use Plans, which are filed with EPA as part of the Trust's application for federal grants for its SRF programs.

MassDEP reviews each borrower's application, which includes plans and specifications for the project, evidence of the authorization of sufficient funds to finance the project and information on the borrower's financial capability. Upon approval of the application and project, MassDEP certifies to the Trust those costs of the project eligible for funding from the SRF program. Once a project is approved for financing by the Trust under the applicable SRF program, MassDEP and the borrower enter into a project regulatory agreement which includes a disbursement schedule, procedures for approval and payment of requisitions and a set of conditions related to the borrower's compliance with MassDEP regulations and other federal and state statutes and regulations applicable to the construction and operation of the project. MassDEP also conducts site inspections and other related oversight activities to ensure that the project has been constructed in accordance with plans and specifications previously approved by MassDEP.

### **Method of Funding**

The Trust, MassDEP and EPA have entered into a Revolving Fund Operating Agreement for each of the clean water SRF and the drinking water SRF which sets forth rules, procedures and activities to be followed by EPA and the Trust in administering the related federal grants and SRF program. To date, the Trust has been awarded a total of approximately \$1.1 billion in federal grants and approximately \$219.9 million in Commonwealth matching funds under the clean water SRF program. The Trust has also received a total of approximately \$377.3 million in federal grants, which includes approximately \$85.8 million in federally mandated set-asides for technical assistance and other matters, and approximately \$75.5 million in Commonwealth matching funds under the drinking water SRF program. In addition, the Commonwealth has appropriated an additional \$30 million which may be drawn by the Trust solely to fund or finance Title 5 Loans.

Federal grants are received by the Trust pursuant to the applicable Revolving Fund Operating Agreement and EPA Assistance Agreements between the Trust and EPA. Commonwealth matching funds are received by the Trust pursuant to the Amended and Restated Master Funding Agreement dated as of October 3, 2005, entered into by the Trust, MassDEP, the State Treasurer and the Commonwealth's Secretary of Administration and Finance. Cash draws on Commonwealth matching funds are made by a written request submitted by the Trust to the State Treasurer. No additional appropriation is required for draws under either the federal grants or Commonwealth matching funds.

The periodic cash draws by the Trust on the federal grants are based on the amount of incurred costs for certain eligible projects or activities. However, up to the full amount of the federal grants and the related Commonwealth matching funds allocated to a borrower under either the clean water or drinking water SRF programs can be drawn upon immediately to the extent necessary to prevent an imminent default on the related SRF Bonds.

In addition to the grants described above, the Trust was awarded federal grants in 2009 of approximately \$133.1 million for the clean water SRF program and approximately \$52.2 million for the drinking water SRF program under the American Recovery and Reinvestment Act of 2009. Neither of these grants required Commonwealth matching funds. Such grants have been or will be applied by the Trust to reduce the principal amount of loans to borrowers to be financed by SRF Bonds.

### **ABSENCE OF LITIGATION**

There is not now pending against the Trust any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which the Bonds are to be issued, or the pledge or application of any moneys or the security provided for the payment of the Bonds, or the existence or powers of the Trust or restraining or enjoining the execution, delivery or performance of the Bonds, the Program Resolution, the Bond Resolution, the Refunding Trust Agreement, the financing agreements or the proceedings under which they were issued or authorized or questioning or affecting the validity of any such agreements.

There is not now pending against the Commonwealth any litigation restraining or enjoining the execution, delivery or performance of the Commonwealth Assistance Contract or the Master Funding Agreement, or questioning or affecting the validity of such agreements.

In connection with the issuance of the local bonds to the Trust, each borrower has certified or will certify that there was not or is not then pending against such borrower any litigation restraining or enjoining the undertaking or issuance or delivery of the local bonds or the proceedings and authority under which such local bonds are to be undertaken or issued, as applicable, or the pledge or application of any moneys or the security provided for the payment of such local bonds, or the existence or powers of such borrower, or restraining or enjoining the execution, delivery or performance of such local bonds or the proceedings under which they were issued or authorized.

### **LEGAL INVESTMENTS**

Under the provisions of the Act, the Bonds are securities in which public officers and agencies, insurance companies, financial institutions, investment companies, executors, administrators, trustees and others may properly invest funds including capital in their control. The Bonds, under the Act, are securities which may be deposited with any public officer or any agency for any purpose for which the deposit of Bonds is authorized by law. Certain of such investors may be subject to separate restrictions which limit or prevent their investment in the Bonds.

### **TAX EXEMPTION**

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. Bond Counsel's opinion is expressly conditioned upon continued compliance by the Trust with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that the interest on the Bonds is and continues to be excludable from the gross income of the holders of the Bonds for federal income tax purposes. In particular, and without limitation, section 148 of the Code requires that certain proceeds of the Bonds be invested at a yield not materially higher than the aggregate yield on the Bonds and that certain profits earned from investment of proceeds of the Bonds be rebated to the United States. The Trust has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Bonds.

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code. Interest on the Bonds will be included in adjusted current earnings when calculating corporate alternative minimum taxable income under section 56(g) of the Code.

Interest on the Bonds includes any accrued original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of Bond over the initial offering price at which price a substantial amount of all Bonds with the same maturity were sold (other than to underwriters and other intermediaries). Original issue discount accrues actuarially over the term of a Bond and results in a corresponding increase in the holder's tax basis in such Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a Bond will result in reduction of the holder's tax basis in such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Bond Counsel has not opined as to other federal tax consequences of holding the Bonds. However, prospective purchasers of the Bonds should also be aware that (i) section 265 of the Code generally denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and, in the case of a financial institution, that portion of the holder's interest expense allocated to the Bonds; (ii) with respect to

insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Bonds; (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds and (vi) receipt of investment income, including interest on the Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient thereof from obtaining the earned income credit provided by section 32(a) of the Code.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on Bonds from gross income for federal income tax purposes. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included provisions to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds currently outstanding. Any such proposed changes could affect the market value or marketability of the Bonds. Holders should consult their own tax advisors with respect to any of the foregoing.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, as ordinarily would be provided in connection with the establishment of a brokerage account, or the Internal Revenue Service has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

Bond Counsel is of the opinion that, under existing law, interest on the Bonds and any profit made on the sale thereof are also exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth.

On the date of delivery of the Bonds, the original purchasers of the Bonds will be furnished with an opinion of Bond Counsel substantially in the form shown in “Proposed Form of Opinion of Bond Counsel” attached hereto as Appendix D.

#### **VERIFICATION OF MATHEMATICAL ACCURACY**

Robert Thomas CPA, LLC (the “Verification Agent”), will independently verify, and issue a report thereon, the arithmetical accuracy of the computations included in schedules provided to them by Public Financial Management, Inc. as financial advisor to the Trust (the “Financial Advisor”), on behalf of the Trust indicating: (1) the sufficiency of the anticipated receipts from the Escrow Investments together with an initial cash deposit to pay the principal of and premium and interest on each series of the Refunded Prior Bonds being refunded prior to and on their redemption dates, and (2) the “yields” considered by Bond Counsel in its determination that the Series 2012 Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code. Such verification will be based solely on assumptions and information supplied by the Financial Advisor on behalf of the Trust. Furthermore, the Verification Agent will have restricted its procedures to verifying the arithmetical accuracy of such computations and will not have made any study or evaluation of the assumptions and information on which the computations were

based and, accordingly, will not express an opinion on such assumptions and information, the reasonableness of such assumptions, or the achievability of future events.

### **COMPETITIVE SALE OF THE SERIES 16A BONDS AND THE SERIES 2012A BONDS**

The Series 16A Bonds and the Series 2012A Bonds will be offered for sale at competitive bidding on May 31, 2012, unless postponed or cancelled as described in the Official Notice of Sale of the Trust dated May 18, 2012. This Preliminary Official Statement has been deemed final as of its date by the Trust in accordance with Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”). After the Series 16A Bonds and the Series 2012A Bonds have been awarded, the Trust will prepare a final Official Statement (the “Final Official Statement”), which will be a “final official statement” within the meaning of Rule 15c2-12. The Final Official Statement will be similar in form to this Preliminary Official Statement, and will include, among other matters, the identity of the winning bidder and the managers of the syndicate, if any, submitting the winning bid, the purchase price of the Series 16A Bonds and the Series 2012A Bonds from the Trust and other information regarding the interest rates and reoffering prices or yields of the Series 16A Bonds and the Series 2012A Bonds, as supplied by the winning bidder.

### **UNDERWRITING OF THE SERIES 16B BONDS AND THE SERIES 2012B BONDS**

The Underwriters have agreed, subject to certain conditions, to purchase the Series 16B Bonds and the Series 2012B Bonds from the Trust and to reoffer such Series 16B Bonds and the Series 2012B Bonds at the public offering prices or yields set forth on the inside cover page hereof, upon receipt of compensation from the Trust in an amount equal to \$\_\_\_\_\_. The Series 16B Bonds and the Series 2012B Bonds may be offered and sold to certain dealers (including dealers depositing the Series 16B Bonds and the Series 2012B Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Series 16B Bonds and the Series 2012B Bonds if any such Bonds are purchased. The Underwriters have designated Jefferies & Company, Inc., as their representative.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 16B Bonds and the Series 2012B Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 16B Bonds and Series 2012B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 16B Bonds and the Series 2012B Bonds that such firm sells.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., each an Underwriter of the Series 16B Bonds and the Series 2012B Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of the Series 16B Bonds and the Series 2012B Bonds.

Lebenthal & Co., (“Lebenthal”) one of the Underwriters of the Series 16B Bonds and the Series 2012B Bonds, has entered into an agreement (the “Distribution Agreement”) with Advisors Asset Management, Inc. (“AAM”) for the retail distribution of certain municipal securities offerings, including the Series 16B Bonds and the Series 2012B Bonds. Pursuant to the Distribution Agreement, Lebenthal will compensate AAM for its selling efforts in connection with their respective allocations of the Series 16B Bonds and the Series 2012B Bonds.

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan & Company, Inc. (“Morgan Keegan”) from Regions Financial Corporation. Raymond James and Morgan Keegan are each registered broker-dealers. Both Raymond James and Morgan Keegan are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Piper Jaffray & Co, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 16B Bonds and the Series 2012B Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA. WFBNA, has entered into an agreement (the "WFBNA Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting compensation, with respect to the Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

### **RATINGS**

The Bonds have been rated "AAA" by Fitch Ratings, Inc. ("Fitch"), One State Street Plaza, New York, New York, "Aaa" by Moody's Investors Service ("Moody's"), 7 World Trade Center at 250 Greenwich Street, New York, New York, and "AAA" by Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("Standard & Poor's"), 55 Water Street, New York, New York. The ratings assigned by Fitch, Moody's and Standard & Poor's express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Fitch, Moody's and Standard & Poor's, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Bonds may have an effect on the market price thereof.

### **FINANCIAL ADVISOR**

Public Financial Management, Inc. has served as Financial Advisor to the Trust with respect to the sale of the Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Bonds.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds will be approved by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, Boston, Massachusetts. The approving opinion of Bond Counsel with respect to the Bonds will be in substantially the form attached hereto as Appendix D. Certain matters will be passed upon for the Trust by Edwards Wildman Palmer LLP, Boston, Massachusetts, Program Counsel to the Trust. Certain matters will be passed upon for the Underwriters by Nixon Peabody LLP, Boston, Massachusetts. Certain legal matters have been or will be passed upon for each borrower by its bond counsel, including matters relating to the validity and enforceability of the obligations of such borrower under the applicable financing agreement. Edwards Wildman Palmer LLP serves as bond counsel to certain of the borrowers.

### **OTHER AVAILABLE INFORMATION**

The Trust prepares an Annual Report with respect to each fiscal year ending June 30 which generally becomes available in November of the following fiscal year. The Annual Report includes information relating to the Trust and its loan programs and operations and audited financial statements for the fiscal year ending June 30. The Department of the State Auditor also audits all agencies, departments and authorities of the Commonwealth, including the Trust. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133. The audited financial statements of the Trust for the fiscal year ended June 30, 2011 have been filed with the MSRB.

Questions regarding this Official Statement or requests for additional information concerning the Trust, including its most recent audited annual financial statements, should be directed to Susan E. Perez, Executive Director, Massachusetts Water Pollution Abatement Trust, 3 Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-9333. Questions regarding legal matters pertaining to the Bonds should be directed to John R. Regier at Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 542-6000. Questions regarding legal matters pertaining to the Trust and its SRF programs in

general should be directed to Walter J. St. Onge, III, Edwards Wildman Palmer LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0100.

The Commonwealth prepares its Comprehensive Annual Financial Report (“CAFR”) with respect to each fiscal year ending June 30, which becomes available in January of the following fiscal year. Copies of the CAFR may be obtained from the website of the Office of the Comptroller located at: [www.mass.gov/osc/publications-and-reports/financial-reports](http://www.mass.gov/osc/publications-and-reports/financial-reports). For further information about the Commonwealth, specific reference is made to the Commonwealth’s Information Statement dated May 8, 2012 (the “Information Statement”). A copy of the Information Statement has been filed with the MSRB. Copies of the Information Statement may also be obtained from the Trust and the Underwriters. The Information Statement should be read in its entirety in order to obtain appropriate fiscal, financial and economic information concerning the Commonwealth.

Questions regarding the Commonwealth’s Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, Twelfth Floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or Scott A. Jordan, Assistant Secretary for Capital Finance and Intergovernmental Affairs, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040.

Pursuant to the Trust’s standards, adopted in accordance with the provisions of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the “Rule”), if the aggregate principal amount of any borrower’s financing agreements under the Pool SRF Program exceeds 20% of the aggregate principal amount of all financing agreements outstanding under the Pool SRF Program, the Trust will require such borrower to provide certain operating and financial information in connection with the issuance of the Trust’s SRF Bonds under its Pool Program. As of the issuance of the Bonds, the MWRA is the only borrower which meets such requirement. For further information about the MWRA, specific reference is made to the MWRA’s Information Statement dated May 18, 2012 (the “MWRA Information Statement”). Copies of the MWRA Information Statement have been filed with the MSRB. Copies of the MWRA Information Statement may also be obtained from the Trust and the Underwriters. The MWRA Information Statement should be read in its entirety in order to obtain appropriate fiscal and financial information concerning the MWRA.

#### **CONTINUING DISCLOSURE**

The Trust, the MWRA and the Commonwealth will undertake for the benefit of the owners (including beneficial owners) of the Bonds to provide certain continuing disclosure. The undertakings have been made pursuant to the provisions of the Rule.

More specifically, the Trust will agree for the benefit of the owners of the Bonds in a Continuing Disclosure Certificate to be executed by the Trust at or prior to the issuance of the Bonds to provide certain financial information relating to the Trust (the “Trust Annual Information”) no later than 270 days after the end of each fiscal year and to provide notices of the occurrence of certain significant events. The Trust Annual Information will be filed by the Trust with the MSRB. Notices of significant events will be filed by the Trust with the MSRB. The nature of the information to be included in the Trust Annual Information and the notices of significant events is set forth under Appendix E - “Summary Of Continuing Disclosure Undertakings.”

In addition, each borrower of financial assistance from the Pool SRF Bonds will agree in its financing agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such borrower, not later than 270 days after the close of each fiscal year during any period during which such borrower is an “obligated person” with respect to the Pool SRF Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a borrower shall be considered an “obligated person” with respect to the Pool SRF Bonds if the aggregate principal amount of all of its financing agreements under the Pool SRF program outstanding as of the end of any fiscal year constitutes 20% or more of the aggregate principal amount of all financing agreements outstanding under the Pool SRF program as of the end of such fiscal year. The Trust will file the annual reports, if any, received from borrowers with the MSRB, at the same time and in the same manner as the Trust Annual Information. As of the date of issuance of the Bonds, the MWRA is the only borrower with loan obligations that exceed 20% of the aggregate principal amount of all financing agreements outstanding under the Pool SRF program. In its financing agreement, the MWRA has agreed to provide certain annual financial and

operating data for the benefit of the owners of the Bonds, in accordance with the Continuing Disclosure Agreement dated as of November 21, 1995 between the MWRA and U.S. Bank National Association, as Dissemination Agent. See Appendix E - "Summary of Continuing Disclosure Undertakings" for a summary of such information.

Further, prior to the issuance of the Bonds, the Trust and the Commonwealth will enter into the Commonwealth Continuing Disclosure Agreement pursuant to which the Treasurer and Receiver-General of the Commonwealth will agree, for the benefit of the owners of the Bonds, to provide certain annual financial information and operating data concerning the Commonwealth. Such information will be filed by the Commonwealth in the same manner as the Trust Annual Information. The nature of such information is also set forth under Appendix E - "Summary Of Continuing Disclosure Undertakings."

The sole remedy for any owner or beneficial owner of a Bond upon any failure by the Trust, a borrower, or the Commonwealth to fulfill its continuing disclosure undertakings is a suit in equity for specific performance of the undertakings and not for money damages. The Trust, the MWRA and the Commonwealth have complied in all material respects with their existing undertakings to provide annual reports and notices of significant events in accordance with the Rule.

#### **FURTHER INFORMATION**

The references herein to and summaries of federal, Commonwealth and local laws, including but not limited to the Code, the laws of the Commonwealth, the Act, the Clean Water Act and the Drinking Water Act, and to certain documents and agreements pertaining to the Bonds, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents or agreements. Copies of the Program Resolution, the Bond Resolution, the Prior Bond Resolution, the Refunding Trust Agreement, the financing agreements, the Commonwealth Assistance Contract and the Master Funding Agreement are available for inspection during normal business hours at the office of the Trust.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

#### **MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

By: \_\_\_\_\_  
Steven Grossman  
Chairman, Board of Trustees

May \_\_, 2012

**DEFINITIONS OF CERTAIN TERMS**

In addition to the terms defined elsewhere in this Official Statement, the following are summary definitions of certain terms used in the Program Resolution, the Bond Resolution, the Financing Agreements and in this Official Statement.

“2004 Refunding Bond Resolution” means the Massachusetts Water Pollution Abatement Trust Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 2004A and Series 2004B adopted August 25, 2004.

“2004 Refunding Bonds” means the Trust’s Pool Program Refunding Bonds, Series 2004A and Series 2004B issued and Outstanding under the 2004 Refunding Bond Resolution.

“Administrative Fees” means annual or other periodic fees paid by or for the account of a Borrower to defray administrative expenses of the Trust relating to the Program in the amounts set forth in, or determined in accordance with, the applicable Financing Agreement.

“Aggregate Debt Service” for any Fiscal Year means, as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to the Bonds Outstanding.

“Allocated Equity” means (i) with respect to the Series 16 Bonds, the amount of Equity, if any, allocated to the Series 16 Bonds, as specified in the Equity Allocation Certificate and (ii) with respect to a Prior Loan or Prior Local Governmental Obligations, the amount of Equity, if any, allocated to the related Prior Bonds, as specified in the applicable Prior Equity Allocation Certificate.

“ARRA” means the American Recovery and Reinvestment Act of 2009.

“ARRA Capitalization Grant” means a Federal Capitalization Grant made pursuant to ARRA.

“ARRA Loan” means a Loan made, or Local Governmental Obligation purchased, by the Trust, or the portion of the principal amount of such Loan or Local Governmental Obligation, that is funded directly or indirectly from an ARRA Capitalization Grant and is subject to forgiveness as provided in Program Resolution.

“ARRA Project” means a Clean Water Project or a Drinking Water Project financed in whole or in part by an ARRA Loan.

“Authenticating Agent” means the Bond Trustee.

“Authorized Officer,” with respect to the Trust, means any Trustee of the Trust (or any designee thereof pursuant to the Act), any member of the Trust’s Executive Committee, the Executive Director or the Treasurer of the Trust or any other officer of the Trust authorized by resolution of the Board to perform the act or sign the document in question, and, with respect to any action to be taken by a Borrower or any Direct Loan Borrower or any document to be signed on behalf of a Borrower or a Direct Loan Borrower, means any member, officer or employee of a Borrower or a Direct Loan Borrower authorized to take such action or sign the document in question under the applicable Financing Agreement.

“Bond” or “Bonds” means any of the Series 16 Bonds and the Series 2012 Refunding Bonds, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Bond Act” means, collectively, the laws of the Commonwealth, including without limitation the Act, under or pursuant to which any local governmental obligations are issued by a Borrower to the Trust.

“Bondowner” and the term “Owner” or “owner” or any similar term, when used with reference to Bonds, means the registered owner of any Bond.

“Bond Resolution,” as used in the Financing Agreements and the Bond Resolution, means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of the \$\_\_\_\_\_ State Revolving Fund Bonds, Series 16, consisting of \$\_\_\_\_\_ State Revolving Fund Bonds, Subseries 16A and \$\_\_\_\_\_ State Revolving Fund Bonds, Subseries 16B and the \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Series 2012, consisting of \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Subseries 2012A and \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Subseries 2012B, as it may be amended or supplemented from time to time by a Supplemental Bond Resolution; as used in the Program Resolution, the term “bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Program Bonds and the term “pool bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Pool Bonds.

“Borrower” with respect to a Loan, Interim Loan or any Local Governmental Obligations means the local governmental unit or other eligible borrower which is the obligor on such Loan, Interim Loan or Local Governmental Obligations, or any body, agency, political subdivision, officer or other instrumentality of the Commonwealth, or any corporation, association, partnership, or other entity, as applicable, which shall hereafter succeed to the powers, duties and functions of said local governmental unit or other eligible borrower.

“Borrower Payments,” as used under the Bond Resolution means, with respect to a Loan or an issue of Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Loan or Local Governmental Obligations including without limitation (1) scheduled payments of principal and interest on such Loan or Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Local Governmental Obligations, and (3) any amounts paid or received with respect to such Loan or Local Governmental Obligations on account of (i) acceleration of the due date of such Loan or Local Governmental Obligations, (ii) subject to certain covenants of such Loan or Local Governmental Obligations as described in the Bond Resolution, the sale or other disposition of such Loan or Local Governmental Obligations and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Local Governmental Obligations, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default. The term “Borrower Payments” shall not include any Administrative Fees or Origination Fees.

“Borrower Payments,” as used under the Program Resolution means, with respect to a Loan or an issue of Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Loan or Local Governmental Obligations, including without limitation (1) scheduled payments of principal and interest on such Loan or Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Local Governmental Obligations, and (3) any amounts paid or received with respect to such Loan or Local Governmental Obligations on account of (i) acceleration of the due date of such Loan or such Local Governmental Obligations, (ii) subject to the provisions of the applicable Bond Resolution, the sale or other disposition of such Loan or the Local Governmental Obligations and other collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Local Governmental Obligations and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default on such Loan or Local Governmental Obligations; to the extent provided in the applicable Financing Agreement, the term “Borrower Payments” shall also mean and include any Equity Earnings and Contract Assistance Payments that are applied as a credit against the payment obligations of the Borrower under such Financing Agreement; the term “Borrower Payments” shall not include any Administrative Fees or, except as otherwise provided in the applicable Bond Resolution, any Origination Fees, or, except as otherwise provided in the applicable Bond Resolution, any Pledged Direct Loan Borrower Payments to the extent such Pledged Direct Loan Borrower Payments constitute Equity Earnings.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banks doing business in the Commonwealth are authorized or required to be closed for business.

“Clean Water Act” means Title VI of the Federal Water Pollution Control Act (Pub. L. 92-500, commonly known as the Clean Water Act), as amended by the Federal Clean Water Act of 1987 (Pub. L. 100-4), as the same may be further amended from time to time, and all regulations of the United States Environmental Protection Agency applicable thereto, as amended from time to time.

“Clean Water Loan” means any Loan made by the Trust for the purpose of financing or refinancing Costs of a Clean Water Project.

“Clean Water Bonds” means, at any date of determination, those Series 16 Bonds the proceeds of which have been applied to fund Clean Water Obligations, as set forth in the Equity Allocation Certificate, as it may be amended from time to time.

“Clean Water Obligation” means (i) a Loan provided by the Trust to, or any Local Governmental Obligations purchased from, a Borrower from the proceeds of the Series 16 Bonds and (ii) any Series 16 Direct Loan funded by the Trust from Allocated Equity held under the Bond Resolution, in all cases to finance or refinance all or any part of the Cost of a Clean Water Project.

“Clean Water Program” means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance Loans and Interim Loans to local governmental units, and to purchase Local Governmental Obligations from local governmental units, for Costs of Clean Water Projects.

“Clean Water Project” means a “water pollution abatement project” as defined in the Act including, without limitation, a Title 5 Project.

“Clean Water Revolving Fund” means the Water Pollution Abatement Revolving Fund established pursuant to Section 2L of Chapter 29 of the General Laws of the Commonwealth.

“Clean Water SRF” means the federal water pollution control revolving fund contemplated by the Clean Water Act.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all Treasury Regulations promulgated thereunder to the extent applicable to any Bonds, Prior Bonds, Loans, Local Governmental Obligations, Interim Loans, Series 16 Direct Loans, Prior Loans or Prior Local Governmental Obligations, as the case may be.

“Commonwealth” means The Commonwealth of Massachusetts.

“Commonwealth Assistance Contract” means the Amended and Restated Agreement for Contract Assistance dated as of November 9, 2007 between the Commonwealth and the Trust, as hereafter further amended from time to time in accordance therewith.

“Commonwealth Matching Grant” means an amount provided to the Trust in accordance with the Clean Water Act or the Drinking Water Act, as applicable, the Act and the Master Funding Agreement as a matching grant to a Federal Capitalization Grant.

“Commonwealth Program Loan” means any Loan or Interim Loan, as applicable, made to a Borrower under the Clean Water Program (1) all or any portion of the proceeds of which are expected at the date of origination of such Loan or Interim Loan or on the date of authentication and delivery of the related series of Bonds if earlier to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project which are not eligible for financing or refinancing with funds attributable to Federal Capitalization Grants or (2) which, although eligible for financing or refinancing with funds attributable to Federal Capitalization Grants, is nonetheless designated as a Commonwealth Program Loan in or pursuant to the applicable bond resolution or by certificate of an Authorized Officer of the Trust delivered to the Program Trustee.

“Contract Assistance Payments” means payments, if any, made to the Trust by the Commonwealth in accordance with Section 6, Section 6A or Section 18 of the Act and the Commonwealth Assistance Contract, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or the Commonwealth Assistance Contract upon the occurrence of a Payment Default by the Commonwealth thereunder, to be applied by the Trust to pay Debt Service on the Bonds, as more fully described in the applicable Contract Assistance Determination.

“Cost,” when used with reference to a Project, means any “cost” thereof (as defined in the Act) approved by the Department including without limitation all costs, whenever incurred, of carrying out a Project (whether or not

eligible for financial assistance pursuant to Section 6, Section 6A or Section 18 of the Act), costs of planning, preparation of studies and surveys, design, construction, expansion, facilities, improvement and rehabilitation, acquisition of real property, personal property, materials, machinery or equipment, start-up costs, demolitions and relocations, reserves and working capital, administrative, legal and financing expenses, and other expenses necessary or incidental to the foregoing.

“Debt Service” means, with respect to Bonds Outstanding in any particular period, an amount equal to the sum of (1) all interest payable on such Bonds during such period (other than interest, if any, included in the Principal Installments on such Bonds payable in such period) plus (2) the Principal Installment or Installments of such Bonds payable during such period.

“Department” or “DEP” means the Department of Environmental Protection of the Commonwealth, or any body, agency, officer or other instrumentality of the Commonwealth which shall hereafter succeed to the powers, duties and functions of the Department as described in the Act.

“Direct Loan” means a Loan made or Local Governmental Obligation purchased by the Trust solely from amounts held in or for the account of the Direct Loan Fund hereunder and not from the proceeds of Bonds.

“Direct Loan Borrower” with respect to a Series 16 Direct Loan means the local governmental unit or other eligible borrower which is the obligor on such Series 16 Direct Loan, or any body, agency, political subdivision, officer or other instrumentality of the Commonwealth, or any corporation, association, partnership or other entity, as applicable, which shall hereafter succeed to the powers, duties and functions of said local governmental unit or other eligible borrower.

“Direct Loan Borrower Payments,” with respect to a Series 16 Direct Loan, means all payments on account of the principal, interest and premium, if any, due on such Series 16 Direct Loan including without limitation (1) scheduled payments of principal and interest on such Series 16 Direct Loan, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Series 16 Direct Loan, and (3) any amounts paid or received with respect to such Series 16 Direct Loan on account of (i) acceleration of the due date of such Series 16 Direct Loan, (ii) subject to the Bond Resolution, the sale or other disposition of such Series 16 Direct Loan and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Series 16 Direct Loan, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default. The term “Direct Loan Borrower Payments” shall not include any Administrative Fees or Origination Fees.

“Drinking Water Act” means Title XIV of the Federal Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 USC 300f et seq. as the same may be further amended from time to time, and all regulations of the United States Environmental Protection Agency applicable thereto as amended from time to time.

“Drinking Water Bonds” means, at any date of determination, those Series 16 Bonds the proceeds of which have been applied to fund Drinking Water Obligations, as set forth in the Equity Allocation Certificate, as it may be amended from time to time.

“Drinking Water Obligation” means (i) a Loan provided by the Trust to a Borrower from the proceeds of the Series 16 Bonds and (ii) any Series 16 Direct Loan funded by the Trustee from Allocated Equity held hereunder, in each case to finance or refinance all or any part of the Cost of a Drinking Water Project.

“Drinking Water Program” means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance loans to local governmental units and other eligible borrowers for Costs of Drinking Water Projects.

“Drinking Water Project” means a “drinking water project” as defined in the Act.

“Drinking Water Revolving Fund” means the Drinking Water Revolving Fund established pursuant to Section 2QQ of Chapter 29 of the General Laws of the Commonwealth.

“Drinking Water SRF” means the federal safe drinking water revolving fund contemplated by the Drinking Water Act.

“Equity” means amounts derived or to be derived by the Trust from or on account of Federal Capitalization Grants, Commonwealth Matching Grants and other amounts deposited in the Clean Water Equity Fund or the Drinking Water Equity Fund under the Program Resolution, as more fully described in the Equity Allocation Certificate or the applicable Prior Equity Allocation Certificate.

“Equity Allocation Certificate” means the certificate of an Authorized Officer of the Trust pertaining to the Bonds delivered to the Program Trustee pursuant to the Program Resolution at or prior to the authentication and delivery of the Bonds, as the same may be amended from time to time in accordance with the Program Resolution.

“Equity Earnings” as used in the Bond Resolution means all or any part of (i) the Net Earnings derived from the investment or deposit of Allocated Equity held in the applicable Account or Subaccount in the Leveraged Bond Fund, and any other fund, account or subaccount established under the Program Resolution or under the Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or any Investment Obligation upon the occurrence of a default by the Investment Obligor thereunder, and (ii) the portion of any Direct Loan Borrower Payments made with respect to a Series 16 Direct Loan representing the payment or prepayment of interest on such Series 16 Direct Loan, to the extent provided in the Equity Allocation Certificate, including without limitation any amounts representing the payment of interest received by the Trust on account of the exercise of any right or remedy granted or available under law or any Series 16 Direct Loan upon the occurrence of a default by the related Direct Loan Borrower thereunder.

“Equity Earnings” as used in the Program Resolution means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity held in the applicable Account or Subaccount in the Leveraged Bond Fund and in the related Debt Service Reserve Fund, and any other fund, account or subaccount established hereunder or under a Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or any Investment Obligation upon the occurrence of a default by the Investment Obligor thereunder, and the portion of any Pledged Direct Loan Borrower Payments representing the payment or prepayment of interest on a Pledged Direct Loan, to the extent provided in the Equity Allocation Certificate, including without limitation any amounts representing the payment of interest received by the Trust on account of the exercise of any right or remedy granted or available hereunder, under law or under any Financing Agreement for a Pledged Direct Loan upon the occurrence of a default by the Borrower thereunder.

“Equity Requirement,” with respect to the Clean Water Bonds and the Drinking Water Bonds, as of any date of calculation, means the respective amounts set forth in the Equity Allocation Certificate.

“Event of Default” or “Default,” with respect to a Loan or any Interim Loan or any Local Governmental Obligations, shall have the meaning given such term in the related Financing Agreement and, with respect to the Bonds, shall have the meaning given such term in the Bond Resolution.

“Federal Acts,” means, collectively or individually as the context requires, the Clean Water Act, the Drinking Water Act and ARRA.

“Federal Capitalization Grant” means amounts provided to the Trust under one or more agreements between the Trust and the United States of America acting by and through the United States Environmental Protection Agency to be applied in accordance with the Clean Water Act or the Drinking Water Act, as applicable, to fund loans made or local governmental obligations purchased by the Trust.

“Federal Program Clean Water Loan” means a Federal Program Loan made under the Clean Water Program.

“Federal Program Loan” means any Loan or Interim Loan, as applicable, made to a Borrower under the Program (1) all of the proceeds of which are expected at the date of origination of such Loan or Interim Loan or the date of purchase of such Local Governmental Obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as set forth in the related bond resolution or as otherwise evidenced by a certificate of an authorized officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Project Costs which are eligible for financing or refinancing with funds

attributable to Federal Capitalization Grants and (2) which has not been designated by the Trust as a Commonwealth Program Loan.

“Fiduciary” means the Bond Trustee, any Paying Agent or any Authenticating Agent.

“Financing Agreement” means an agreement (i) between the Trust and a Borrower pertaining to a Loan or any issue of Local Governmental Obligations or (ii) between the Trust and a Prior Borrower pertaining to a Prior Loan or any issue of Prior Local Governmental Obligations or (iii) between the Trust and a Direct Loan Borrower pertaining to a Series 16 Direct Loan, and in each case, the making or purchase and repayment thereof, including, without limitation, any “loan agreement” (as defined in the Act) and any other trust agreement, trust indenture, security agreement, bond purchase agreement, reimbursement agreement, guarantee agreement, bond or note resolution, loan order or similar instrument, other than a Regulatory Agreement, pertaining to or securing such Loan, Local Governmental Obligations, Series 16 Direct Loan, Prior Loan or Prior Local Governmental Obligations.

“Fiscal Year” means the period of twelve calendar months ending with June 30 of any year.

“Grant Agreement,” with respect to any Federal Capitalization Grants or Commonwealth Matching Grants, means the agreements or other instruments, if any, under which such Federal Capitalization Grants or Commonwealth Matching Grants are provided to the Trust for purposes of the Program, including, without limitation, the Master Funding Agreement.

“Hedge Provider” means the counterparty with whom the Trust enters into a Qualified Hedge Agreement.

“Interest Payment Date” means February 1 and August 1 of each year commencing on the date provided in the Bond Resolution, any redemption date of any Bonds and any other date on which interest on the Bonds is required or permitted by the Bond Resolution to be paid.

“Interim Loan” means a temporary loan, whether or not interest bearing, provided by the Trust to a local governmental unit or other eligible borrower in accordance with a Financing Agreement for all or any part of the Cost of a Project in anticipation of a Loan or the purchase of Local Governmental Obligations and funded by the Trust from amounts held in or for the account of the Interim Loan Fund under the Program Resolution.

“Investment Obligation” means any of the following which at the time are legal investments for moneys of the Trust:

- (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the full and timely payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of a direct ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1) , including without limitation federally guaranteed notes issued by the State of Israel so long as it is assumed, for purposes of assessing the timeliness of the federal guaranty, that the federal guaranty payment will be made on the fourth business day following the nominal due date for principal and interest on the note;
- (2) any bonds or other obligations of any state of the United States of America, of any political subdivision, agency or instrumentality thereof:
  - (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice;
  - (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in Clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the

maturity date or dates hereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate;

- (c) as to which the principal of and interest on the bonds and obligations of the character described in Clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this Clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this Clause (2), as appropriate; and
  - (d) which bear ratings at the time of purchase hereunder in one of the two highest rating categories available from each Rating Agency;
- (3) senior bonds, debentures, participation certificates (representing a full and timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
  - (4) obligations of, or obligations unconditionally guaranteed by, the World Bank (International Bank for Reconstruction and Development and International Finance Corporation), European Bank for Reconstruction and Development, European Investment Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank and the Nordic Investment Bank, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
  - (5) public housing bonds issued by public agencies or municipalities 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 temporary notes, preliminary notes or project notes issued by public agencies or municipalities, 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 obligations of any state of the United States, of any political subdivision, agency or instrumentality thereof, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
  - (7) obligations guaranteed by the Commonwealth, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
  - (8) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of purchase hereunder the highest rating available from each Rating Agency;
  - (9) direct obligations of non-profit entities, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
  - (10) interest bearing time deposits, certificates of deposit, banker's acceptances or other similar banking arrangements with banks (which may include the Program Trustee or the Bond Trustee), provided that such deposits either:
    - (a) are made with banks having at the time the deposit is made a rating from each Rating Agency no lower than the rating then assigned by such Rating Agency to any Bonds Outstanding; or
    - (b) are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned by any Rating Agency to any Bonds Outstanding; or

- (c) the total amount deposited with an institution does not exceed the applicable FDIC insurance maximum;
- (11) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, provided that such obligations have been rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding;
- (12) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency;
- (13) repurchase agreements for obligations of the type specified in Clauses (1) and (2) above, provided that either (a) the repurchase agreement is an unconditional obligation of the provider thereof and the long-term unsecured debt or claims paying ability of such provider of such investment agreements is rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency or (b) such repurchase agreements are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned by any Rating Agency to any Bonds Outstanding; and
- (14) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, whether or not issued or incurred by any of the foregoing, provided that the long-term unsecured debt or claims paying ability of the provider of such investment agreements is rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;

provided that any requirement of the foregoing that an obligation be rated by each Rating Agency at a specified level shall not apply to a Rating Agency that has not assigned a rating to such obligation so long as a rating has been assigned to such obligation by at least one Rating Agency at such specified level and, if more than one Rating Agency has assigned a rating to such obligation, no rating is lower than such specified level.

“Investment Obligor” means the issuer or other obligor on an Investment Obligation in which moneys held for the credit of any Fund or Account under the Bond Resolution have been invested or deposited in accordance therewith.

“Loan” as such term is used in the Bond Resolution means any loan or other form of financial assistance subject to repayment, whether or not interest bearing, provided by the Trust to a Borrower in accordance with a Financing Agreement for the purpose of financing or refinancing all or any part of the Cost of a Project, including any local governmental obligations (as defined in the Act) or other security evidencing or securing any such loan which (1) complies, at the time such financial assistance is provided by the Trust from amounts held under the Bond Resolution, with the provisions of the Act, the Program Resolution and the Bond Resolution, (2) is provided, refinanced or made with proceeds of Bonds or other moneys held under the Bond Resolution, (3) is held under the Bond Resolution and (4) in the case of any such financial assistance bearing interest at other than a fixed rate, the provision or making of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency; except as otherwise expressly provided in the Bond Resolution, the term “Loan” as used in the Bond Resolution shall not include an Interim Loan, Series 16 Direct Loan or the purchase by the Trust of Local Governmental Obligations.

“Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, purchased or deemed purchased by the Trust from a Borrower, all of the proceeds of which are expected at the date of purchase of such local governmental obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants, and which in the case of Borrower Obligations, (1) comply, at the time such obligations are purchased from amounts held under the Bond Resolution, with the provisions of the Act, the Program Resolution and the Bond Resolution, (2) are purchased with proceeds of Bonds or other moneys held under the Bond Resolution, (3) are held under the

Bond Resolution and (4) in the case of any such obligations bearing interest at other than a fixed rate, the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

“Net Earnings,” with respect to the investment or deposit of moneys held in any fund or account under the Bond Resolution or the Program Resolution, as applicable, for any period, means the aggregate realized earnings and realized gains less the aggregate realized losses from investment or deposit of such moneys during such period, less any transaction fees incurred in purchasing or selling such investments or making such deposits; if an investment is purchased at a premium above par, Net Earnings on such investment shall be deemed to be reduced by the straight-line amortization of the premium over the remaining term of such investment; if an investment is purchased at a discount below par, Net Earnings on such investment shall be deemed to include the amount received in excess of the discounted purchase price upon the maturity or redemption of such investment.

“Origination Fees” means any fees, other than Administrative Fees, payable by a Borrower or a Direct Loan Borrower in accordance with the applicable Financing Agreement in consideration of, or in payment or reimbursement for, costs incurred by the Trust in connection with the origination of Loans or the purchase of Local Governmental Obligations and the issuance of Bonds to fund the same or for costs incurred by the Trust in connection with the origination of Series 16 Direct Loans and Administrative Expenses allocable to such Loans, Local Governmental Obligations, Series 16 Direct Loans and Bonds.

“Outstanding,” has the following meanings: (i) When used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Bond Trustee, or proven to the satisfaction of the Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in the Bond Resolution, any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Bond Resolution), shall have theretofore been deposited with the Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Bond Resolution; and (4) any Bond deemed to have been paid as provided in the Bond Resolution.

(ii) When used with reference to Prior Bonds, means, as of any particular date, all Prior Bonds theretofore and thereupon being authenticated and delivered except (1) any Prior Bond canceled by the Prior Bond Trustee, or proven to the satisfaction of the Prior Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in the Prior Bond Resolution, any Prior Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Prior Bond Resolution), shall have theretofore been deposited with the Prior Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Prior Bond) and, except in the case of a Prior Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article III, (3) any Prior Bond in lieu of or in substitution for which another Prior Bond shall have been delivered pursuant to the Prior Bond Resolution; and (4) any Prior Bond deemed to have been paid as provided in the Prior Bond Resolution.

“Paying Agent” means any paying agent for Bonds appointed by or pursuant to the Bond Resolution, and any successor or successors thereto appointed pursuant to the Bond Resolution.

“Payment Default” as the context requires, means (i) any failure by a Borrower to pay when due all or any part of any Borrower Payment due on a Loan or an issue of Local Governmental Obligations pursuant to the applicable Financing Agreement; or (ii) any failure by the Commonwealth to pay to the Trust when due all or any part of a Contract Assistance Payment pursuant to the Commonwealth Assistance Contract and the applicable Contract Assistance Determination; or (iii) any failure by an Investment Obligor to pay to the Trust when due all or any part of the Net Earnings payable under any Investment Obligation; or (iv) any failure by the Trust to pay the principal (including mandatory sinking fund installments) of, and interest and premium, if any, on the Series 16 Bonds when due; or (v) any failure by a Direct Loan Borrower to pay when due all or any part of any Direct Loan Borrower Payment due on a Series 16 Direct Loan pursuant to the applicable Financing Agreement.

“Pledged Direct Loan” means any Direct Loan that is pledged as security for the payment of a Series of Bonds in accordance with the applicable Bond Resolution.

“Pledged Direct Loan Borrower Payments,” with respect to a Pledged Direct Loan, means all payments on account of the principal, interest and premium, if any, due on such Pledged Direct Loan including without limitation (1) scheduled payments of principal and interest on such Pledged Direct Loan, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Pledged Direct Loan, and (3) any amounts paid or received with respect to such Pledged Direct Loan on account of (i) acceleration of the due date of such Pledged Direct Loan, (ii) subject to the applicable Bond Resolution, the sale or other disposition of such Pledged Direct Loan and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Pledged Direct Loan, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default on such Pledged Direct Loan; the term “Pledged Direct Loan Borrower Payments” shall not include any Administrative Fees or, except as otherwise provided in the applicable Bond Resolution, Origination Fees.

“Pool Obligation” means (i) any Federal Program Loan funded in whole or in part from the proceeds of the Trust’s Water Pollution Abatement Revenue Bonds (Pool Loan Program), Series 1, issued under the Pool 1 Bond Resolution, (ii) any other Federal Program Loan made or Local Governmental Obligations purchased in whole or in part from the proceeds of Bonds and designated as a Pool Obligation in the related Pool Bond Resolution or in an amendment or supplement thereto, and (iii) any Federal Program Loan that is a Pledged Direct Loan and designated as a Pool Obligation in the related Pool Bond Resolution or in an amendment or supplement thereto.

“Principal Amount” means, as of any date of computation and with respect to any Bond, the stated principal amount thereof.

“Principal Installment” means, as of any particular date of computation, an amount of money equal to the aggregate of (1) the Principal Amount of Outstanding Bonds which mature on a future date, reduced by the aggregate Principal Amount of Outstanding Bonds which would at or before said future date be retired by reason of the payment when due and application in accordance herewith of Sinking Fund Installments payable at or before said future date for the retirement of the Outstanding Bonds plus (2) the amount of any Sinking Fund Installment payable on said future date for the retirement of the Outstanding Bonds.

“Prior Bond Payment Default” as the context requires, means (i) any failure by a Prior Borrower to pay when due all or any part of its Prior Borrower Payment payable on the related Prior Loan or issue of Prior Local Governmental Obligations pursuant to the applicable Financing Agreement; (ii) any failure by the Commonwealth to pay to the Trust when due all or any part of a Prior Contract Assistance Payment pursuant to the Commonwealth Assistance Contract and the applicable Contract Assistance Determination; (iii) any failure by an Investment Obligor to pay to the Trust when due all or any part of the Prior Net Earnings payable under any Investment Obligation; (iv) any failure by the Trust to pay the principal (including mandatory sinking fund installments) of, and interest and premium, if any, on any of the series of Prior Bonds or the Series 2012 Refunding Bonds when due.

“Prior Bond Revenues,” except as otherwise provided in the applicable Prior Bond Resolution, means (1) all Prior Borrower Payments and all other receipts, fees, revenues and other payments, other than Administrative Fees, received or to be received by the Trust on account of the Prior Loans, Prior Local Governmental Obligations and the exercise of the Trust’s rights and remedies under or pursuant to the Financing Agreements applicable thereto, (2) all Prior Net Earnings received on investment or deposit of moneys held pursuant to the Prior Bond Resolutions, and paid or to be paid into the revenue funds, debt service reserve funds, or subsidy fund held or created under the applicable Prior Bond Resolution, (3) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or the applicable Prior Bond Resolution, as applicable, to be deposited in one or more of the Prior Funds and Accounts maintained under or pursuant to the applicable Prior Bond Resolution.

“Prior Bond Resolutions” means the Trust’s (i) Water Pollution Abatement Project Bond Resolution Pool Loan Program, Series 4 adopted November 13, 1998, (ii) Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 5 adopted September 10, 1999, (iii) Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 6, adopted October 19, 2000, (iv) Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 7, adopted June 27, 2001, (v) Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 8, adopted October 30, 2002, (vi) Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 11, adopted October 19, 2005

and (vii) Water Pollution Abatement and Drinking Water Project Bond Resolution, MWRA Program, Series 2002A, adopted October 18, 2002.

“Prior Bond Trustee” means the bond trustee appointed by or pursuant to each of the Prior Bond Resolutions, and any successor or successors thereto appointed pursuant to the Prior Bond Resolutions.

“Prior Bonds” means (i) Massachusetts Water Pollution Abatement Trust, Pool Loan Program Bonds, Series 4, (ii) Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 5, (iii) Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 6, (iv) Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 7, (v) Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 8, (vi) Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 11, and (vii) Massachusetts Water Pollution Abatement Trust, MWRA Program Bonds, Series 2002A.

“Prior Borrower” means the local governmental unit or other eligible borrower which is the obligor on a loan made from, or local governmental obligations purchased with, the proceeds of the Prior Bonds, or any body, agency, political subdivision, officer or other instrumentality of the Commonwealth, or any corporation, association, partnership, or other entity, as applicable, which shall hereafter succeed to the powers, duties and functions of said local governmental unit or other eligible borrower.

“Prior Borrower Payments,” with respect to a Prior Loan or an issue of Prior Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Prior Loan or Prior Local Governmental Obligations including without limitation (1) scheduled payments of principal and interest on such Prior Loan or Prior Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Prior Loan or Prior Local Governmental Obligations, and (3) any amounts paid or received with respect to such Prior Loan or Prior Local Governmental Obligations on account of (i) acceleration of the due date of such Prior Loan or Prior Local Governmental Obligations, (ii) subject to the applicable Prior Bond Resolution, the sale or other disposition of such Prior Loan or Prior Local Governmental Obligations and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Prior Loan or Prior Local Governmental Obligations, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Prior Bond Payment Default on such Prior Loan or Prior Local Governmental Obligations; to the extent provided in the applicable Equity Allocation Certificate, the term “Prior Borrower Payments” shall also mean and include any Prior Equity Earnings and Prior Contract Assistance Payments, applied on account of principal and interest on such Prior Loans or Prior Local Governmental Obligations to the extent provided in the applicable Financing Agreement.

“Prior Contract Assistance Payments” means payments, if any, made to the Trust by the Commonwealth in accordance with Section 6, Section 6A or Section 18 of the Act and the Commonwealth Assistance Contract, together with the Prior Net Earnings, if any, upon investment or deposit of such payments as provided in the applicable Prior Bond Resolution to be applied by the Trust to pay debt service on the related Prior Bonds as more fully described in the applicable Contract Assistance Determination.

“Prior Equity Allocation Certificate,” with respect to the Prior Loans, Prior Local Governmental Obligations or the Prior Bonds, means each of the certificates of an Authorized Officer of the Trust delivered to the Program Trustee pursuant to the Program Resolution at or prior to the authentication and delivery of the related series of Prior Bonds, as the same may be amended from time to time in accordance with the Program Resolution.

“Prior Equity Earnings” means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity related to the Prior Loans or Prior Local Governmental Obligations held in the Leveraged Bond Fund and the related debt service reserve funds held under the applicable Prior Bond Resolution, and any other fund or account established under the Program Resolution or under the applicable Prior Bond Resolution, in each case to the extent provided in a Prior Equity Allocation Certificate.

“Prior Funds and Accounts” means the funds and accounts established by or pursuant to the Prior Bond Resolutions, provided that Prior Funds and Accounts shall not include any debt service reserve funds, debt service funds or Prior Subsidy Funds established under the Prior Bond Resolutions.

“Prior Loan” means a loan from the Trust to the Prior Borrower including any local governmental obligations (as defined in the Act) or other security evidencing or securing any such loan which (1) complied, at the time such

financial assistance was provided by the Trust from amounts held under the applicable Prior Bond Resolution with the provisions of the Act, the Program Resolution, as then in effect, and applicable Prior Bond Resolution, (2) was provided or made with proceeds of the applicable series of Prior Bonds or other moneys held under the applicable Prior Bond Resolution, (3) is held under the applicable Prior Bond Resolution and (4) is subject to a subordinate lien under the Bond Resolution; except as otherwise expressly provided herein, the term “Prior Loan” as used in the Bond Resolution shall not include the purchase by the Trust of Prior Local Governmental Obligations.

“Prior Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, purchased by the Trust from the Prior Borrower which (1) complied, at the time such obligations were purchased from amounts held under the applicable Prior Bond Resolution, with the provisions of the Act, the Program Resolution, as then in effect, and the applicable Prior Bond Resolution, (2) were purchased with proceeds of the applicable series of Prior Bonds or other moneys held under the applicable Prior Bond Resolution, (3) are held under the applicable Prior Bond Resolution and (4) are subject to a subordinate lien under the Bond Resolution.

“Program” means the Clean Water Program or the Drinking Water Program, as the context requires, and, collectively, means both said Programs.

“Program Trustee” means U.S. Bank National Association, as trustee under the Program Resolution.

“Project” means a Clean Water Project or a Drinking Water Project, as the context requires.

“Qualified Hedge Agreement” means an interest rate exchange, cap, floor or collar agreement between the Trust and a Hedge Provider based upon a notional amount, where either (a) the Hedge Provider, or the person who guarantees the obligation of the Hedge Provider to make any payments due to the Trust, has unsecured long-term obligations rated, or the hedge agreement itself is rated, in each case as of the date the hedge agreement is entered into, by each Rating Agency then maintaining a rating on any Outstanding Bonds, in one of the three highest generic rating categories published by such Rating Agency, without regard to any modifiers, but in no event lower than the generic rating category designated by such Rating Agency for the Series of Bonds related to such hedge agreement, or (b) the hedge agreement will not adversely affect the ratings then assigned to the series of Bonds related to such hedge agreement by any Rating Agency, as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Program Trustee (upon which the Program Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Program Trustee) confirming in effect that the hedge agreement will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding.

“Qualified Hedge Payments” shall mean, collectively, all Scheduled Hedge Payments and all Termination Hedge Payments payable by the Trust or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

“Rating Agency” means a nationally recognized credit rating agency which has assigned and currently maintains a rating on any Outstanding Bonds or any Program Bonds, as applicable, at the request of the Trust, and any successor to any such agency by merger, conversion, consolidation or otherwise.

“Rebate Provision” means Section 148(f) of the Code and, to the extent applicable to the Bonds, Treasury Regulation Section 1.148-5(c).

“Rebate Requirement” means an amount equal to (i) the cumulative sum calculated and determined from time to time in accordance with the requirements of the Rebate Provision that must be paid to the United States pursuant to the Bond Resolution, less (ii) the aggregate amount of any payments made to the United States pursuant to the Rebate Provision in accordance with the Bond Resolution.

“Record Date” means, with respect to the payment of interest on a Bond, the 15th day of the month next preceding the date on which interest is to be paid on such Bond or, if such 15th day is not a Business Day, the next preceding Business Day ; provided that, with respect to overdue interest or interest payable on a Bond other than on an Interest Payment Date or interest on any overdue amount, the Bond Trustee may establish a special record date, which date shall be not more than 20 Business Days before the date set for payment.

“Redemption Price,” when used with respect to a Bond or portion thereof, means the Principal Amount of such Bond or portion thereof, plus the applicable premium, if any, payable upon redemption thereof.

“Refunded Prior Bonds” means all or a portion of the Prior Bonds which are being refunded with the Series 2012 Refunding Bonds, together with other funds of the Trust, as set forth in Bond Resolution.

“Regulatory Agreement” means an agreement between the Department and a Borrower pertaining to the acquisition, construction, operation and carrying out of a Project financed in whole or in part from the proceeds of a Loan or the purchase of Local Governmental Obligations.

“Representation Letter” means the letter from the Trust to the Bond Depository dated May 18, 1995.

“Revenues” means (1) all Borrower Payments, (2) all Direct Loan Borrower Payments (except to the extent such Direct Loan Borrower Payments constitute Equity Earnings), (3) all Net Earnings, including without limitation Equity Earnings, received or to be received on investment or deposit of moneys in the Funds and Accounts held pursuant to the Bond Resolution and paid or to be paid into the Revenue Fund, (4) all Contract Assistance Payments paid to the Trust by the Commonwealth which are allocable to the Loans and Local Governmental Obligations financed or refinanced with the proceeds of the Series 16 Bonds or allocable to Series 16 Direct Loans, and (5) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or the Bond Resolution to be deposited in one or more of the Funds and Accounts maintained under or pursuant to the Bond Resolution.

“Scheduled Hedge Payments,” except as otherwise provided in the applicable Bond Resolution, means the scheduled, periodic payments to be made by the Trust or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement with respect to a notional amount.

“Series 16 Bond” or “Series 16 Bonds” means any of the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Series 16, consisting of the Series 16A Bonds and the Series 16B Bonds, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 16 BANs” means the aggregate \$100,000,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bond Anticipation Note, Series 16 dated March 1, 2012.

“Series 16A Bonds” means the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Subseries 16A, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 16B Bonds” means the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Subseries 16B, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 16 Direct Loan” or “Series 16 Direct Loans” means any of the direct loans to borrowers funded with Allocated Equity held hereunder and in accordance with the Bond Resolution and the Equity Allocation Certificate in connection with the issuance of the Bonds and pledged as security for the Bonds.

“Series 2006 Bond Resolution” means Massachusetts Water Pollution Abatement Trust Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 12 and Series 2006 adopted November 22, 2006.

“Series 2006 Bonds” means any of the Trust’s Pool Program Refunding Bonds, Series 2006 issued and Outstanding under the Series 2006 Bond Resolution.

“Series 2012A Refunding Bond” or “Series 2012A Refunding Bonds” means any of the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Subseries 2012A, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 2012B Refunding Bond” or “Series 2012B Refunding Bonds” means any of the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Subseries 2012B, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 2012 Refunding Bond” or “Series 2012 Refunding Bonds” means any of the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2012, consisting of the Series 2012A Refunding Bonds and the Series 2012B Refunding Bonds, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Supplemental Bond Resolution” means any resolution of the Trust amending or supplementing the Bond Resolution adopted and becoming effective in accordance with the terms of the Bond Resolution.

“Supplemental Program Resolution” means any resolution of the Trust amending or supplementing the Program Resolution adopted and becoming effective in accordance with the terms of the Program Resolution.

“Termination Hedge Payments,” except as otherwise provided in the applicable Bond Resolution, means all payments, other than Scheduled Hedge Payments, to be made by the Trust or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

“Title 5 Project” means a community septic management loan program, constituting a Clean Water Project, to assist eligible homeowners to upgrade failing septic systems through underlying betterment agreements with such homeowners.

“Yield” means the yield on the Bonds or the yield on any investment under the Bond Resolution, as applicable, calculated as required by Treasury Regulations §§1.148 and 1.148.5.

**SUMMARY OF CERTAIN BASIC DOCUMENTS**

*The following are summaries of certain provisions of the Program Resolution, the Bond Resolution and the Financing Agreements. Such summaries do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such and all provisions therein.*

**SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION**

**Purpose For Program Resolution**

The Program Resolution has been adopted by the Trust in order to implement its Program of making Loans to, and purchasing Local Governmental Obligations from, borrowers to finance Costs of Projects eligible for financial assistance under the Act, the regulations of DEP and the Federal Acts.

**Pledge**

There are pledged and assigned by the Program Resolution, solely to the extent and in the manner described below, (1) to the Program Trustee as security for payment of the SRF Bonds of all series outstanding and for the payment of Scheduled Hedge Payments required to be paid by the Trust under all Qualified Hedge Agreements, the Deficiency Fund and all amounts from time to time on deposit therein and available for the payment of SRF Bonds and such Scheduled Hedge Payments, (2) to the Program Trustee as security for the payment of the Pool SRF Bonds of all series outstanding, and for the payment of Scheduled Hedge Payments required to be paid by the Trust under all Qualified Hedge Agreements related to Pool SRF Bonds, the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available for the payment of Pool SRF Bonds and such Scheduled Hedge Payments, (3) to the Program Trustee as security for the payment of the SRF Bonds of all series outstanding and for the payment of Scheduled Hedge Payments required to be paid by the Trust under all Qualified Hedge Agreements payable directly or indirectly from Contract Assistance Payments allocable to such Bonds or to the Loans or Local Governmental Obligations funded by the same or to such Qualified Hedge Agreements, the Commonwealth Assistance Contract, subject to the application of all Contract Assistance Payments thereunder as provided under the applicable Bond Resolution and to any lien or pledge of such Contract Assistance Payments created by or pursuant to such Bond Resolution; and (4) to the Program Trustee as security for the payment of each Loan or issue of Local Governmental Obligations, or for the payment of the Bonds issued to make or purchase the same or for the payment of the Scheduled Hedge Payments required to be paid by the Trust under any Qualified Hedge Agreement related to such Bonds, all amounts allocable to and available for the payment of such Loan or issue of Local Governmental Obligations or Bonds or Scheduled Hedge Payments from time to time on deposit in the Leveraged Bond Fund.

The provisions of the Program Resolution constitute a contract among the Trust, the Program Trustee and the owners from time to time of the SRF Bonds. Except as otherwise expressly provided in the Program Resolution or in the applicable bond resolution, the pledge made in the Program Resolution and the provisions, covenants and agreements set forth therein to be performed by or on behalf of the Trust shall be for the equal benefit, protection and security of the owners of any and all of the SRF Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any SRF Bonds over any other thereof.

Except as expressly provided in the applicable bond resolution, the SRF Bonds of each series and any Scheduled Hedge Payments required to be paid by the Trust under any Qualified Hedge Agreement shall be special obligations of the Trust secured solely as provided in the Program Resolution and in the related bond resolution and payable solely from the funds, amounts and other property available and pledged for such payments pursuant to the Program Resolution and in the related bond resolution. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the SRF Bonds or any

Qualified Hedge Payments and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to their payment.

### **Conditions Precedent to Securing SRF Bonds under Program Resolution**

The pledge and assignment made for the benefit of the owners of a series of SRF Bonds shall not be effective with respect to such series unless prior to or simultaneously with the delivery of such series of SRF Bonds the Trust shall deliver to the Program Trustee, among other things, (1) an original executed counterpart of an Equity Allocation Certificate (a) stating that such series of SRF Bonds is entitled to the pledge and assignment made in the Program Resolution, (b) directing the Program Trustee as to the creation of any funds, accounts or subaccounts to be established for such series of SRF Bonds, (c) directing the Program Trustee as to the amount, sources and the manner that, as well as the type of project for which, any Equity to be allocated to such series of SRF Bonds or to the Pledged Direct Loans securing such Series of Bonds, if any, or to the Leveraged Loans to be made, or Local Governmental Obligations to be purchased, with the proceeds of such series of SRF Bonds is to be deposited in the Leveraged Bond Fund and to transfer such Equity to the applicable bond trustee for deposit in the related debt service reserve fund and the timing of such deposits and transfers, (d) describing the extent to which and the manner in which the sources of Equity allocated to such series of SRF Bonds or to such Loans or Local Governmental Obligations may be revised during the term of the Loans or Local Governmental Obligations, (e) directing the Program Trustee as to the application of any Equity Earnings, and (f) setting forth the manner and extent that the amount of Allocated Equity may be reduced during the term of such series of SRF Bonds or to such Loan or Local Governmental Obligations, and (2) if such series of SRF Bonds are Pool SRF Bonds and if the Series Equity Requirement for such series of Pool SRF Bonds is less than the Series Equity Requirement for any other series of Pool SRF Bonds outstanding, (i) a certificate of the Trust to the effect that it has notified each Rating Agency of the proposed issuance of such series of Pool SRF Bonds and has furnished each Rating Agency with a copy of the related bond resolution, accompanied by (ii) a letter from each Rating Agency (or other evidence satisfactory to the Program Trustee) confirming that the reduction in the Series Equity Requirement for such series of Pool SRF Bonds will not by itself cause such Rating Agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool SRF Bonds.

Upon the issuance of any series of SRF Bonds, the Trust must deliver a certificate to the Program Trustee setting forth (1) the principal and interest payable on such series of SRF Bonds on each principal and interest payment date thereof, and (2) the Revenues which are expected to be received and available for the payment of such principal and interest, including, as applicable, a schedule of borrower Payments (excluding the portion of any Pledged Direct Loan Borrower Payments representing the payment of principal on a Pledged Direct Loan), Contract Assistance Payments and Equity Earnings allocable to such series of SRF Bonds, and demonstrating that such Revenues are expected to be at least sufficient in amount and time of receipt to pay such principal and interest when due. With respect to the interest payable on the SRF Bonds required to be set forth in said certificate stated above, if the Trust (1) enters into a Qualified Hedge Agreement and (2) has made a determination that such Qualified Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of SRF Bonds in a principal amount equal to the notional amount of such Qualified Hedge Agreement and (3) the Scheduled Hedge Payments payable by the Hedge Provider under such Qualified Hedge Agreement are equal in amount and fall on the same dates as the payment of interest on such SRF Bonds, then the interest set forth as payable on the SRF Bonds in said certificate shall be the Scheduled Hedge Payments payable by the Trust under such Qualified Hedge Agreement rather than the interest on such SRF Bonds.

### **Qualified Hedge Agreements**

To the extent permitted by the applicable bond resolution, the Trust may from time to time enter into Qualified Hedge Agreements with a Hedge Provider with respect to all or a portion of the SRF Bonds of any series Outstanding. An Authorized Officer of the Trust shall provide the Program Trustee, the applicable bond trustee and each Rating Agency then maintaining a rating on any SRF Bonds Outstanding with at least ten (10) Business Days prior written notice of the Trust's intention to enter into a Qualified

Hedge Agreement. Prior to the effective date of any Qualified Hedge Agreement, the Trust shall deliver to the Program Trustee and to the applicable bond trustee (1) a fully executed copy of the Qualified Hedge Agreement, together with a certificate of an Authorized Officer stating that such agreement constitutes a Qualified Hedge Agreement hereunder and any supporting evidence required in connection therewith; and (2) a certificate of an Authorized Officer designating the series of SRF Bonds or portions thereof subject to the Qualified Hedge Agreement.

The obligations of the Trust to make all or any portion of the Scheduled Hedge Payments under any Qualified Hedge Agreement shall be secured by a pledge of the amounts, funds and property identified in the Program Resolution on a parity with the pledge thereof created thereunder for the benefit of the owners of the SRF Bonds. Except as otherwise provided in the applicable bond resolution, all Termination Hedge Payments to be made by the Trust under any Qualified Hedge Agreement shall not be secured by a pledge of any amounts, funds or property held under the Program Resolution.

### **Bond Anticipation Notes**

In order to provide funds to be applied by the Trust to finance or refinance Interim Loans, the Trust may from time to time, as expressed or otherwise provided in one or more Note Resolutions adopted by the Board, authorize the issuance of one or more Series of Notes (and renewals thereof) in anticipation of a Series of Bonds. The principal of and interest on such Notes and renewals thereof shall be payable from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued, from the proceeds of such Notes or any renewals thereof issued to repay such Notes and, to the extent provided in the applicable Note Resolution, from any moneys of the Trust legally available therefor and not otherwise pledged under this Program Resolution or any Bond Resolution. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes and any such pledge shall have a priority over any other pledge of such proceeds created by the applicable Bond Resolution.

### **Establishment of Funds and Accounts and Subaccounts**

In addition to a Direct Loan Fund and an Interim Loan Fund to account for the proceeds of Direct Loans and Interim Loans made by the Trust and the borrower Payments thereon, a Contract Assistance Fund to account for Contract Assistance Payments not currently allocated to Loans or Local Governmental Obligations, and an Administrative Expense Fund to account for the Trust's expenses of administering the Program, the Program Resolution creates a Clean Water Equity Fund and a Drinking Water Equity Fund, a Leveraged Bond Fund, a Deficiency Fund and a Pool Program Reserve Fund. In order to properly segregate Equity allocable to each program, a separate Clean Water Deficiency Account and a Drinking Water Deficiency Account are established in the Deficiency Fund, a separate Clean Water Leveraged Bond Account and Drinking Water Leveraged Bond Account are established in the Leveraged Bond Fund, a separate Clean Water Pool Program Reserve Account and Drinking Water Pool Program Reserve Account are established in the Pool Program Reserve Fund and a separate Clean Water Program Account and Drinking Water Program Account are established in the Interim Loan Fund. In addition, a separate Federal Program Account, Commonwealth Program Account and ARRA Program Account are established within the Clean Water Equity Fund, and a separate Federal Program Subaccount and Commonwealth Program Subaccount are established within the Clean Water Deficiency Account in the Deficiency Fund, within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and within the Clean Water Program Account in the Interim Loan Fund. A separate Federal Program Account and ARRA Program Account are established within the Drinking Water Equity Fund.

Except as expressly authorized or permitted under the Program Resolution or otherwise by the Clean Water Act or the Drinking Water Act, as applicable, (i) no amounts held or deposited in any of the funds, accounts or subaccounts established under the Program Resolution to fund or secure Clean Water Loans (other than Commonwealth Program Loans) or Local Governmental Obligations, or Interim Loans made in anticipation thereof, shall be applied to fund or secure any Drinking Water Loan or any Commonwealth Program Loan, or any Interim Loan made in anticipation thereof, or to secure any SRF Bonds issued to fund any Drinking Water Loan or Commonwealth Program Loan or to secure any Scheduled Hedge Payments related to such series of SRF Bonds which are required to be made by the Trust

under any Qualified Hedge Agreement or any fund or account or subaccount allocable thereto under the Program Resolution or any bond resolution, and (ii) no amount held or deposited in any of the funds, accounts or subaccounts established under the Program Resolution to fund or secure Drinking Water Loans, or Interim Loans made in anticipation thereof, shall be applied to fund or secure any Clean Water Loan or the purchase of Local Governmental Obligations, or any Interim Loan made in anticipation thereof, or to secure any SRF Bonds issued to fund any Clean Water Loan or the purchase of any Local Governmental Obligations or to secure any Scheduled Hedge Payments related to such series of SRF Bonds which are required to be made by the Trust under any Qualified Hedge Agreement or any fund or account or subaccount allocable thereto under the Program Resolution or any bond resolution.

### **Allocation of Equity**

The Trust shall allocate Equity to each series of SRF Bonds, or to each Pledged Direct Loan securing such Bonds or to each Leveraged Loan or issue of Local Governmental Obligations funded thereby, in the amount or amounts set forth in the related Equity Allocation Certificate, provided that the Allocated Equity for each series of SRF Bonds or each Pledged Direct Loan or Leveraged Loan or issue of Local Governmental Obligations shall be in an aggregate amount not less than the Equity Requirement calculated with respect to the principal amount of such series of SRF Bonds, Pledged Direct Loan, Leveraged Loan or Local Governmental Obligations from time to time outstanding and unpaid. Each Equity Allocation Certificate shall identify the amount of Allocated Equity for the applicable series of SRF Bonds, Pledged Direct Loans or Leveraged Loans or Local Governmental Obligations and the sources thereof, which sources may be derived from (1) funds previously drawn by the Trust from any Federal Capitalization Grant or Commonwealth Matching Grant, (2) Borrower Payments, Net Earnings or other Revenues, amounts transferred to the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, from the Deficiency Fund in accordance with the Program Resolution or any other source, provided such funds have been received in cash and are held in trust as security for payment of such series of SRF Bonds or such Pledged Direct Loans or Leveraged Loans or Local Governmental Obligation on the date of delivery of such certificate, and (3) funds to be made available to the Trust from Federal Capitalization Grants or Commonwealth Matching Grants or otherwise by the Commonwealth, which funds have not been received by the Trust, provided that among other things, such Grants have been awarded to and accepted by the Trust.

Each Equity Allocation Certificate pertaining to a series of SRF Bonds or to a Pledged Direct Loan securing such Bonds or to a Leveraged Loan or an issue of Local Governmental Obligations shall set forth the Equity Requirement therefor and shall direct the Program Trustee and related bond trustee to make deposits and transfers, and to the extent necessary, shall allocate amounts received or to be received by the Trust from Federal Capitalization Grants or Commonwealth Matching Grants or other sources identified in such certificate, all in a manner and on a schedule sufficient to provide that, throughout the term of such series of SRF Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations, the sum of the Equity allocable to such series of SRF Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations (1) on deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, (2) on deposit in the related debt service reserve fund or account, if any, (3) on deposit in the related Direct Loan Project Account held under the related Bond Resolution (exclusive of Equity Earnings thereon), if any, or theretofore disbursed to or for the account of the Borrower as provided in the applicable Bond Resolution, and (4) allocated to such series of SRF Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations but not yet received and applied in accordance with such Equity Allocation Certificate, shall at all times be at least equal to the Equity Requirement for such series of SRF Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations, less any unreimbursed amounts of Allocated Equity applied in accordance with the Program Resolution and the applicable bond resolution to pay debt service on such SRF Bonds or to pay Scheduled Hedge Payments required to be paid by the Trust under any Qualified Hedge Agreement upon the occurrence of a Payment Default.

The Trust agrees and covenants to do and perform or cause to be done and performed all acts and things reasonably required and within its control to obtain and make available to the Program Trustee the

full amount of the Allocated Equity as set forth in any Equity Allocation Certificate at the times and in the manner provided in such certificate; provided however, that the Trust's obligation to do so shall be limited by its power to obtain such amounts from the designated sources of such Equity. The Trust agrees and covenants to exercise or to cause to be exercised any right within its control to draw and receive Federal Capitalization Grants and Commonwealth Matching Grants or other sources of Equity upon a Payment Default to the extent that such amounts constitute a portion of the related Allocated Equity and are required in order to prevent or cure such Payment Default.

### **Equity Funds**

The Program Resolution provides that the Program Trustee shall deposit in the Federal Program Account in the Clean Water Equity Fund and shall deposit in the Federal Program Account in the Drinking Water Equity Fund, among other amounts, (a) all applicable Federal Capitalization Grants (other than ARRA Capitalization Grants) and Commonwealth Matching Grants and amounts drawn thereon; (b) any other amounts paid to the Trust, other than ARRA Capitalization Grants, (or paid to the Commonwealth and appropriated to the Trust) representing financial assistance provided pursuant to the applicable Federal Act or by the Commonwealth for purposes of deposit in the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable; (c) all Net Earnings on investment or deposit of amounts held in the Federal Program Account and the ARRA Program Account in the Clean Water Equity Fund or in the Federal Program Account and the ARRA Program Account in the Drinking Water Equity Fund, as applicable; and (d) all amounts transferred to the Federal Program Account in the Clean Water Equity Fund from the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund or to the Federal Program Account in the Drinking Water Equity Fund from the Drinking Water Deficiency Account in the Deficiency Fund, as applicable, in accordance with the Program Resolution.

In addition to the application of amounts in the Clean Water Equity Fund and in the Drinking Water Equity Fund to fund Direct Loans (including, in the case of a Pledged Direct Loan, amounts in the aggregate equal to the Allocated Equity for the SRF Bonds of the Series secured by such Pledged Direct Loan, but solely to the extent amounts equal to such amounts to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund or the Federal Program Account in the Drinking Water Equity Fund, as applicable), Interim Loans and ARRA Loans made by the Trust, the Program Resolution directs the Program Trustee to apply amounts in the Federal Program Account in the Clean Water Equity Fund and the Federal Program Account in the Drinking Water Equity Fund as provided in the applicable Equity Allocation Certificate (a) for deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund for each Loan or issue of Local Governmental Obligations, amounts in the aggregate equal to the Allocated Equity for such Loan or Local Governmental Obligations, or for the series of SRF Bonds issued to fund such Loan or Local Governmental Obligations, but solely to the extent amounts equal to such Allocated Equity are available in the Clean Water Equity Fund or Drinking Water Equity Fund, as applicable; and (b) subject to the applicable bond resolution, to a bond trustee upon its written request, for deposit in the debt service fund for the related series of SRF Bonds issued to fund any Loan or purchase of Local Governmental Obligations, amounts in the aggregate equal to the Allocated Equity for such series of SRF Bonds or Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations and certified by the bond trustee as necessary due to a Payment Default allocable to such Loan or Local Governmental Obligations or Bonds to make a debt service payment on such SRF Bonds, or to make Scheduled Hedge Payments related to such series of SRF Bonds which are required to be paid by the Trust under any Qualified Hedge Agreement, but solely to the extent amounts equal to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable, or may be drawn from Federal Capitalization Grants or Commonwealth Matching Grants held for the credit of such Account or Fund in accordance with the applicable Equity Allocation Certificate.

### **Leveraged Bond Fund**

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, among other amounts, (a) any amount transferred from the Federal Program

Account in the Clean Water Equity Fund or from the Federal Program Account in the Drinking Water Equity Fund, as applicable, for deposit therein pursuant to the Program Resolution; (b) any amounts made available by the Trust or a bond trustee as reimbursement for amounts transferred to the bond trustee from such Leveraged Bond Account upon a Payment Default; and (c) to the extent provided in the applicable Equity Allocation Certificate, Net Earnings on investment or deposit of moneys held in the Leveraged Bond Account.

Upon the written direction of the Trust, the Program Trustee shall transfer from the Federal Program Subaccount within the Clean Water Leveraged Bond Account or from the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, (a) to the related bond trustee for deposit in the appropriate account in the debt service reserve fund or account for the related series of SRF Bonds, the amounts certified in such written direction as necessary to fund such account in the debt service reserve fund or account; (b) except as otherwise provided in the Program Resolution, to the Federal Program Account in the Clean Water Equity Fund or to the Federal Program Account in the Drinking Water Equity Fund, as applicable, or the related bond trustee all Equity Earnings on investment or deposit of moneys held in such Leveraged Bond Account; and (c) to a related bond trustee for deposit in the debt service fund for a related series of SRF Bonds, the amounts, if any, certified by the bond trustee as necessary upon the occurrence of a Payment Default allocable to such series of SRF Bonds to make a debt service payment on such series of SRF Bonds or to make a Scheduled Hedge Payment required to be paid by the Trust.

In making any transfer described in clause (a) or (c) above due to a deficiency attributable to a Payment Default allocable to any Clean Water Loan or the purchase of any Local Governmental Obligations, amounts, if any, in the Federal Program Subaccount in the Clean Water Leveraged Bond Account shall be applied to such purpose before any amounts in the Drinking Water Leveraged Bond Account are so applied and, in making any such transfers due to a deficiency attributable to a Payment Default allocable to any Drinking Water Loan, amounts in the Drinking Water Leveraged Bond Account shall be applied to such purpose before any amounts in the Clean Water Leveraged Bond Account are so applied.

### **Direct Loan Fund**

The Program Trustee shall establish in the Direct Loan Fund a separate Direct Loan Project Account for each Direct Loan as directed in the applicable Equity Allocation Certificate. The "Direct Loan Project Account" established for each Pledged Direct Loan shall be deemed to refer to the project account established for such Pledged Direct Loan under the Bond Resolution related to the Series of Bonds secured by such Pledged Direct Loan and held by the applicable Bond Trustee. The Program Trustee or Bond Trustee, as applicable, shall promptly deposit in each Direct Loan Project Account (a) any amount transferred from the Clean Water Equity Fund or the Drinking Water Equity Fund for deposit therein pursuant to the Program Resolution; (b) to the extent provided in the applicable Equity Allocation Certificate, Net Earnings on investment or deposit of moneys held in the Direct Loan Project Account; and (c) upon written direction of the Trust, any other amounts (not otherwise directed to be deposited by any other provision of this Program Resolution) paid to the Program Trustee for such purpose.

Upon the written direction of an Authorized Officer of the Trust (which may be an Equity Allocation Certificate of any other certificate of an Authorized Officer), the Program Trustee or Bond Trustee, as applicable, shall make the following transfers or payments from amounts held in any Direct Loan Project Account: (a) to or for the account of the related Borrower in payment or reimbursement for Costs of the applicable Project, such amounts as directed by the Trust or as set forth in one or more written requests therefor furnished the Program Trustee or Bond Trustee, as applicable, by the Borrower and approved by the Department and the Trust; (b) to the appropriate Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, such portion of the Net Earnings on investment of moneys held in such Direct Loan Project Account as may be directed by the Trust; (c) with respect to Direct Loans other than Pledged Direct Loans, to the appropriate Account in the Deficiency Fund or the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, as directed in the applicable Equity Allocation Certificate, amounts, if any, certified by the Trust to be applied to cure any Payment

Default under the applicable Financing Agreement; (d) with respect to Direct Loans other than Pledged Direct Loans, to the appropriate Account in the Deficiency Fund or the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, as directed in the applicable Equity Allocation Certificate, any amount certified by the Trust remaining in the Direct Loan Project Account upon completion of the applicable Project to be applied to the prepayment of the Loan in accordance with the related Financing Agreement; (e) with respect to Pledged Direct Loans, to such fund or account established under the applicable Bond Resolution as may be directed by the Bond Trustee, amounts, if any, certified by the Bond Trustee to be applied to cure any Payment Default under the applicable Financing Agreement; (f) with respect to Pledged Direct Loans, to such fund or account established under the applicable Bond Resolution as may be directed by the Bond Trustee in accordance with the Bond Resolution, any amount certified by the Trust remaining in the Direct Loan Project Account upon completion of the applicable Project to be applied to the prepayment of the Loan in accordance with the related Financing Agreement; and (g) to a Bond Trustee for deposit in the redemption fund held under the related Bond Resolution, such amounts as may be directed by the Trust to redeem Bonds issued to finance one or more Leveraged Loans for the purpose of converting such Leveraged Loans to Direct Loans.

Notwithstanding anything in immediately preceding paragraph to the contrary, at any time and from time to time the Trust may direct the Program Trustee or Bond Trustee, as applicable, to transfer to the appropriate Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, any amounts held in a Direct Loan Project Account, provided that (1) the amount remaining on deposit in such Direct Loan Project Account plus the amount theretofore disbursed from such Account to or for the account of the Borrower as provided in clause (a) of the paragraph above plus the amount of Allocated Equity remaining to be received with respect to such Loan or the Series of Bonds secured by such Loan from Federal Capitalization Grants or Commonwealth Matching Grants and other sources (as set forth in the related Equity Allocation Certificate) shall be not less than the Equity Requirement for such Loan or Series of Bonds, and (2) any such remaining Allocated Equity will be available under the applicable Grant Agreements or from such other sources at such times and in such amounts as will be sufficient to provide moneys for deposit in such Direct Loan Project Account in accordance with the schedule set forth in the Equity Allocation Certificate for such Loan or Series of Bonds.

### **Pool Program Reserve Fund**

The Program Trustee shall deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund, among other things, (a) any amounts allocable to Pool Obligations allocable to Clean Water Projects or Drinking Water Projects, as applicable, or allocable to Pool SRF Bonds issued to fund such Pool Obligations, or allocable to Pledged Direct Loans securing such Pool Bonds, that have been transferred to the Program Trustee by a pool bond trustee, which amounts have been released from the lien of the related pool bond resolution, and (b) except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of moneys held in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable.

The Program Trustee shall transfer to the Federal Program Subaccount in the Clean Water Deficiency Account or to the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund any amount deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, respectively, on the same Business Day such amount is deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account; provided, however, that before making such transfer the Program Trustee, to the extent necessary, shall make the following transfers or reduce the amount of any such transfer in the following amounts as applicable:

FIRST, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service fund under the related pool bond resolution, after application to such deficiency of all amounts available in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, all amounts available in

the Federal Program Account within the Clean Water Equity Fund or in the Federal Program Account in the Drinking Water Equity Fund, as applicable, in accordance with the Program Resolution and all amounts in the appropriate account in any Equity-funded debt service reserve fund and all other funds and accounts under the related pool bond resolution available to pay debt service on the related series of Pool SRF Bonds and to make Scheduled Hedge Payments related to such series of Pool SRF Bonds which are required to be paid by the Trust under any Qualified Hedge Agreement, the Program Trustee shall transfer the amount of such deficiency from the appropriate account in the Pool Program Reserve Fund as hereinafter provided (or the balance in the Pool Program Reserve Fund if the aggregate amount therein is less than such aggregate deficiency) to the applicable pool bond trustee for deposit in the debt service fund under the related pool bond resolution;

provided that if, as of such date, more than one pool bond trustee has certified to the Program Trustee that a deficiency exists in a debt service fund under the related pool bond resolution, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among each certifying pool bond trustee, in the same proportion to the total amount so transferred as the deficiency certified by such pool bond trustee bears to the total deficiency certified by all pool bond trustees.

SECOND, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in an account in a debt service reserve fund (including the 2004 Debt Service Reserve Fund) under the related pool bond resolution, after credit for any amounts held for the credit of such account under the related pool bond resolution, the Program Trustee shall retain in the appropriate account in the Pool Program Reserve Fund as hereinafter provided a sum equal to the aggregate of the deficiencies so certified in all such accounts in all debt service reserve funds (or the balance in the Pool Program Reserve Fund if the aggregate amount therein is less than such aggregate deficiency).

In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Pool SRF Bonds issued to fund any Clean Water Loan or the purchase of any Local Governmental Obligations, or allocable to any Qualified Hedge Agreements related to any such Pool SRF Bonds, amounts, if any, in the Clean Water Pool Program Reserve Account in the Pool Program Reserve Fund shall be applied to such purpose before any amounts in the Drinking Water Pool Program Reserve Account are so applied and, in making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Pool SRF Bonds issued to fund any Drinking Water Loan, or allocable to any Qualified Hedge Agreements related to any such Pool SRF Bonds, amounts in the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund shall be applied to such purpose before any amounts in the Clean Water Pool Program Reserve Account are so applied.

Immediately succeeding any transfer of funds to a pool bond trustee pursuant to clause FIRST above, the Program Trustee shall confirm with each certifying pool bond trustee the outstanding balance, if any, due but unpaid on the applicable series of Pool SRF Bonds and under any applicable Qualified Hedge Agreement after such transfer. Any amount thereafter received by the Program Trustee which is attributable to the Loans or Local Governmental Obligations funded by Pool SRF Bonds or Pool SRF Bonds or Qualified Hedge Agreements on account of which any such transfer shall have been made shall be deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, only after first reimbursing either such Account for any inter-account transfer made on account of such Loans or Local Governmental Obligations funded by Pool SRF Bonds or Pool SRF Bonds or Qualified Hedge Agreements as provided above.

When the Program Trustee shall have received notice from a pool bond trustee that any deficiency described in clause SECOND has been cured, the Program Trustee shall withdraw from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, an amount equal to the amount theretofore retained in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account on account of such deficiency pursuant to said clause SECOND, and, after first reimbursing any account within the Pool Program Reserve Fund for any inter-account transfer made on account of such deficiency as provided above, shall deposit such amount in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account in the Deficiency Fund, as applicable; provided that prior to any such withdrawal from the Pool Program Reserve Fund the Program Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND above on account of any other deficiency in a debt service fund or a debt service reserve fund under any pool bond resolution not then or theretofore satisfied from amounts available in the Pool Program Reserve Fund.

### **Deficiency Fund**

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund, among other amounts, (a) any amounts allocable to Loans and Local Governmental Obligations (other than Loans or Local Governmental Obligations funded by Pool SRF Bonds), or allocable to SRF Bonds issued to fund such Loans and Local Governmental Obligations (other than Pool SRF Bonds), that have been transferred to the Program Trustee by a bond trustee, which amounts have been released from the lien of the related bond resolution; (b) amounts transferred from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund pursuant to the Program Resolution; (c) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all borrower Payments and other amounts allocable to all Direct Loans funded under the applicable Federal Program received by the Program Trustee, other than Pledged Direct Loans securing a Series of Pool SRF Bonds; and (d), except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of amounts held in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable.

The Program Trustee shall transfer to the Federal Program Account in the Clean Water Equity Fund or to the Federal Program Account in the Drinking Water Equity Fund, as applicable, any amount deposited in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund, on the same business day such amount is deposited in the applicable account or subaccount in the Deficiency Fund; provided, however, that before making such transfer the Program Trustee, to the extent necessary, shall make the following transfers or reduce the amount of such transfer in the following amounts as applicable:

FIRST, if any bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service fund under the related bond resolution, after application to such deficiency of all amounts available in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, all amounts available in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and, in the case of Pool SRF Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund in accordance with the Program Resolution and all amounts in the appropriate account in any Equity-funded debt service reserve fund and all other funds and accounts under the related bond resolution in each case available to pay debt service on the related series of SRF Bonds and to make Scheduled Hedge Payments related to such series of SRF

Bonds which are required to be paid by the Trust under any Qualified Hedge Agreement, the Program Trustee shall transfer the amount of such deficiency from the appropriate account in the Deficiency Fund as hereinafter provided (or the balance in the Deficiency Fund if the aggregate amount therein is less than such aggregate deficiency) to the applicable bond trustee for deposit in the debt service fund under the related bond resolution;

provided that if, as of such date, more than one bond trustee has certified to the Program Trustee that a deficiency exists in a debt service fund, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among each certifying bond trustee, in the same proportion to the total amount so transferred as the deficiency certified by such bond trustee bears to the total deficiency certified by all bond trustees.

SECOND, if any bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in an account in the debt service reserve fund (including the 2004 Debt Service Reserve Fund) under the related bond resolution, after credit for any amounts held for the credit of such fund in any other fund or account under the related bond resolution or, in the case of Pool SRF Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund, the Program Trustee shall retain in the appropriate account in the Deficiency Fund as hereinafter provided a sum equal to the aggregate of the deficiencies so certified in all debt service reserve funds (or the balance in the Deficiency Fund if the amount therein is less than such aggregate deficiency);

In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to SRF Bonds issued to fund any Federal Program Clean Water Loans or the purchase of any Local Governmental Obligations or allocable to any Qualified Hedge Agreements related to any such SRF Bonds, amounts, if any, in the Federal Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose before any amounts in the Drinking Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose. In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to SRF Bonds issued to fund any Drinking Water Loan or allocable to any Qualified Hedge Agreements related to any such SRF Bonds, amounts, if any, in the Drinking Water Deficiency Account shall be applied to such purpose before any amounts in the Federal Program Subaccount in the Clean Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose. In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to SRF Bonds issued to fund any Commonwealth Program Loan or allocable to any Qualified Hedge Agreements related to any such SRF Bonds, no amounts on deposit in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account shall be applied to such purpose.

Immediately succeeding any transfer of funds to a bond trustee pursuant to clause FIRST above, the Program Trustee shall confirm with each certifying bond trustee the outstanding balance, if any, due but unpaid on the applicable series of SRF Bonds and under any applicable Qualified Hedge Agreement after such transfer. Any amount thereafter deposited in the Deficiency Fund by the Program Trustee which is attributable to the Loan or Local Governmental Obligations or SRF Bonds or Qualified Hedge Agreements on account of which any such transfer shall have been made shall be deposited in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Commonwealth Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, only after first reimbursing any such account or subaccount for any inter-account transfer made on account of such Loans or Local Governmental Obligations or SRF Bonds or Qualified Hedge Agreements as provided above.

When the Program Trustee shall have received notice from any bond trustee that a deficiency described in the above clause SECOND has been cured, the Program Trustee shall withdraw from the applicable account or subaccount in the Deficiency Fund an amount equal to the amount theretofore retained in the applicable account or subaccount in the Deficiency Fund on account of such deficiency pursuant to said clause SECOND, and, after reimbursing any account or subaccount therein for any inter-account transfer made on account of such deficiency as provided above, shall deposit such amount in the appropriate account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable; provided that prior to any such withdrawal from the Deficiency Fund the Program Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND above on account of any other deficiency in a debt service fund or a debt service reserve fund not then or theretofore satisfied from amounts available in the Deficiency Fund.

### **Investments and Deposits**

Moneys held for the credit of any fund or account or subaccount under the Program Resolution shall, to the fullest extent practicable, be invested by the Program Trustee at the written direction of an authorized officer of the Trust, either alone or jointly with moneys in any other fund or account or subaccount under the Program Resolution or under any bond resolution in Investment Obligations which shall mature or be redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts and subaccounts; provided that if moneys in two or more funds or accounts or subaccounts are commingled for purposes of investment, the Program Trustee shall maintain appropriate records of the Investment Obligations or portions thereof held for the credit of each such fund or account or subaccount.

### **Tax Covenants**

The Trust shall not use or permit the use of any moneys held under the Program Resolution or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Program Trustee with respect to such moneys or funds in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any SRF Bond the interest on which is excludable from gross income for federal income tax purposes under Section 103 of the Code to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any such SRF Bond to violate any of the restrictions contained in Section 141 through Section 150 of the Code.

The Trust shall take all lawful action necessary to ensure that interest on all SRF Bonds that is excludable from gross income for federal income tax purposes will remain so excludable and shall not use or permit the use of any moneys held under the Program Resolution or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on such SRF Bonds to become includable in gross income for federal income tax purposes.

### **Supplemental Program Resolutions Effective Without SRF Bondowner Consent**

At any time or from time to time a resolution of the Trust supplementing the Program Resolution may be adopted by the Trust without the prior approval of the owners of any SRF Bonds to, among other purposes, add to the covenants or agreements of the Trust in the Program Resolution or add to the limitations or restrictions to be observed by the Trust; surrender any right, power or privilege reserved to or conferred upon the Trust by the Program Resolution; confirm any pledge created by the Program Resolution of the moneys, funds and other property pledged thereby; establish one or more additional funds, accounts or subaccounts or to subject additional moneys, rights or property to the provisions of the Program Resolution; insert, repeal or amend any provision of the Program Resolution relating solely to the provision of Direct Loans other than Pledged Direct Loans; cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Program Resolution; insert any provisions, not contrary to or inconsistent with the Program Resolution, clarifying matters or questions arising under the Program Resolution; and insert, repeal or amend any provision in the Program Resolution, provided such

insertion, deletion or amendment is permitted by the applicable Federal Act and the Act and will not adversely affect the ratings then assigned to any SRF Bonds outstanding by any Rating Agency.

### **Supplemental Program Resolutions Effective With Consent of SRF Bondowners**

At any time or from time to time, a resolution of the Trust amending or supplementing the Program Resolution may be adopted modifying any of the provisions of the Program Resolution or releasing the Trust from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided such resolution is consented to by the owners of at least sixty percent (60%) in aggregate principal amount of the SRF Bonds of each series outstanding adversely affected thereby. If such modification or amendment will, by its terms, not take effect so long as any SRF Bonds of similar tenor of any specified series, maturity and interest rate remain outstanding, the consent of the SRF Bondowners shall not be required and such SRF Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding SRF Bonds under the Program Resolution.

### **Remedies**

Upon the happening and continuance of any Default under the Program Resolution, the Program Trustee may proceed, and upon the written request of any bond trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the bond trustees and the SRF Bondowners under the Program Resolution by such actions or suits, at law or in equity, as may appear to the Program Trustee, being advised by counsel, as necessary or desirable to protect or exercise its rights under the Program Resolution and to enforce the obligations of the Trust set forth in the Program Resolution and the Act.

### **Termination**

If at any time there are no SRF Bonds outstanding under a particular bond resolution and provision shall also be made for paying the Program Trustee's fees and expenses with respect to such SRF Bonds, then the Program Trustee, in such case, on demand of the Trust, shall release the lien of the Program Resolution with respect to such SRF Bonds and shall execute such documents as may be reasonably required by the Trust to evidence such release. In the case of a release in respect of all SRF Bonds outstanding under all bond resolutions, the Trust may at any time thereafter elect to terminate the Program Resolution and in the event of such termination the Program Trustee shall turn over to the State Treasurer any balances remaining in all funds, accounts and subaccounts under the Program Resolution to be used for any purposes allowed pursuant to the applicable Federal Act and the Act.

## **SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

### **Bond Resolution to Constitute Contract**

The Bond Resolution constitutes a contract among the Trust, the Bond Trustee and the Bondowners. The pledge made in the Bond Resolution and the provisions, covenants and agreements therein are for the equal benefit, protection and security of the Bondowners, all of which, regardless of the times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in or permitted by the Bond Resolution.

### **Pledge of the Bond Resolution**

The Bonds are special obligations of the Trust. As security for the payment of the Bonds, the Trust pledges and grants a security interest in (1) all Revenues, (2) all rights and interests of the Trust in and to all Loans, all Local Governmental Obligations and all Series 16 Direct Loans held under the Bond Resolution and all rights and interests of the Trust under the Financing Agreements therefor (with the exception of its rights of indemnification and reimbursement payments or administrative fees and origination fees) or otherwise incident thereto and the proceeds thereof, (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant

Agreement and, except as provided in the third paragraph below, the Commonwealth Assistance Contract) and all rights and interests of the Trust incident thereto and the proceeds thereof, and (4) all moneys and securities in all Funds and Accounts created by or pursuant to the Bond Resolution (except the Rebate Fund), whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Bond Resolution.

As security for the payment of the Bonds, subject to the prior pledge thereof for the benefit of the Owners of the Prior Bonds Outstanding and the 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, the Trust pledges and grants a security interest in (1) all Prior Bond Revenues and (2) all rights and interests of the Trust in and to all Prior Loans, Prior Local Governmental Obligations and all rights and interests of the Trust under the Financing Agreements therefor (other than its rights of indemnification and reimbursement and its right to receive administrative fees thereunder) or otherwise incident thereto and the proceeds thereof, whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Prior Bond Resolutions, the 2004 Bond Resolution or the Series 2006 Bond Resolution, as applicable, on permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein.

In addition to the foregoing, as provided in the Program Resolution, the payment of the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (2) the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund and the Drinking Water Deficiency Account in the Deficiency Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (3) the Federal Program Subaccount within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund established under or pursuant to the Program Resolution and all amounts from time to time on deposit therein and available for the payment of the Bonds, in each case to the extent and in the manner provided in the Bond Resolution and in the Program Resolution, and (4) the Commonwealth Assistance Contract, subject to the application of all Contract Assistance Payments thereunder as provided in the Bond Resolution and in the Contract Assistance Determination and to the lien on and pledge of such Contract Assistance Payments created by the Bond Resolution.

### **Establishment of Funds and Accounts**

The Bond Resolution establishes or authorizes the establishment of the following Funds and Accounts to be held by the Bond Trustee separate and apart from all other moneys and funds of the Trust:

- (1) Project Fund
  - Project Accounts
  - Costs of Issuance Account
- (2) Revenue Fund
- (3) Debt Service Fund
- (4) Redemption Fund
- (5) Rebate Fund

In addition, the Trust may by Supplemental Bond Resolution or by certificate of an authorized officer delivered to the Bond Trustee create one or more other funds, accounts or sub-accounts.

### **Application of Project Fund**

Upon the issuance, sale and delivery of the Bonds, the Bond Trustee shall establish a separate Project Account within the Project Fund for each Project the Costs of which are to be financed or refinanced from the Loans or Local Governmental Obligations and for each Series 16 Direct Loan. A Project Account shall be used solely for the payment or reimbursement of Costs of the applicable Project to which such Account relates or the refinancing of such Costs as provided in the Bond Resolution.

When all Costs of a Project to be paid from a particular Project Account have been so paid, any amount remaining unexpended in the Project Account shall be applied to the prepayment of the applicable Loan, issue of Local Governmental Obligations or Series 16 Direct Loan and transferred by the Bond Trustee to one or more other Project Accounts to be applied to Costs of other Projects (subject to the provisions in the following paragraph) to the extent permitted under the Clean Water Act or the Drinking Water Act, as applicable, and DEP's regulations.

Notwithstanding the provisions of the preceding paragraph, no moneys remaining in a Project Account established for a Clean Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Drinking Water Project, and no moneys remaining in a Project Account established for a Drinking Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Clean Water Project, unless in each case, simultaneously with such transfers: (i) the Trust amends the Equity Allocation Certificate to reflect such transfers, including but not limited to, amendments to reflect the resulting changes to the portions of the Bonds that constitute Clean Water Bonds and Drinking Water Bonds, if any.

### **Revenues and Revenue Fund**

Except as otherwise provided in the Bond Resolution, all Revenues, including without limitation all Borrower Payments, Direct Loan Borrower Payments, Equity Earnings and Contract Assistance Payments will promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of the Bond Resolution, including all Prior Bond Revenues and other amounts transferred to the Bond Trustee in accordance with the Bond Resolution, and shall hold for the account of the Revenue Fund all Loans and Series 16 Direct Loans made and Local Governmental Obligations purchased in accordance with the Bond Resolution.

On or before each Interest Payment Date for the Bonds, the Bond Trustee shall apply the balance on deposit in the Revenue Fund as follows and in the following order of priority:

(1) To the Debt Service Fund, if and to the extent required so that the balance therein shall equal the sum of (a) all due and unpaid interest and all interest to become due on such Interest Payment Date on the Bonds Outstanding; and (b) all due and unpaid Principal Installments and all Principal Installments to become due on such Interest Payment Date on the Bonds Outstanding; provided that in the event Revenues (other than the portion of Direct Loan Borrower Payments representing the repayment of principal on Series 16 Direct Loans), Prior Bond Revenues and any other amounts deposited herein are insufficient to make the deposit required hereby as a result of a Payment Default or Prior Bond Payment Default attributable to a Clean Water Obligation, the Trustee shall apply the portion Direct Loan Borrower Payments representing the repayment of principal on Series 16 Direct Loans which constitute Clean Water Obligations prior to applying such amount of a Series 16 Direct Loan which constitutes a Drinking Water Obligation, and if such deficiency is a result of a Payment Default or Prior Bond Payment Default attributable to a Drinking Water Obligation, the Trustee shall apply the portion Direct Loan Borrower Payments representing the repayment of principal on Series 16 Direct Loans which constitute Drinking Water Obligations prior to applying such amount of a Series 16 Direct Loan which constitutes a Clean Water Obligation;

(2) To Program Trustee for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, within the Pool Program Reserve Fund, the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 16 Direct Loan, to the extent provided in the Equity Allocation Certificate;

(3) To the Rebate Fund, if and to the extent required so that the amount therein shall equal the Rebate Requirement, if any, as most recently calculated in accordance with the Bond Resolution;

(4) To the Program Trustee, for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, within the Pool Program Reserve Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from the applicable Account made as provided in the Program Resolution due (i) to a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default or (ii) to a Prior Bond Payment Default but only to the extent of any Prior Bond Revenues received and deposited in the Revenue Fund in satisfaction of such Prior Bond Payment Default;

(5) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account, or the Drinking Water Deficiency Account, as applicable, within the Deficiency Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from either such Account or Subaccount made as provided in the Program Resolution due to (i) a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default or (ii) to a Prior Bond Payment Default but only to the extent of any Prior Bond Revenues received and deposited in the Revenue Fund in satisfaction of such Prior Bond Payment Default;

(6) To the Redemption Fund, as directed by an Authorized Officer of the Trust, all or any portion of the remaining balance in the Revenue Fund; and

(7) To or upon the order of the Trust, all or any portion of the remaining balance in the Revenue Fund as requested in writing by the Trust, but only upon receipt by the Bond Trustee of a certificate of an Authorized Officer of the Trust to the effect that following such payment expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all required deposits, if any, into all Funds and Accounts established and maintained hereunder.

### **Application of Debt Service Fund**

The Bond Trustee will pay out of the Debt Service Fund to the Paying Agent (1) on or before each Interest Payment Date of the Bonds, the amount required for the interest and Principal Installments payable on such date, and (2) on or before each redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed.

Notwithstanding anything in the Bond Resolution to the contrary, by 1:00 p.m. on any day which is two Business Days prior to any Interest Payment Date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then due that will not be paid due to a Payment Default or a Prior Bond Payment Default. Such notice shall indicate whether the deficiency is related to the Clean Water Obligations or the Drinking Water Obligations and shall include a request for amounts from the Pool Program Reserve Fund. To the extent that the deficiency resulting from the Payment Default or the Prior Bond Payment Default is expected to exceed the available amounts in the Pool Program Reserve Fund, such notice shall include a request for amounts from the Deficiency Fund.

As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the Trust as to the proper amounts to be deposited in or withdrawn from the Debt Service Fund, the Pool Program Reserve Fund or the Deficiency Fund as required by the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Debt Service Fund, the Pool Program Reserve Fund or the Deficiency Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

### **Application of Redemption Fund**

If at any time there are insufficient amounts in the Debt Service Fund and the Revenue Fund to pay the Principal Installments and interest on the Bonds then due, the Bond Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than from moneys held therein for the payment of the Redemption Price of and interest on Bonds for which the required notice of redemption shall have already been given).

Except as provided above, all moneys transferred to the Redemption Fund shall be applied to the purchase or redemption of Bonds including the payment of any premium payable upon redemption thereof.

### **Rebate Fund**

Amounts deposited in the Rebate Fund shall be applied by the Trust to pay to the United States any amount required to be so paid in order that the Bonds shall comply with the Rebate Provision. The Trust further covenants to pay such amount to the United States whether or not the amount on deposit in the Rebate Fund and available therefor is sufficient for such payment and to establish such accounting procedures as are required to determine the amount, if any, so payable.

In the event that, at the time of any required payment from the Rebate Fund, the amount in the Rebate Fund available for such payment shall be insufficient to make such payment (after deposit therein of any amounts provided in the Program Resolution), the Trust shall pay the amount of the deficiency from any moneys available to the Trust not pledged under the Bond Resolution or the Program Resolution to the Bonds.

### **Investments and Deposits**

Except as otherwise provided in the Bond Resolution, moneys held for the credit of any Fund or Account under the Bond Resolution will be invested by the Bond Trustee at the direction of an authorized officer in Investment Obligations which mature or are redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts.

In computing the amount in any Fund or Account held by the Bond Trustee under the provisions of the Bond Resolution, Investment Obligations shall be valued at par if purchased at par or at amortized value if purchased at other than par. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations. Except as otherwise provided in the Bond Resolution or in the Equity Allocation Certificate, Net Earnings derived from the investment or deposit of moneys in any Fund or Account will be credited to the Revenue Fund.

### **Covenant as to Pledge**

The Loans, Series 16 Direct Loans, Local Governmental Obligations, Revenues, Prior Bond Revenues and other property pledged under the Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Bond Resolution except to the extent expressly permitted by the Bond Resolution, including the prior pledge of the Prior Bond Revenues, the Prior Loan and the Prior Local Governmental Obligations pledged for the benefit of the owners of Prior Bonds, the 2004 Refunding Bonds and the Series 2006 Bonds as applicable. Nothing under this heading shall be deemed to limit the right of the Trust, and the Trust expressly retains the right, to create a pledge, lien or other charge on the Loans, Series 16 Direct Loans, Local Governmental Obligations, Revenues, Prior Bond Revenues and other property pledged under the Bond Resolution junior and subordinate to the pledge and lien created thereby, so long as any such pledge, lien or other charge shall not adversely affect the ratings then assigned to any outstanding Bonds by any Rating Agency.

### **Issuance of Additional Obligations**

Except as set forth under the heading "Covenant as to Pledge," the Trust shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Prior Bond Revenues, Loans, Local Governmental Obligations, Series 16 Direct Loans and other property pledged under the Bond Resolution or which will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution prior to the payment or provision for payment of the Bonds, except that the Bonds may be refunded in whole or in part, and such refunding bonds may be issued on a parity with the Bonds and secured by an equal charge and lien on the Revenues, Prior Bond Revenues, Loans, Local Governmental Obligations, Series 16 Direct Loans and other property pledged under the Bond Resolution and shall be payable equally and ratably from the Funds or Accounts established and created pursuant to the Bond Resolution.

The Trust expressly reserves the right to adopt one or more other bond resolutions and reserves the right to issue other obligations (including obligations secured on a junior or subordinate lien basis) so long as the same are not a charge or lien prohibited by the foregoing paragraph.

### **Covenants as to Loans and Local Governmental Obligations, Series 16 Direct Loans, Contract Assistance Payments and Equity Earnings**

No Loan will be made by the Trust from the proceeds of Series 16 Bonds or other moneys available therefor under the Bond Resolution, and no Local Governmental Obligations shall be acquired under the Bond Resolution, and no Series 16 Bonds shall be issued by the Trust for the purpose of providing funds with which to make Loans or to purchase Local Governmental Obligations, and no Series 16 Direct Loan shall be made unless (1) the Loans and Local Governmental Obligations or Series 16 Direct Loans shall comply with the terms, conditions, provisions and limitations of the Act, the Clean Water Act or the Drinking Water Act, as applicable, any applicable Grant Agreement and the provisions set forth under this heading, (2) the Projects to be financed or refinanced by such Loans, Local Governmental Obligations or Series 16 Direct Loan shall have been approved by DEP in accordance with the Act and DEP's regulations and (3) the Loans, Local Governmental Obligations or Series 16 Direct Loan shall have been approved by the Trust.

Each Prior Loan and Prior Local Governmental Obligation funded by the Trust from the proceeds of the related series of Prior Bonds or other moneys available therefor under the applicable Prior Bond Resolution shall be secured, shall be in the amounts and shall otherwise have such terms and conditions as specified in the applicable Prior Bond Resolution. Except as otherwise permitted by the applicable Prior Bond Resolution, Prior Loans and Prior Local Governmental Obligations funded with the proceeds of the related Prior Bonds and any other moneys available therefor under the applicable Prior Bond Resolution shall have Prior Borrower Payments, or other legally enforceable payments thereon, constituting Prior Bond Revenues, together with Prior Contract Assistance Payments and amounts on deposit in the Prior Subsidy Funds and Prior Equity Earnings, after application of a portion thereof in accordance with the Prior Bond Resolution to pay debt service due on the Outstanding Prior Bonds, the 2004 Refunding Bonds and the Series 2006 Bonds, at least sufficient in aggregate amount and in time of receipt, together with all other moneys reasonably anticipated to be available therefore, including without limitation Revenues, to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service on the Series 2012 Refunding Bonds payable by the Trust when due. Without limiting the generality of the foregoing, each Prior Loan and Prior Local Governmental Obligation shall provide for the payment to or for the account of the Trust of the Prior Borrower Payments due thereon on each Payment Date thereunder on or prior to such Payment Date.

Except as otherwise permitted by the Bond Resolution, the Loans made and Local Governmental Obligations purchased with the proceeds of the Series 16 Bonds shall have scheduled Borrower Payments thereon which, together with Contract Assistance Payments and Equity Earnings shall result in aggregate Revenues hereunder, under the Bond Resolution which Revenues, together with all other moneys and other Revenues reasonably anticipated to be available therefor to pay the Principal Installments of and interest on

the Series 16 Bonds, shall be at least sufficient in aggregate amount and in time of receipt to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service when due with respect to the Series 16 Bonds.

The Trust shall do all such acts and things necessary to receive and collect Borrower Payments, Direct Loan Borrower Payments, Prior Borrower Payments and other Revenues and Prior Bond Revenues as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust for the enforcement of all terms, covenants and conditions of all Loans, Local Governmental Obligations and Series 16 Direct Loans, the applicable Financing Agreements therefor, the Commonwealth Assistance Contract and all Investment Obligations including the prompt payment of all Borrower Payments, Direct Loan Borrower Payments, Prior Bond Payments and all other Revenues and Prior Bond Revenues due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Loan, Local Governmental Obligation, Series 16 Direct Loan and all Financing Agreements therefor, the Commonwealth Assistance Contract and all Investment Obligations, provided that, subject to the terms of the applicable Financing Agreement and the rights of DEP thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a Payment Default on any Loan or Local Governmental Obligation or Series 16 Direct Loan or under the Commonwealth Assistance Contract or any Investment Obligation on such terms as the Trust shall determine to be in the best interests of the Trust and the Bondowners and to forbear from taking action with respect to enforcement of a Loan or Local Governmental Obligation or Series 16 Direct Loan or any Financing Agreement therefor, or under the Commonwealth Assistance Contract or any Investment Obligation if it determines such forbearance to be in the best interests of the Trust and the Bondowners.

Whenever it shall be necessary in order to protect and enforce the rights of the Trust under a Loan, Local Governmental Obligation, Series 16 Direct Loan, the Commonwealth Assistance Contract or any Investment Obligation and to protect and enforce the rights and interest of Bondowners under the Bond Resolution, the Trust shall take or cause to be taken steps to enforce the applicable Financing Agreement, the Commonwealth Assistance Contract or such Investment Obligation and to enforce any lien or security interest or other right created by such Loan, Local Governmental Obligation or Series 16 Direct Loan or under the applicable Financing Agreement, Commonwealth Assistance Contract or such Investment Obligation or otherwise available to the Trust under the Act, including without limitation the exercise of the rights with respect to local aid distributions payable by the Commonwealth to a Borrower, Direct Loan Borrower, Prior Borrower or any member or other service recipient thereof or any parent governmental unit of any member or other service recipient thereof.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and with respect to the Prior Loans and Prior Local Governmental Obligations, the prior pledge to the Owners of the applicable Prior Bonds Outstanding, the 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, the Trust may sell, assign, transfer or otherwise dispose of any Loan, Local Governmental Obligation or Series 16 Direct Loan or any participation or other interest therein which is in default or delinquent in the payment of Borrower Payments or Prior Borrower Payments, as applicable, thereon if the Trust determines that such action is in the best interests of the Trust and Bondowners and will result in a greater availability of Revenues or Prior Bond Revenues, as applicable, to pay Aggregate Debt Service when due and administrative expenses than would be the case if such Loan, Local Governmental Obligation or Series 16 Direct Loan is not sold, assigned, transferred or otherwise disposed of, in which case such Loan, Local Governmental Obligation or Series 16 Direct Loan may be so disposed of by the Trust free and clear of the pledge of the Bond Resolution.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Prior Bonds, 2004 Refunding Bonds and Series 2006 Bonds, as applicable, the Trust may sell, assign, transfer or otherwise dispose of any Loan, Local Governmental Obligation or Series 16 Direct Loan or any participation or other interest therein which is not in default or delinquent in the payment of Borrower Payments, Direct Loan Borrower Payments or Prior Borrower Payments, as applicable, thereon, or transfer

any such Loan, Local Governmental Obligation or Series 16 Direct Loan to itself free and clear of the pledge of the Bond Resolution, in either case at such price as the Trust shall determine, provided that not less than ten Business Days prior to any such disposition or transfer the Trust files with the Bond Trustee a certificate of an authorized officer showing that following such disposition or transfer anticipated Revenues and Prior Bond Revenues, as applicable, available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues and Prior Bonds Revenues, as applicable, and other moneys anticipated to be available for such purpose if such Loan, Local Governmental Obligation or Series 16 Direct Loan is not so disposed of or transferred. Unless otherwise directed by certificate of an authorized officer of the Trust (including without limitation any Equity Allocation Certificate), the proceeds, if any, of sale, transfer or other disposition of any Loan, Local Governmental Obligation or Series 16 Direct Loan which is not in default or delinquent in the payment of Borrower Payments, Direct Loan Borrower Payments or Prior Borrower Payments, as applicable, thereon shall be deposited in the Revenue Fund.

The Trust may consent or agree to or permit amendment or modification of any Loan, Local Governmental Obligation or Series 16 Direct Loan, and the related Financing Agreement therefor, including amendments and modifications made in connection with settlement of any delinquency or Payment Default or Prior Bond Payment Default thereon, which the Trust determines to be in the best interests of the Trust and the Bondholders; provided, (i) such Loan, Local Governmental Obligation or Series 16 Direct Loan, as so amended or modified, continues to satisfy the requirements of this Bond Resolution or the Prior Bond Resolution, as applicable, for Loan, Local Governmental Obligation or Series 16 Direct Loan which the Trust may make or purchase and hold hereunder or under such Prior Bond Resolution thereunder and (ii) the Trust determines that such amendment or modification will not have a material adverse impact, taking into account the reasonable expectations with respect to such Loan, Local Governmental Obligation or Series 16 Direct Loan immediately prior to such amendment or modification, on the Trust's ability to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due.

The Trust may consent or agree to or permit amendment or modification of the Commonwealth Assistance Contract or any Investment Obligation which the Trust determines to be in the best interests of the Trust and the Bondholders; provided that no such amendment or modification shall be effective until the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such amendment or modification anticipated Revenues available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues anticipated to be available for such purpose if the Commonwealth Assistance Contract or such Investment Obligation is not so amended or modified.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Prior Bonds, the 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, the Trust may substitute any Loan, any Local Governmental Obligation, Series 16 Direct Loan or any participation or other interest therein which is not in default or delinquent in the payment of Borrower Payments, Direct Loan Borrower Payments or Prior Borrower Payments, as applicable, thereon in exchange for another loan or local governmental obligation, provided that not less than 10 Business Days prior to any such substitution the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such substitution anticipated Revenues and Prior Bond Revenues, as applicable (taking into account such substituted loan or local governmental obligation, available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service payable by the Trust when due will not be less than the amount of Revenues (excluding the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 16 Direct Loan) and Prior Bond Revenues, as applicable, to be available for such purposes, if such Loan, Local Governmental Obligation or Series 16 Direct Loan is not so substituted and the loans or local governmental obligations to be substituted comply with the terms of the Bond Resolution.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Prior Bonds, 2004 Refunding Bonds and Series 2006 Bonds, as applicable, the Trust may release from the pledge of the

Bond Resolution any Loan, any Local Governmental Obligation, Series 16 Direct Loan or any participation or other interest therein, or transfer any such Loan, Local Governmental Obligation or Series 16 Direct Loan to itself free and clear of the pledge of the Bond Resolution, provided that prior to such release or transfer the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such release or transfer anticipated Revenues (excluding the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 16 Direct Loan) and Prior Bond Revenues, as applicable, available to pay in the current and each subsequent Fiscal Year will not be less than the Aggregate Debt Service on the Bonds payable by the Trust in the current and each subsequent Fiscal Year.

### **Tax Covenants**

The Trust shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Fiduciaries with respect to the Revenues, Prior Bond Revenues, Loans, Local Governmental Obligation or Series 16 Direct Loan in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any Bond to violate any of the restrictions contained in Section 141 through Section 150 the Code.

The Trust shall take all lawful action necessary to ensure that interest on the Bonds will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

### **Accounts and Reports**

The Trust shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to the Bond Resolution, which shall at all reasonable times be subject to the inspection of the Bond Trustee, any Borrower and the Owners of not less than 5% in aggregate principal amount of Bonds then outstanding or their representatives duly authorized in writing.

The Trust shall annually file with the Bond Trustee, and otherwise as provided by law, a copy of an annual report for such year (the "Annual Report"), and shall annually, within 120 days after the close of each Fiscal Year, file with the Bond Trustee, and otherwise as provided by law, financial statements relating to the Program containing the report thereon of an independent public accountant or firm of accountants acceptable to the Bond Trustee (the "Annual Program Audit"). The Annual Program Audit shall include the following statements relating to the Bonds in reasonable detail: (a) the receipts and expenditures for the Program during such Fiscal Year in accordance with the categories or classifications established by the Trust for its operating and capital outlay purposes; (b) assets and liabilities at the end of such Fiscal Year, including a schedule of Loans, Local Governmental Obligations and the status of reserve, special or other funds and the funds and accounts established by the Bond Resolution; and (c) a schedule of Bonds outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each Annual Report shall be mailed by the Trust to each Bondowner who shall have filed his name and address with the Trust for such purpose.

### **Supplemental Bond Resolutions; Amendments**

Any of the provisions of the Bond Resolution may be amended by the Trust with the written consent of the Owners of at least 60% in the aggregate principal amount of the outstanding Bonds at the time such consent is given. No such modification or amendment may permit a change in the terms of redemption or maturity of any Outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of Bonds the consent of the Owners of which is

required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of its written assent thereto.

The Trust may adopt (without the consent of any Bondowners but with the consent of the Bond Trustee) Supplemental Bond Resolutions (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution; (2) to insert any provisions, not contrary to or inconsistent with the Bond Resolution as theretofore in effect, clarifying matters or questions arising under the Bond Resolution; (3) to insert or amend any provision in the Bond Resolution required to comply with the Clean Water Act or the Drinking Water Act, as applicable or necessary to maintain the exclusion from federal income taxes of interest on any Bonds Outstanding to which such exclusion applies and which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency; and (4) to insert, repeal or amend any provision in the Bond Resolution, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable and the Act and will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

The Trust may also adopt (accompanied by an Opinion of Counsel as provided in the Bond Resolution) Supplemental Bond Resolutions (1) to add to the covenants or agreements of the Trust contained in the Bond Resolution other covenants or agreements to be observed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (2) to add to the limitations or restrictions to be observed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (3) to surrender any right, power or privilege reserved to or conferred upon the Trust by the Bond Resolution; (4) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues, Prior Bond Revenues, Loans, Local Governmental Obligations, Series 16 Direct Loans or of any other moneys, securities and property; and (5) to specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

#### **Amendments to Financing Agreements, Loans, Local Governmental Obligations, Series 16 Direct Loans, Prior Loans and Prior Local Governmental Obligations**

The Trust may (without notice to or the consent of any of the Bondowners but with prior written notice to the Bond Trustee), execute and deliver one or more amendments to or supplements to the Financing Agreements pertaining to any of the Loans, Local Governmental Obligations, Series 16 Direct Loans, Prior Loans or Prior Local Governmental Obligations (1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provisions in such Financing Agreement, Loan, Local Governmental Obligation, Series 16 Direct Loan, Prior Loan or Prior Local Governmental Obligation; (2) to insert any provisions therein, not contrary to or inconsistent with the instrument as theretofore in effect, clarifying matters or questions arising under the instrument or to effect any amendment thereof permitted by the terms of such instrument as theretofore in effect; and (3) to insert, repeal or amend any provision in such instruments, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable, (to the extent applicable to such amendment) and the Act and will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency, as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the execution and delivery of such amendment or supplement will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding.

Without limiting the generality of the foregoing paragraph, subsequent to the issuance of the Bonds the Trust, with prior written notice to the Bond Trustee, may amend or otherwise modify the schedule of Prior Borrower Payments, Prior Contract Assistance Payments and Prior Equity Earnings allocable to any Prior Loans and any Prior Local Governmental Obligations funded by the Trust from the proceeds of the Prior Bonds to reflect the final allocation of debt service savings resulting from the issuance of the Bonds and the refunding of the Refunded Prior Bonds, provided that (i) such Prior Borrower Payments, Prior Contract Assistance Payments and Prior Equity Earnings, as so modified, shall be at least sufficient in aggregate amount and in time of receipt, together with all other amounts expected to be available therefor under the Prior Bond Resolution and hereunder, including amounts held in any Prior

Subsidy Funds and investment earnings on the Prior Subsidy Funds, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due on the Outstanding Prior Bonds and Outstanding Series 2012 Refunding Bonds; (ii) such amendment or other modification will not adversely affect the ratings then assigned to any Prior Bonds or the Bond by any Rating Agency; and (iii) such amendment or other modification will not adversely affect the exclusion of interest on any Prior Bonds or the Bonds from gross income for federal income tax purposes, all as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee and upon which the Bond Trustee may conclusively rely.

### **Events of Default**

Events of Default specified in the Bond Resolution include:

- (1) failure to pay the Principal Amount or redemption price of or interest on any Bond when due;
- (2) failure for 30 days after written notice thereof in the performance or observance of any other of the covenants, agreements or conditions specified in the Bond Resolution; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default under the Bond Resolution if corrective action is instituted by or on behalf of the Trust within such period and diligently pursued until the default is remedied;
- (3) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Trust or the whole or any substantial part of its assets, (b) granting relief in involuntary proceedings with respect to the Trust under the Federal bankruptcy act, or (c) assuming custody or control of the Trust or of the whole or any substantial part of its assets under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or
- (4) if the Trust (a) admits in writing its inability to pay its debts or the interest thereon generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of its assets, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Trust or of the whole or any substantial part of its assets.

### **Remedies**

Upon the happening and continuance of any Event of Default, the Bond Trustee in its own name may proceed, and upon the written request of the Owners of not less than 25% in aggregate Principal Amount of the Outstanding Bonds, must proceed, to protect and enforce its rights and the rights of the Bondowners by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights, subject with respect to Prior Loans, the Prior Local Governmental Obligations and the Prior Bond Revenues to the prior pledge thereof to the Owners of the Prior Bonds Outstanding, 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, including, for defaults other than a default in the performance of covenants, by declaring the principal amount of all Bonds then outstanding and the interest accrued thereon due and payable immediately; provided that the principal amount of the Bonds shall not be declared due and payable as aforesaid unless simultaneously with such declaration the unpaid principal amount of all Loans, Local Governmental Obligations and Series 16 Direct Loans outstanding, subject, with respect to the Prior Loans and the Prior Local Governmental Obligations, to the prior pledge to the Owners of the related Prior Bonds Outstanding, 2004 Refunding Bonds and Series 2006 Bonds, as applicable, and the interest thereon, is similarly declared due and payable.

## **Application of Revenues and Other Moneys After Default**

If an Event of Default, subject to the prior pledge to the Owners of the related Prior Bonds Outstanding, 2004 Refunding Bonds and the Series 2006 Bonds, as applicable, with respect to the Prior Loans and Prior Local Governmental Obligations (other than a covenant default) happens and is not remedied, the Trust upon demand of the Bond Trustee will pay over to the Bond Trustee upon receipt thereof all Revenues, Prior Bond Revenues and other moneys pledged under the Bond Resolution. Unless otherwise directed by a court, all such Revenues, Prior Bond Revenues and other moneys and any other moneys received or collected by the Bond Trustee will be applied as provided in the Bond Resolution.

## **Restriction on Bondowner's Action**

No Owner of any Bond shall have any right to institute any suit, action or proceeding for the enforcement of any provision of the Bond Resolution or for any other remedy thereunder, unless (a) such Owner previously shall have given to the Trust and the Bond Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding shall have duly requested in writing that the Bond Trustee institute such suit, action or proceeding (c) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time, and (d) such suit, action or proceeding is brought for the ratable benefit of all Owners of all Bonds subject to the provisions of the Bond Resolution.

## **Removal of Bond Trustee**

The Bond Trustee, or any successor thereof, may be removed at any time by the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Trust, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondowners or by their attorneys duly authorized in writing and delivered to the Trust. The Trust may remove the Bond Trustee at any time, except during the existence of an Event of Default.

## **Defeasance**

If the Trustee pays the principal amount and interest, and redemption price, if any, to become due on all outstanding Bonds and pays or provides for the payment of all fees and expenses of the Trustee and paying agents, then the pledge of any Revenues, Prior Bond Revenues, Loans, Local Governmental Obligations, Series 16 Direct Loans or other property pledged by the Bond Resolution and all other rights granted by the Bond Resolution will be discharged and satisfied. All outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of the foregoing sentence if, among other things, there have been deposited with the Bond Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (of the type described in clauses (1), (2) or (3) of the definition of Investment Obligations in Appendix A) the principal of and interest on which when due will provide moneys which will be sufficient, to pay when due the principal amount or redemption price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

## **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS**

### **The Loans or Local Governmental Obligations**

Under the terms and conditions of the Financing Agreement between the Trust and each Borrower, the Trust agrees to either make a Loan to, or to purchase Local Governmental Obligations from, the Borrower, and the Borrower agrees to make Borrower Payments at the times and in the amounts set forth in the Financing Agreement.

## Payments

All Borrower Payments under the Financing Agreement shall be applied, first, to the interest, if any, on the Loan or Local Governmental Obligations then due and payable, and second, to the principal amount of the Loans or Local Governmental Obligations then due and payable. On or prior to each Payment Date, the Borrower will pay to the Bond Trustee, or to the related Prior Bond Trustee, as applicable, for the account of the Trust, by wire transfer to such account or otherwise in such manner as the Trust may from time to time designate to the Borrower, the Borrower Payments then due on the Loans or Local Governmental Obligations.

Under the Financing Agreements for Loans and Local Governmental Obligations allocable to the Series 16 Leveraged Loans and the Series 16 Direct Loans and for Prior Loans and Prior Local Governmental Obligations originally funded with proceeds of the Pool 11 Bonds, the Borrowers are required to make Borrower Payments which are net of Equity Earnings or Prior Equity Earnings and net of Contract Assistance Payments, with respect to the Series 16 Bonds, or Prior Contract Assistance Payments that the Trust expects to receive and to apply to pay a portion of its debt service on the Bonds or the Pool 11 Bonds. In the event of a deficiency in the related Equity Earnings or Prior Equity Earnings or Contract Assistance Payments, with respect to Series 16 Bonds, or Prior Contract Assistance Payments, the Payments of such Borrowers are not increased to cover the shortfall under such Financing Agreements.

Under the Financing Agreements for the Prior Loans and Prior Local Governmental Obligations originally funded with proceeds of the Pool 4 Bonds, Pool 5 Bonds, Pool 6 Bonds, Pool 7 Bonds, Pool 8 Bonds and MWRA 2002A Bonds, the Prior Borrowers are required to make Prior Borrower Payments in an amount sufficient to cover the debt service on the related Prior Bonds and Bonds, but such Prior Borrowers receive, as a credit against such Prior Borrower Payment obligations, the Prior Equity Earnings and Prior Contract Assistance Payments allocable to their Prior Loans or Prior Local Governmental Obligations.

If at any time the Trust shall determine that a deficiency will exist on a Payment Date due to a reduction in Prior Equity Earnings caused by either a default by the obligor on any Investment Obligation or a failure by the Prior Borrower to pay when due any part of any Borrower Payment on a Prior Loan or Prior Local Governmental Obligation originally funded with proceeds of the Pool 4 Bonds, Pool 5 Bonds, Pool 6 Bonds, Pool 7 Bonds, Pool 8 Bonds or MWRA 2002A Bonds, the Trust will promptly furnish the Prior Borrower with written notice of such deficiency and the resulting increase in the net Prior Borrower Payments otherwise payable under the Financing Agreement, and the amount of any increase in any net Prior Borrower Payment shall be paid by the Prior Borrower on the scheduled Payment Date therefor or, if later, within five (5) business days of receipt by the Prior Borrower of notice of such increase.

Each Prior Borrower with a Prior Loan or Prior Local Governmental Obligation originally funded with proceeds of the Pool 4 Bonds, Pool 5 Bonds, Pool 6 Bonds, Pool 7 Bonds, Pool 8 Bonds or MWRA 2002A Bonds expressly acknowledges that the obligation of the Trust to apply prior Contract Assistance Payments as provided in the Financing Agreement is limited solely to the Prior Contract Assistance Payments allocable to the Prior Loans or Prior Local Governmental Obligations paid to the Trust and any Net Earnings upon investment of such Prior Contract Assistance Payments when received by the Trust. Any failure by the Commonwealth to provide Prior Contract Assistance Payments in the amounts and at the times contemplated by any such Financing Agreement and the Commonwealth Assistance Contract, or any failure by the Trust to invest and apply such payments as provided in the applicable Prior Bond Resolution or the Bond Resolution or any loss on investment thereof, shall not diminish the obligation of the Prior Borrower to pay the Prior Loans or Prior Local Governmental Obligations and the interest, if any, thereon in the amounts and at the times provided in the Financing Agreement and in the Prior Loans or Prior Local Governmental Obligations. If at any time the Trust shall determine that a deficiency will exist on a Payment Date due to a default by the Commonwealth under the Commonwealth Assistance Contract or any failure of the Trust to receive Net Earnings on investment of Prior Contract Assistance Payments received thereunder, the Trust shall promptly furnish the Prior Borrower with written notice of such deficiency and the resulting increase in the net Prior Borrower Payment otherwise payable. The amount of any increase in such net Prior Borrower Payment shall be paid by the Prior Borrower on the scheduled Payment Date therefor or, if later, within five (5) business days of receipt by the Prior Borrower of notice of such increase.

### **Prepayment of Loans or Local Governmental Obligations**

The Loans or Local Governmental Obligations are subject to prepayment at the option of the Borrower on terms substantially similar to the optional redemption provisions applicable to the corresponding Bonds or Prior Bonds. If the Borrower elects to prepay all or any portion of its Loans or Local Governmental Obligations which are then subject to prepayment under the applicable Financing Agreement, the Borrower will promptly pay over to the Trust amounts sufficient to pay a prepayment price equal to (i) the principal amount so prepaid, plus (ii) an amount equal to all costs of the Trust incurred in connection with any corresponding redemption of Bonds or Prior Bonds allocable to the principal of the Loans or Local Governmental Obligations so prepaid (including without limitation redemption premium, if any, interest payable on the Bonds or Prior Bonds to the date or dates of such redemption that is not provided for by earnings on investment or deposit of the amount prepaid from the prepayment date to the redemption date or dates of such Bonds or Prior Bonds, trustee's fees and expenses and reasonable attorney's fees).

### **Disbursement of Proceeds of the Loans or Local Governmental Obligations**

The Trust will establish a Project Account within the Project Fund under the Bond Resolution for each Project financed or refinanced by the Loans or Local Governmental Obligations allocable to the Series 16 Leveraged Loans or the Series 16 Direct Loans. Amounts deposited in the Project Account shall be applied by the Trust to the payment or reimbursement of Costs of the related Project as provided in the Financing Agreement, in the related Regulatory Agreement and in the Bond Resolution. Only amounts on deposit in a Project Account representing proceeds of the Series 16 Bonds or other moneys of the Trust deposited therein as provided in the Financing Agreement and the Bond Resolution will be available to pay Project Costs.

Upon receipt by the Trust of a disbursement completion certificate provided in the applicable Regulatory Agreement, any balance remaining on deposit in the Project Account not then payable to or for the account of the Borrower in accordance with the disbursement completion certificate will be applied at the direction of the Borrower with the prior approval of the Trust to (i) additional Costs of the applicable Project upon amendment of the definition thereof approved by DEP, or (ii) the prepayment of the related Loans or Local Governmental Obligations as provided in the Financing Agreement.

### **Tax Covenants**

So long as any Bonds or Prior Bonds shall be outstanding and unpaid, the Borrower agrees that it shall not take, or permit to be taken, any action or actions that would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or a "private activity bond" within the meaning of Section 141(a) of the Code or that would cause any Bond or Prior Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code, or that would otherwise cause any amounts payable with respect to the Bonds or Prior Bonds to become included in gross income for federal income tax purposes; the Borrower further agrees that it shall take all actions, and shall maintain all records and accounts, required by any provision of applicable law, necessary to comply with, or necessary to permit the Trust to comply with, the provisions of Section 148(f) of the Code.

### **Defaults and Remedies**

Failure of the Borrower to pay when due all or any part of any Borrower Payment payable under the Financing Agreement shall be and shall constitute an immediate Event of Default under the Financing Agreement and the related Loans or Local Governmental Obligations. Failure of the Borrower to perform and observe any other covenant, agreement or condition on its part provided in the Financing Agreement or in the related Loans or Local Governmental Obligations shall constitute an Event of Default if not cured within a period of thirty days after written notice thereof.

Upon the occurrence of any Event of Default under the Financing Agreement, the Trust shall have, in addition to the remedies set forth in the Financing Agreement, all other remedies permitted by law

including the right to seek compliance by the Borrower with the terms and provisions of the Financing Agreement and the related Loans or Local Governmental Obligations by suit or suits in equity or at law, for the specific performance of any covenant, term or condition of the Financing Agreement, or in the aid of the execution of any power granted in the Financing Agreement, and may exercise any other right or remedy upon such default as may be granted to the Trust under the Act, the applicable Bond Act or under any other applicable provision of law.

## SRF BONDS PROGRAM – BORROWERS

The following table sets forth for each borrower under the Trust's SRF Bonds program, (i) the amounts of loans outstanding as of February 1, 2012, (ii) the amounts of Series 16 Direct Loans and Series 16 Leveraged Loans, (iii) the total amount of loans that will be outstanding upon the issuance of the Series 16 Bonds and (iv) the percentage that the loans to each borrower will represent of the total loans outstanding. Upon the issuance of the Series 16 Bonds, approximately \$2.9\* billion of the total loans will be allocable to the Clean Water Federal Program and approximately \$835\* million of the total loans will be allocable to the Drinking Water Federal Program.

<u>Borrower Name</u>	Series 16		<u>Total*</u>	<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>		
Abington	\$ 4,173,665	\$ -	\$ 4,173,665	0.11%
Acton	18,292,709	-	18,292,709	0.48
Acushnet	4,072,445	-	4,072,445	0.11
Adams	2,132,513	-	2,132,513	0.06
Adams Fire District	2,133,737	-	2,133,737	0.06
Agawam	1,942,311	-	1,942,311	0.05
Amesbury	11,810,331	-	11,810,331	0.31
Amherst	41,965	-	41,965	0.00
Andover	4,227,983	-	4,227,983	0.11
Aquarion Water Company of Massachusetts	2,233,001	-	2,233,001	0.06
Ashburnham	4,036,236	-	4,036,236	0.11
Ashfield Water District	310,000	-	310,000	0.01
Ashland	5,807,977	-	5,807,977	0.15
Athol	7,043,305	-	7,043,305	0.18
Attleboro	33,591,156	-	33,591,156	0.88
Auburn	301,638	-	301,638	0.01
Auburn Water District	1,930,975	-	1,930,975	0.05
Avon	1,192,574	-	1,192,574	0.03
Ayer	153,170	-	153,170	0.00
Barnstable County	11,085,789	-	11,085,789	0.29
Barnstable	20,468,185	6,798,647	27,266,832	0.71
Barre	72,385	-	72,385	0.00
Belchertown	10,282,461	-	10,282,461	0.27
Bellingham	403,843	200,000	603,843	0.02
Belmont	6,955,082	-	6,955,082	0.18
Berlin	82,950	-	82,950	0.00
Bernardston	45,051	-	45,051	0.00
Beverly	483,240	-	483,240	0.01
Billerica	29,489,864	-	29,489,864	0.77
Blackstone	33,404	-	33,404	0.00
Boston	6,235,000	-	6,235,000	0.16
Bourne	504,931	-	504,931	0.01
Boxford	100,380	-	100,380	0.00
Boylston	69,455	-	69,455	0.00
Brewster	211,975	-	211,975	0.01
Bridgewater	1,785,317	880,456	2,665,773	0.07
Brockton	94,905,278	4,324,170	99,229,448	2.59

\* Preliminary; subject to change.

<u>Borrower Name</u>	Series 16		<u>Total*</u>	<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>		
Brockton Sewer Enterprise System	1,093,501	-	1,093,501	0.03
Brookfield	64,467	-	64,467	0.00
Buckland	358,800	-	358,800	0.01
Burlington	6,390,111	-	6,390,111	0.17
Boston Water Sewer Commission	6,887,794	-	6,887,794	0.18
Cambridge	1,485,152	10,083,572	11,568,724	0.30
Canton	3,591,844	-	3,591,844	0.09
Carver	55,502	-	55,502	0.00
Charlton	14,236,841	617,500	14,854,341	0.39
Chatham	3,287,103	7,518,952	10,806,055	0.28
Chelmsford	40,552,314	-	40,552,314	1.06
Chelmsford Water District	3,640,178	-	3,640,178	0.10
Chelsea	234,937	-	234,937	0.01
Cherry Valley Water District	771,414	-	771,414	0.02
Chesterfield	292,339	-	292,339	0.01
Chicopee	51,442,740	10,028,548	61,471,288	1.61
Clarksburg	172,400	-	172,400	0.00
Clinton	7,595,300	-	7,595,300	0.20
Cohasset	31,216,888	19,250,329	50,467,217	1.32
Colrain	28,508	-	28,508	0.00
Centerville/Osterville Fire District	2,517,542	-	2,517,542	0.07
Concord	12,251,901	296,830	12,548,731	0.33
Conway	18,124	-	18,124	0.00
Charles River Pollution Control District	6,445,661	-	6,445,661	0.17
Danvers	257,262	20,378,227	20,635,489	0.54
Dartmouth	18,165,379	160,000	18,325,379	0.48
Dedham	1,431,089	-	1,431,089	0.04
Deerfield Fire District	678,107	-	678,107	0.02
Dennis	444,567	-	444,567	0.01
Dennis Water District	6,644,724	-	6,644,724	0.17
Dighton	56,656	-	56,656	0.00
Dighton Rehoboth Regional School District	550,247	-	550,247	0.01
Dighton Water District	5,633,748	-	5,633,748	0.15
Douglas	4,663,797	-	4,663,797	0.12
Dover	93,400	-	93,400	0.00
Dracut	23,901,449	-	23,901,449	0.62
Dracut Water Supply District	496,957	-	496,957	0.01
Dudley	341,169	-	341,169	0.01
Duxbury	3,114,642	-	3,114,642	0.08
Eastham	386,900	-	386,900	0.01
Easthampton	5,385,066	-	5,385,066	0.14
Easton	112,119	302,000	414,119	0.01
East Bridgewater	14,897,536	400,000	15,297,536	0.40
East Longmeadow	495,524	-	495,524	0.01
Erving	3,930,539	-	3,930,539	0.10
Essex	16,909,155	-	16,909,155	0.44
Everett	528,615	-	528,615	0.01

<u>Borrower Name</u>	Series 16		<u>Total*</u>	<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>		
Fairhaven	263,018	-	263,018	0.01
Fall River	138,586,616	3,298,334	141,884,950	3.70
Falmouth	18,037,489	-	18,037,489	0.47
Fitchburg	35,656,095	-	35,656,095	0.93
Foxborough	4,943,692	-	4,943,692	0.13
Framingham	30,342,731	27,429,654	57,772,385	1.51
Franklin	4,083,712	-	4,083,712	0.11
Gardner	7,119,822	-	7,119,822	0.19
Georgetown	1,379,565	-	1,379,565	0.04
Gill	18,251	-	18,251	0.00
Gloucester	49,343,217	1,669,730	51,012,947	1.33
Greater Lawrence Sewer District	16,467,417	-	16,467,417	0.43
Grafton	33,548	-	33,548	0.00
Granby	172,938	-	172,938	0.00
Great Barrington	160,000	-	160,000	0.00
Greenfield	3,569,640	-	3,569,640	0.09
Groton	4,481,193	-	4,481,193	0.12
Hadley	4,250,520	-	4,250,520	0.11
Halifax	233,400	-	233,400	0.01
Hanover	190,484	-	190,484	0.00
Hanson	1,680,679	-	1,680,679	0.04
Hardwick	12,954	-	12,954	0.00
Harwich	173,764	-	173,764	0.00
Hatfield	548,594	-	548,594	0.01
Haverhill	24,961,412	1,490,185	26,451,597	0.69
Hillcrest Sewer District	2,224,817	-	2,224,817	0.06
Hingham	1,701,280	-	1,701,280	0.04
Hinsdale	2,015,000	-	2,015,000	0.05
Holbrook	12,287,863	-	12,287,863	0.32
Holden	11,186,624	-	11,186,624	0.29
Holland	80,000	-	80,000	0.00
Holliston	120,000	-	120,000	0.00
Holyoke	15,750,039	-	15,750,039	0.41
Hopedale	914,408	-	914,408	0.02
Hopkinton	10,434,476	4,112,473	14,546,949	0.38
Hubbardston	5,706	-	5,706	0.00
Hudson	15,596,658	213,864	15,810,522	0.41
Hull	3,802,814	-	3,802,814	0.10
Hoosac Water Quality District	6,008,764	-	6,008,764	0.16
Ipswich	731,600	1,952,534	2,684,134	0.07
Kingston	29,440,440	334,648	29,775,088	0.78
Lakeville	3,692,306	-	3,692,306	0.10
Lancaster	88,241	-	88,241	0.00
Lanesborough Village Fire & Water District	1,970,000	-	1,970,000	0.05
Lawrence	28,234,617	3,733,006	31,967,623	0.83
Lee	16,528,765	-	16,528,765	0.43
Leicester	216,583	-	216,583	0.01

<u>Borrower Name</u>	Series 16		<u>Total*</u>	<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>		
Leicester Water Supply District	292,324	-	292,324	0.01
Lenox	944,731	-	944,731	0.02
Leominster	24,722,809	-	24,722,809	0.65
Lexington	20,590	-	20,590	0.00
Lincoln	2,489,162	-	2,489,162	0.06
Littleton	149,559	-	149,559	0.00
Longmeadow	3,096,583	-	3,096,583	0.08
Lowell	78,073,444	24,392,099	102,465,543	2.68
Ludlow	3,898,082	921,027	4,819,109	0.13
Lunenburg	6,616,520	-	6,616,520	0.17
Lunenburg Water District	4,054,642	-	4,054,642	0.11
Lynn Water and Sewer Commission	55,104,004	-	55,104,004	1.44
Lynnfield	70,677	200,000	270,677	0.01
Malden	-	4,080,864	4,080,864	0.11
Manchester	2,641,120	-	2,641,120	0.07
Mansfield	15,898,870	1,100,000	16,998,870	0.44
Marion	17,279,745	372,280	17,652,025	0.46
Marlborough	2,212,692	19,990,942	22,203,634	0.58
Marshfield	7,602,059	-	7,602,059	0.20
Mashpee	1,011,533	-	1,011,533	0.03
Mattapoisett	6,200,165	-	6,200,165	0.16
Maynard	8,273,771	-	8,273,771	0.22
Massachusetts Development Finance				
Agency	11,401,285	-	11,401,285	0.30
Medfield	1,141,831	400,000	1,541,831	0.04
Medway	91,328	-	91,328	0.00
Melrose	3,016,957	-	3,016,957	0.08
Mendon	55,502	-	55,502	0.00
Merrimac	135,502	-	135,502	0.00
Methuen	22,572,374	452,604	23,024,978	0.60
Middleborough	1,533,938	300,000	1,833,938	0.05
Middleton	74,008	-	74,008	0.00
Millbury	23,592,189	-	23,592,189	0.62
Millville	537,182	-	537,182	0.01
Milton	345,379	-	345,379	0.01
Monson	1,517,435	-	1,517,435	0.04
Montague	2,948,968	-	2,948,968	0.08
Monterey	39,451	-	39,451	0.00
Mattapoisett River Valley Water District	12,067,477	-	12,067,477	0.32
Massachusetts Water Resources Authority	1,022,150,314*	52,637,872	1,074,788,186	28.06
North Adams	1,302,110	-	1,302,110	0.03
North Andover	8,148,834	-	8,148,834	0.21
Nantucket	56,681,014	-	56,681,014	1.48
Natick	4,083,765	-	4,083,765	0.11
North Attleborough	10,833,840	14,361,724	25,195,564	0.66

\* Includes loans funded with the proceeds of bonds other than Pool SRF Bonds.

<u>Borrower Name</u>	<b>Series 16</b>		<u>Total*</u>	<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>		
North Brookfield	2,625,000	-	2,625,000	0.07
Needham	1,894,526	-	1,894,526	0.05
New Bedford	123,757,984*	12,319,962	136,077,946	3.55
Newbury	8,713,227	-	8,713,227	0.23
Newburyport	14,750,062	-	14,750,062	0.39
Newton	8,147,757	-	8,147,757	0.21
Norfolk	516,773	-	516,773	0.01
Northampton	21,868,751	825,459	22,694,210	0.59
Northborough	552,335	-	552,335	0.01
Northbridge	4,905,793	-	4,905,793	0.13
Norton	2,594,358	-	2,594,358	0.07
Norwell	270,610	-	270,610	0.01
Norwood	525,000	1,600,000	2,125,000	0.06
North Raynham Water District	3,724,404	-	3,724,404	0.10
North Reading	517,840	-	517,840	0.01
North Sagamore Water District	1,525,576	-	1,525,576	0.04
Oak Bluffs	10,731,472	-	10,731,472	0.28
Orange	121,290	350,000	471,290	0.01
Orleans	70,000	-	70,000	0.00
Palmer	8,369,123	-	8,369,123	0.22
Paxton	69,127	-	69,127	0.00
Pembroke	933,642	2,960,257	3,893,899	0.10
Pepperell	3,426,977	-	3,426,977	0.09
Phillipston	69,116	-	69,116	0.00
Pittsfield	5,443,790	-	5,443,790	0.14
Plainville	810,236	-	810,236	0.02
Plymouth	23,590,069	200,000	23,790,069	0.62
Plympton	29,019	-	29,019	0.00
Provincetown	17,253,950	-	17,253,950	0.45
Quincy	7,386,664	4,615,595	12,002,259	0.31
Randolph	9,679,817	6,977,278	16,657,095	0.43
Raynham	8,680,694	-	8,680,694	0.23
Reading	10,463	-	10,463	0.00
Revere	1,039,695	5,883,727	6,923,422	0.18
Richmond	2,458,113	-	2,458,113	0.06
Rockland	3,322,286	-	3,322,286	0.09
Rockport	15,628	-	15,628	0.00
Rowley	412,986	-	412,986	0.01
Royalston	27,645	-	27,645	0.00
Russell	608,059	-	608,059	0.02
Rutland	30,961	-	30,961	0.00
Salem	1,835,400	-	1,835,400	0.05
Salisbury	3,098,813	-	3,098,813	0.08
Sandwich	216,255	-	216,255	0.01
Saugus	6,626,253	2,680,566	9,306,819	0.24

\* Includes loans funded with the proceeds of bonds other than Pool SRF Bonds.

<u>Borrower Name</u>	<b>Series 16</b>		<u>Total*</u>	<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>		
Scituate	14,294,098	348,667	14,642,765	0.38
South Deerfield Water Supply District	2,020,000	-	2,020,000	0.05
Seekonk	1,543,472	-	1,543,472	0.04
Seekonk Water District	3,791,938	-	3,791,938	0.10
South Essex Sewerage District	54,406,923*	-	54,406,923	1.42
South Grafton Water District	1,347,077	-	1,347,077	0.04
South Hadley	5,499,679	-	5,499,679	0.14
South Hadley Fire District #1	793,520	-	793,520	0.02
Sharon	173,764	-	173,764	0.00
Shirley	8,128,346	-	8,128,346	0.21
Shrewsbury	428,914	-	428,914	0.01
Shutesbury	167,460	76,797	244,257	0.01
Somerset	6,996,556	-	6,996,556	0.18
Southampton	1,664,193	-	1,664,193	0.04
Southborough	528,916	250,000	778,916	0.02
Southbridge	15,324,232	553,785	15,878,017	0.41
Southwick	28,676	-	28,676	0.00
Spencer	6,028,550	-	6,028,550	0.16
Springfield	1,184,881	-	1,184,881	0.03
Sterling	941,120	-	941,120	0.02
Stockbridge	7,013,532	-	7,013,532	0.18
Stoughton	2,157,119	-	2,157,119	0.06
Sturbridge	8,406,056	-	8,406,056	0.22
Sunderland	40,780	-	40,780	0.00
Sutton	5,820,117	-	5,820,117	0.15
Swampscott	2,027,671	-	2,027,671	0.05
Swansea	245,405	-	245,405	0.01
Swansea Water District	17,565,463	-	17,565,463	0.46
Springfield Water & Sewer Commission	41,210,088	2,066,298	43,276,386	1.13
Stow	-	670,000	670,000	0.02
Taunton	62,531,459	17,560,526	80,091,985	2.09
Templeton	5,928,115	-	5,928,115	0.15
Tewksbury	7,050,109	-	7,050,109	0.18
Tisbury	4,997,649	-	4,997,649	0.13
Townsend	1,634,459	-	1,634,459	0.04
Truro	93,400	-	93,400	0.00
Tyngsborough	2,105,152	-	2,105,152	0.05
Upper Blackstone Water Pollution Abatement District	133,905,782	20,929,326	154,835,108	4.04
Upton	1,969,100	-	1,969,100	0.05
Wakefield	1,675,900	46,100	1,722,000	0.04
Walpole	7,341,056	-	7,341,056	0.19
Waltham	2,974,084	384,193	3,358,277	0.09
Ware	356,000	-	356,000	0.01
Wareham	27,761,571	4,668,271	32,429,842	0.85

\* Includes loans funded with the proceeds of bonds other than Pool SRF Bonds.

<u>Borrower Name</u>	<b>Series 16</b>			<u>% of Total Loans Outstanding*</u>
	<u>Loans Outstanding as of February 1, 2012</u>	<u>Leveraged Loans and Series 16 Direct Loans*</u>	<u>Total*</u>	
Warren Water District	188,986	-	188,986	0.00
Wayland	494,254	-	494,254	0.01
West Boylston	7,061,644	-	7,061,644	0.18
West Boylston Water District	1,038,965	-	1,038,965	0.03
West Bridgewater	512,873	-	512,873	0.01
Webster	13,599,010	-	13,599,010	0.36
Wellfleet	726,285	-	726,285	0.02
Westborough	18,536,377	30,782,537	49,318,914	1.29
Westfield	15,076,140	-	15,076,140	0.39
Westford	10,589,362	262,913	10,852,275	0.28
Westminster	146,130	-	146,130	0.00
Westwood	1,230,900	-	1,230,900	0.03
Weymouth	18,089,384	18,810,000	36,899,384	0.96
West Groton Water Sewer District	1,167,040	-	1,167,040	0.03
Whitman	5,219,854	-	5,219,854	0.14
Wilbraham	3,867,705	-	3,867,705	0.10
Wilmington	265,141	-	265,141	0.01
Winchendon	10,370,321	-	10,370,321	0.27
Winchester	28,043	-	28,043	0.00
Windbrook Acres	250,000	-	250,000	0.01
West Newbury	232,402	-	232,402	0.01
Woburn	13,528,034	2,035,158	15,563,192	0.41
Worcester	6,069,377	965,564	7,034,941	0.18
Wrentham	2,623,282	-	2,623,282	0.07
West Stockbridge	430,000	-	430,000	0.01
Yarmouth	4,462,250	-	4,462,250	0.12
<b>Total</b>	<b>\$3,446,221,477</b>	<b>\$ 383,506,050</b>	<b>\$3,829,727,527</b>	<b>100.00%</b>
Clean Water Program	\$2,675,581,767	\$288,315,920	\$2,963,897,687	
Drinking Water Program	\$ 770,639,710	\$ 95,190,130	\$ 865,829,840	

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[Dated Closing Date]

Massachusetts Water Pollution Abatement Trust  
3 Center Plaza  
Boston, Massachusetts 02108

RE: \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 16, consisting of \$\_\_\_\_\_ State Revolving Fund Bonds, Subseries 16A (“Series 16A Bonds”), and \$\_\_\_\_\_ State Revolving Fund Bonds, Subseries 16B (“Series 16B Bonds”), and the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2012, consisting of \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Series 2012A, (“Series 2012A Bonds”), and \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Series 2012B (“Series 2012B Bonds”) and together with Series 2010A Bonds, Series 16A Bonds, and Series 16B Bonds, the “Bonds”), each dated the date of delivery thereof.

We have acted as bond counsel in connection with the issuance by the Massachusetts Water Pollution Abatement Trust (the “Trust”) of the Bonds pursuant to Chapter 29C of the Massachusetts General Laws, a resolution of the Trust adopted March 4, 1993 entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program” (as amended and restated, the “Program Resolution”) and a resolution of the Trust adopted \_\_\_\_\_ entitled “Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 16, consisting of \$\_\_\_\_\_ State Revolving Fund Bonds, Subseries 16A, and \$\_\_\_\_\_ State Revolving Fund Bonds, Subseries 16B, and the \$\_\_\_\_\_ Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2012, consisting of \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Series 2012A, and \$\_\_\_\_\_ State Revolving Fund Refunding Bonds, Series 2012B” (the “Bond Resolution” and, together with the Program Resolution, the “Resolutions”). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The Bonds are being issued by means of a book entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”), and not available for distribution to the public, evidencing ownership of the Bonds in denominations of \$5,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

D-1

**Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.**

The Bonds are payable on August 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Trust contained in the Resolutions and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Trust is duly created and validly existing as a public instrumentality of The Commonwealth of Massachusetts with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolutions have been duly adopted by the Trust and constitute valid and binding obligations of the Trust enforceable upon the Trust.
3. Pursuant to the Act, the Resolutions create a valid lien on the funds, contract rights and other property pledged by the Resolutions for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Trust and are valid and binding special obligations of the Trust, payable solely from the sources provided therefor in the Resolutions.
5. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. Interest on the Tax-Exempt Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations. Interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds so as to be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.
6. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds,

their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth.

7. For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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**SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS****A. Trust Continuing Disclosure Certificate**

The Trust will execute and deliver a Continuing Disclosure Certificate (the “Disclosure Certificate”) upon issuance of the Bonds. The Disclosure Certificate will be executed and delivered by the Trust for the benefit of the registered owners, including beneficial owners, of the Bonds (the “owners”) and in order to assist the original underwriters of the Bonds in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (the “Rule”).

**Provision of Annual Reports**

Not later than 270 days after the end of each fiscal year of the Trust, commencing with the fiscal year ending June 30, 2012, the Trust will provide an Annual Report containing the information described below to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to the Rule. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Certificate. If the Trust is unable to provide an Annual Report to the MSRB by the foregoing date, the Trust will send a notice to that effect to the MSRB.

The Trust’s Annual Report will contain or incorporate by reference the most recently available audited financial statements of the Trust, prepared in accordance with generally accepted accounting principles. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and the Trust will provide the audited financial statements as soon as practicable after the audited financial statements become available. The financial statements may be incorporated by reference from other documents, including official statements of debt issues of the Trust or related public entities, which (i) are available to the public on the MSRB Internet Web site, or (ii) have been filed with the Securities and Exchange Commission. The Trust will clearly identify each such other document so incorporated by reference.

As noted in this Official Statement under the caption “CONTINUING DISCLOSURE,” each Borrower will agree in its Financing Agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such Borrower, not later than 270 days after the close of each fiscal year during any period during which such Borrower is an “obligated person” with respect to the Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the Borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a Borrower shall be considered an “obligated person” with respect to the Bonds if the aggregate principal amount of all of its Pool Borrower Obligations outstanding as of the end of any fiscal year constitutes twenty percent (20%) or more of the aggregate principal amount of all Pool Borrower Obligations outstanding as of the end of such fiscal year. The Trust will covenant in its Disclosure Certificate to annually determine if any Borrowers constitute obligated persons with respect to the Bonds, and to provide notice to those Borrowers, if any, which satisfy that standard, and to file any annual reports received from such Borrowers with the MSRB at the same time and in the same manner as the Trust Annual Report for that year.

**Reporting of Significant Events**

In a timely manner, not in excess of ten business days after the occurrence of any of the following events with respect to the Bonds, the Trust will file a notice of such occurrence with the MSRB.

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to the rights of security holders, if material;
8. (i) bond calls, if material, and (ii) tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Trust or any other “obligated person” with respect to the Bonds\*;
13. the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Trust, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

### **Termination of Reporting Obligation**

The Trust's obligations under the Disclosure Certificate will terminate upon the defeasance of the Bonds in accordance with the terms of the Bond Resolution or the prior redemption or payment in full of all of the Bonds.

### **Amendment**

Notwithstanding any other provision of the Disclosure Certificate, the Trust may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law, which may also include bond counsel to the Trust, to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to the Disclosure Certificate shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of information being provided in the Annual Report.

If the amendment pertains to the accounting principles to be followed in preparing financial statements, the Annual Report 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. The comparison shall include a qualitative 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 evaluate the ability of the Trust to meet its obligations. To the extent reasonably feasible, the comparison also will be quantitative. A notice of the change in the accounting principles will be sent to the MSRB.

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Trust or any other “obligated person” with respect to the Bonds in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of such “obligated person”, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such “obligated person”.

## Default

In the event of a failure of the Trust to comply with any provision of the Disclosure Certificate any owner of the Bonds may seek a court order for specific performance by the Trust of its obligations under the Disclosure Certificate. Similarly, either the Trust or any owner of the Bonds may seek a court order for specific performance by any Borrower which is an “obligated person” with respect to the Bonds within the meaning of the Rule of such Borrower’s disclosure obligations under the Financing Agreement and its financing closing certificate in the event of the failure of such Borrower to comply with those obligations.

A default under the Disclosure Certificate shall not constitute an Event of Default under the Bond Resolution or a default with respect to the Bonds, and the sole remedy under the Disclosure Certificate in the event of any failure of the Trust to comply with the Disclosure Certificate shall be an action for specific performance of the Trust's obligations thereunder and not for money damages in any amount. Similarly, a default by any Borrower of its disclosure obligations under the applicable Financing Agreement and such Borrower’s closing certificate shall not constitute an event of default under the Financing Agreement, and the sole remedy for such default shall be an action for specific performance of the Borrower’s obligations.

## Beneficiaries

The Disclosure Certificate will inure solely to the benefit of the owners of the Bonds from time to time, and shall create no rights in any other person or entity.

### B. The Commonwealth Disclosure Agreement

Prior to the issuance of the Bonds, the Trust and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2012, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated May 8, 2012 (the “Information Statement”). The Information Statement has been filed with EMMA.

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year	“COMMONWEALTH REVENUES AND EXPENDITURES- Statutory Basis Distribution of Budgetary Revenues and Expenditures”
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“SELECTED FINANCIAL DATA - GAAP Basis”
3. Summary presentation on a five-year comparative basis of lottery revenues and profits	“COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; <i>Lottery Revenues</i> ”
4. Summary presentation of payments received pursuant to the tobacco master settlement agreement	“COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; <i>Tobacco Settlement</i> ”
5. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES AND EXPENDITURES - Limitations on Tax Revenues”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
6. Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates	"PENSION AND OPEB FUNDING – Retirement Systems" and "PENSION AND OPEB FUNDING – Employee Contributions"
7. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"PENSION AND OPEB FUNDING – Funding Schedule"
8. Summary presentation on a ten-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress	"PENSION AND OPEB FUNDING – Actuarial Valuations"
9. Summary presentation on a five-year comparative basis of annual required pension contributions under GAAP and pension contributions made	"PENSION AND OPEB FUNDING – Annual Required Contributions"
10. Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns	"PENSION AND OPEB FUNDING – PRIT Fund Investments"
11. Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress	"PENSION AND OPEB FUNDING – Other Post –Retirement Employee Benefit Obligations (OPEB)"
12. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"
13. Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL INVESTMENT PLAN"
14. Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis"
15. Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt"
16. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"LONG-TERM LIABILITIES - Debt Service Requirements"
17. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	"LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities"
18. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"LONG-TERM LIABILITIES - Budgetary Contract Assistance Liabilities"
19. Five-year summary presentation of authorized but unissued general obligation debt	"LONG-TERM LIABILITIES - Authorized But Unissued Debt"
20. So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"LONG-TERM LIABILITIES - General Authority to Borrow; <i>Statutory Limit on Direct Debt</i> "
21. Summary presentation of the then-current, Commonwealth interest rate swap agreements	"LONG-TERM LIABILITIES - Interest Rate Swaps"
22. Summary presentation of the then-current, Commonwealth liquidity facilities	"LONG-TERM LIABILITIES – Liquidity Facilities"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to EMMA. The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and audited by a firm of certified public accountants appointed by the Commonwealth.

The Commonwealth Disclosure Agreement also will provide that the Treasurer and Receiver-General of the Commonwealth on behalf of the Commonwealth, undertakes for the benefit of the registered owners and Beneficial Owners of the Bonds to provide in a timely manner to EMMA notice of any change in the credit rating of outstanding general obligation bonds of the Commonwealth.

To the extent permitted by law, the provisions of the Commonwealth Disclosure Agreement shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under such provisions of the Commonwealth Disclosure Agreement; provided, however, that the sole remedy in connection with violation of the Commonwealth Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Commonwealth under the Commonwealth Disclosure Agreement and shall not include any rights to monetary damages. The Commonwealth Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first. The Commonwealth Disclosure Agreement may be amended, changed or modified by the Commonwealth, without the consent of, or notice to, any owners of the Bonds, and without the consent of, but with notice to, the Trust (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such Commonwealth Disclosure Agreement and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the Commonwealth Disclosure Agreement in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth or the Trust (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

**C. The Massachusetts Water Resources Authority Continuing Disclosure Agreement**

Prior to the issuance of the Bonds, the Authority, will undertake for the benefit of the owners of the Bonds to provide certain continuing disclosure in accordance with its Continuing Disclosure Agreement dated November 21, 1995, which has been previously supplemented (as supplemented, the “MWRA Continuing Disclosure Agreement”) between the Authority and State Street Bank and Trust Company, predecessor in interest to U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”). As of the date hereof, the Authority is in full compliance with the terms of the MWRA Continuing Disclosure Agreement.

**Annual Filings**

Pursuant to the MWRA Continuing Disclosure Agreement, not later than January 1 of each year, commencing January 1, 1998, the Authority will, or will cause the Dissemination Agent to, provide an Annual Filing (as described below) to the MSRB through EMMA. The Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the MWRA Continuing Disclosure Agreement. If the Dissemination Agent determines that the Authority has failed to comply with the undertaking regarding the Annual Filing, the Dissemination Agent will send a notice to that effect in a timely manner to the MSRB through EMMA and the SID.

The Authority's Annual Filing will contain or incorporate by reference the following:

(a) quantitative information for, or as of the end of, the preceding fiscal year of the type presented in the Authority's most recent official statement, including (i) a summary table of revenues, expenses and fund deposits, (ii) the amount of outstanding indebtedness of the Authority, and the debt limit as of the end of the fiscal

year, (iii) a summary table with respect to the coverage covenants in the Authority's General Resolution and (iv) a summary table showing the Authority's capital investments by major category during the preceding fiscal year;

(b) quantitative information for the current fiscal year of the type presented in the Authority's most recent official statement, including (i) a table of the Authority's current water and wastewater charges by Local Body, (ii) the current expense budget's rate revenue requirement and the percentage increases for water and wastewater over the prior fiscal year and (iii) executive summaries of the Authority's most recently adopted current expense budget and capital improvement program; and

(c) the most recently available audited financial statements of the Authority, prepared in accordance with accounting principles generally accepted in the United States of America. (If audited financial statements for the preceding fiscal year are not available when the Annual Filing is submitted, the Annual Filing will include unaudited financial statements for the preceding fiscal year.)

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

Pursuant to the MWRA Continuing Disclosure Agreement, the Authority will also undertake to provide in a timely manner to the MSRB through EMMA and to the SID, notice of certain enumerated events, including any change in the credit rating of outstanding bonds issued by the Authority.

### **Termination of Reporting Obligation**

The Authority's and Dissemination Agent's obligations under the MWRA Continuing Disclosure Agreement to the owners of the Bonds will terminate upon the defeasance, prior redemption or payment in full of the Bonds.

### **Amendment; Waiver**

Notwithstanding any other provision of the MWRA Continuing Disclosure Agreement, the Authority and the Dissemination Agent may amend the MWRA Continuing Disclosure Agreement, and any provision of the MWRA Continuing Disclosure Agreement may be waived, if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities laws, acceptable to both the Authority and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the Authority's undertakings to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Filing 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. The comparison shall include a qualitative 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 provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

### **Default**

In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of the MWRA Continuing Disclosure Agreement, the Dissemination Agent may (and, at the request of any of the Underwriters or the owners of at least 25% aggregate principal amount outstanding of the Bonds, shall), or any owner of the Bonds may, seek a court order for specific performance by the Authority or Dissemination Agent, as the case may be, of its obligations under the MWRA Continuing Disclosure Agreement. A default under the MWRA Continuing Disclosure Agreement shall not be deemed an Event of Default under the Authority's General Resolution or under the Trust's Bond Resolution, and the sole remedy under the MWRA Continuing Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with the MWRA Continuing Disclosure Agreement shall be an action to compel performance of the defaulting party's obligations thereunder and not for money damages in any amount.

**Table of Debt Service Reserve Fund Investment Agreement Providers**

Amounts held in the debt service reserve funds allocable to the outstanding Pool SRF Bonds, other than a portion of the debt service reserve fund for the Series 12 Bonds and the debt service reserve funds for the Series 13 Bonds, the Series 14 Bonds and the Series 15 Bonds, and in the debt service reserve funds for SESD SRF Bonds, New Bedford SRF Bonds and MWRA SRF Bonds which have been partially refunded with the proceeds of certain prior Pool SRF Bonds, are invested in investment agreements with the providers and in the amounts as of the date of delivery of the Bonds set forth in the following table. The terms of such investment agreements are more fully described in the front part of this Official Statement under the heading “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Sources Of Payment - SRF Reserve Investment Earnings - Investment of Reserve Funds.”

A portion of the reserve fund for the Series 12 Bonds and the reserve funds for the Series 13 Bonds, the Series 14 Bonds and the Series 15 Bonds are invested in bonds, notes and other evidences of indebtedness of certain United States government agencies or instrumentalities in the aggregate principal amounts of \$46.4 million, \$200.8 million, \$153.6 million, and \$169.3 million, respectively, as of the date of delivery of the Bonds.

<b><u>Provider</u></b>	<b><u>Series</u></b>	<b><u>Debt Service Reserve Fund Amounts</u></b>
AIG Matched Funding Corp. <sup>1</sup>	MWRA 1998A	\$13.2 million
Bayerische Landesbank, acting through its New York branch	Series 3 Bonds	\$5.0 million
	1996 SESD Bonds	\$4.1 million
Citigroup	Series 12 Bonds	\$117.7 million
IXIS Funding Corp.	Series 6 Bonds	\$56.6 million
	Series 7 Bonds	\$24.1 million
	Series 8 Bonds	\$77.5 million
	MWRA 1993A Bonds	\$12.1 million
	MWRA 2002A Bonds	\$36.6 million
FSA Capital Management Services, LLC <sup>2</sup>	Series 4 Bonds	\$28.9 million
	Series 2004A and 2004B Bonds	\$57.5 million
	Series 10 Bonds	\$84.0 million
	MWRA 1998A Bonds	\$11.1 million
	Series 11 Bonds	\$72.4 million
HSBC National Bank of New York	Series 1 Bonds	\$2.8 million
	1994 SESD Bonds	\$7.0 million
	MWRA 1993B Bonds	\$7.9 million
Morgan Guaranty Trust Company of New York	New Bedford 1996 Bonds	\$13.8 million
Société Générale <sup>3</sup> acting through its New York branch	Series 2 Bonds	\$5.5 million
	1994 SESD Bonds	\$2.2 million
	1996 SESD Bonds	\$8.8 million

	MWRA 1993B Bonds	\$1.0 million
	MWRA 1995A Bonds	\$1.4 million
	New Bedford 1996A Bonds	\$4.4 million
Trinity Funding Company, LLC <sup>4</sup>	Series 9 Bonds	\$86.0 million
Trinity Plus Funding Company, LLC <sup>4</sup>	MWRA 1999A Bonds	\$61.0 million
Westdeutsche Landesbank Girozentrale	New Bedford 1998A Bonds	\$17.6 million

1. The obligations of AIG Matched Funding Corp. are guaranteed by American International Group, Inc.
2. The obligations of FSA Capital Management Services, LLC, are guaranteed by Financial Security Assurance Inc.
3. The obligations of Société Générale are insured by a financial guaranty insurance policy issued by Financial Security Assurance Inc.
4. On April 5, 2012, Moody's downgraded the long-term rating of Trinity Plus Funding Company, LLC and Trinity Funding Company, LLC (together, "Trinity") from Aa2 to A1. Trinity elected not to collateralize or take any other remedial action under its investment agreements related to the SRF Bonds as a result of the downgrade. The Trust terminated the investment agreements with Trinity under which all or a portion of the reserve funds for the Series 5, Series 6, Series 7 and Series 11 Bonds were invested, and received from Trinity the principal of and accrued interest on the investments, plus a make-whole payment. The amounts received from Trinity in connection with the termination of these investment agreements will be applied to refund all or a portion of the Series 5, Series 6, Series 7 and Series 11 Bonds. The investment agreements with Trinity Plus Funding Company, LLC and Trinity Funding Company, LLC related to the investment of the reserve funds for the MWRA 1999A Bonds and the Series 9 Bonds, respectively, remain in effect.

**THE DEPOSITORY TRUST COMPANY****Book-Entry Only System**

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

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

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

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

may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of a particular maturity of the Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between DTC and the Trust.

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

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

The information in this Appendix H concerning DTC and DTC's book-entry system has been obtained from sources that the Trust believes to be reliable, but neither the Trust nor the Underwriters takes responsibility for the accuracy thereof.

**No Responsibility of the Trust, the Bond Trustee or Paying Agent**

NONE OF THE TRUST, THE PAYING AGENT OR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

## **Certificated Bonds**

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trust and the Bond Trustee. In addition, the Trust may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Bond Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Bond Trustee. The transfer of any Bond may be registered on the books maintained by the Bond Trustee for such purpose only upon the assignment in the form satisfactory to the Bond Trustee. For every exchange or registration of transfer of Bonds, the Trust and the Bond Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Bonds. The Trust will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond or any part thereof is eligible to be selected or has been selected for redemption.

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**TABLE OF REFUNDED PRIOR BONDS**

The Prior Bonds of the Trust to be refunded from the proceeds of the Series 2012 Bonds and a portion of the Termination Payment are described below.

**Pool Loan Program Bonds, Series 4**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**Pool Program Bonds, Series 5**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**Pool Program Bonds, Series 6**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**Pool Program Bonds, Series 7**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**Pool Program Bonds, Series 8**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**Pool Program Bonds, Series 11**

Maturity Date or Sinking Fund <u>Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**MWRA Program Bonds, Series 2002A**

Maturity Date or Sinking Fund <u>Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
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**OFFICIAL NOTICE OF SALE  
MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**\$89,960,000\***

**STATE REVOLVING FUND BONDS, SUBSERIES 16A**

**AND**

**\$29,830,000\***

**STATE REVOLVING FUND REFUNDING BONDS, SUBSERIES 2012A**

May 18, 2012

NOTICE IS HEREBY GIVEN that electronic bids will be received by the Massachusetts Water Pollution Abatement Trust (the "Trust"), for the purchase of \$89,960,000\* aggregate principal amount of its State Revolving Fund Bonds, Subseries 16A (the "Series 16A Bonds") and \$29,830,000\* aggregate principal amount of its State Revolving Fund Refunding Bonds, Subseries 2012A (the "Series 2012A Bonds" and, together with the Series 16A Bonds, the "Bonds"). Bids for the purchase of the Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

**The Bonds are special obligations of the Trust and are not secured by a pledge of the full faith and credit of the Trust, which has no taxing power. Neither The Commonwealth of Massachusetts (the "Commonwealth") nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payments of the Bonds.**

**Time.** Bids will be received by the Trust via Parity at 11:00 a.m. (Boston time) on May 31, 2012 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the Trust and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Postponement." If no legal bid or bids are received for the Bonds on May 31, 2012, an alternative date and time may be designated by the Trust and communicated on TM3.

**Details of the Bonds.**

The Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, June 13, 2012, at the rate per annum per maturity specified by the successful bidder, payable semiannually on February 1 and August 1 in each year until maturity, beginning February 1, 2013. The Bonds shall mature or come due through mandatory sinking fund redemptions on August 1 of each of the years and in the principal amounts, as shown below, subject to any adjustments as described in "Principal Amounts Subject to Change" below:

<u>Maturity (August 1)</u>	<u>Series 16A Bonds Principal Amount*</u>	<u>Series 2012A Bonds Principal Amount*</u>	<u>Total*</u>
2023	\$ 9,495,000	-	\$ 9,495,000
2024	9,885,000	\$2,500,000	12,385,000
2025	10,290,000	570,000	10,860,000
2026	10,720,000	5,815,000	16,535,000
2028	11,635,000	6,085,000	17,720,000
2029	12,125,000	6,145,000	18,270,000
2030	12,635,000	5,175,000	17,810,000
2031	13,175,000	3,540,000	16,715,000

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\* Preliminary; subject to change.

The Bonds will be issued as serial bonds or a combination of serial bonds and term bonds (the “Term Bonds”) in accordance with the bid submitted by the successful bidder. See “Bidding Parameters” below.

The Bonds will be issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

**Principal Amounts Subject to Change.** The Trust reserves the right to modify the total amount of the Bonds and the amount of any maturity of any series or subseries in order to obtain the necessary amount of bond proceeds, properly structure certain funds and accounts, maintain debt service proportional to the expected available revenues based upon the interest rates, discount or premium submitted by the successful bidder. The successful bidder may not withdraw its bid or change the interest rates bid as a result of any changes made to the principal amount of the Bonds or principal of any maturity as described herein. In formulating bids, bidders should consider that bids generating significant premium may result in greater principal amortization in later years and bids generating significant discount may result in greater principal in earlier years. If there is an increase or decrease in the final aggregate principal amount of the Bonds or the schedule of principal payments as described above, the Trust will notify the successful bidder by electronic, telephone or facsimile transmission, no later than 2:00 p.m. (Boston time), on the date of sale. The Trust will calculate the actual purchase price for the Bonds in a way that will preserve the successful bidder’s original spread included in its bid (computed as a percentage of the final adjusted aggregate principal amount of the Bonds).

**Redemption of the Bonds Prior to Maturity.**

*Optional Redemption.* The Bonds maturing on or before August 1, 2022\* are not subject to redemption prior to maturity. The Bonds maturing after August 1, 2022\* are subject to redemption prior to their stated maturity dates on any date on and after August 1, 2022\* at the option of the Trust from any moneys available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

*Mandatory Redemption.* Bids may provide for all of the Bonds of a series to be issued as serial bonds only, or may designate consecutive annual principal amounts of a series (bearing interest at the same rate) to be combined into one or more Term Bonds. The Bonds will be issued as serial bonds or as serial bonds and Term Bonds in accordance with the bid submitted by the successful bidder. Bonds issued as Term Bonds shall be subject to mandatory sinking fund redemption commencing on August 1 of the first year in which maturities of such series have been combined to form such Term Bond and continuing on August 1 in each year thereafter until the stated maturity date of such Term Bond.

**Bidding Parameters.** Bids must be for all of the Bonds offered and must offer to pay an aggregate price for all maturities of not less than 100% of the aggregate principal amount of the Bonds.

Rates	Same rate for each maturity year
	No supplemental interest payments permitted
	No maximum coupon
Minimum Bid	98% of stated aggregate principal
Minimum Reoffering Price	99% of stated principal for each maturity
Maximum Reoffering Price	125% of stated aggregate principal

Bids may not include any conditions not otherwise expressly provided for herein.

**Procedures for Electronic Bidding.** A prospective electronic bidder must register electronically to bid for the Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Bonds, a prospective

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\* Preliminary; subject to change.

bidder represents and warrants to the Trust that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Trust nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Trust nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Trust is using Parity as a communication mechanism, and not as the Trust's agent, to conduct the electronic bidding for the Bonds. The Trust is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Trust is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Trust's financial advisor, Public Financial Management, Inc., by telephone at (901) 682-8356 and by email at daniell@pfm.com.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via Parity by 11:00 a.m. (Boston time) on May 31, 2012. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Trust at 11:00 a.m. (Boston time), on May 31, 2012. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Trust, each bid will constitute an irrevocable offer to purchase the Bonds on the terms provided therein. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Trust, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

**Good Faith Deposit.** Upon notification from the Trust, the successful bidder shall wire transfer to Trust an amount equal to \$1,200,000 (the "Good Faith Deposit"), in immediately available funds, no later than 3:00 p.m. (Boston time) on the bid date. In the event that the Trust has not received such funds by the time stated, the Trust may revoke its acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Trust.

**Basis of Award.** The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest true interest cost (TIC) to the Trust. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due) for the Bonds, will cause the sum of such discounted semi-annual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Bonds, June 13, 2012.

If two or more proper bids produce values for the lowest TIC, the Executive Director of the Trust will determine in her discretion which bid, if any, will be accepted, and such determination will be final.

The Trust reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal.

**Official Statement.** The Preliminary Official Statement dated May 18, 2012, and the information contained therein have been deemed final by the Trust as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without

notice and to completion or amendment in the Official Statement in final form (the “Final Official Statement”). The Preliminary Official Statement may be viewed and downloaded from the Trust’s website at: <http://www.mass.gov/treasury/docs/mwpat/loan-docs/5-18-12-mwpat-pos-series-16-and-2012.pdf>.

The Trust will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to the settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

**Reoffering Price Certification.** At the time of settlement of the Bonds, the successful bidder for the Bonds shall furnish to the Trust a certificate acceptable to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel (“Bond Counsel”), to the effect that (i) all of the Bonds of each maturity of each series or subseries thereof have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers)(the “General Public”) at a price not higher than, or a price corresponding to a yield not lower than, those shown for each maturity of each series or subseries on the inside cover page of the Final Official Statement, (ii) as of the sale date of the Bonds, the price, or a price corresponding to the yield, shown for each maturity of each series or subseries on the inside cover page of the Final Official Statement does not exceed the fair market value of the Bonds, and (iii) based on the records of and information available to the successful bidder the first price at which at least 10% of each maturity of each series or subseries of the Bonds was sold to the General Public is the respective initial offering price for such maturity shown on the inside cover page of the Final Official Statement. In the event that the successful bidder cannot provide the certification in (iii) above, as to a particular maturity, such bidder shall instead provide a statement as to why the expectation described in (ii) above was not satisfied.

In addition to executing and delivering a certificate as described in the previous paragraph, the successful bidder may be required to (a) demonstrate that it has made a bona-fide offering of all such Bonds to the General Public at prices no higher than, or prices corresponding to yields no lower than, the initial public offering prices, (b) provide an explanation of why any Bonds sold by the successful bidder between the bid date and the date of the delivery were sold for a price higher than, or a price corresponding to a yield lower than, the initial public offering prices, and (c) provide documentation identifying the initial purchaser of the Bonds, as applicable, including information sufficient to enable the Trust and Bond Counsel, to determine that such purchasers are the General Public. If any maturity of any series or subseries of the Bonds was also offered to institutional or other investors at a discount from the price at which such maturity was offered to the General Public, the successful bidder will be asked for additional certifications as to actual and expected Bond sales at such discounted price.

**Continuing Disclosure.** To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Trust will undertake to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix E of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

**Expenses.** Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Trust’s issuance costs. The Trust will not pay the expenses of the successful bidder in connection with the purchase of the Bonds.

**Settlement.** The Bonds will be delivered on June 13, 2012, in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the Bonds, less the Good Faith Deposit, by 10:00 a.m. (Boston time) on June 13, 2012 in immediately available funds in Boston.

There will also be furnished the usual closing papers, including (a) a certificate of the Trust stating that there is no litigation pending or threatened at the time of delivery of the Bonds affecting the validity of the Bonds; and (b) a certificate regarding the completeness and accuracy of the Official Statement.

**Legal Opinions.** The approving opinion of Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished to the successful bidder. Reference is made to the Preliminary Official Statement for further discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the Bonds and a discussion of Bond Counsel’s opinion insofar as it concerns such exclusion.

A supplemental opinion of Bond Counsel will also be furnished to the successful bidder to the effect that such counsel, based upon its participation in the preparation of the Official Statement as Bond Counsel to the Trust, it is of the opinion that the information contained in the Official Statement under the headings “Sources of Payment and Security for the SRF Bonds” (other than under the subheading “Sources of Payment—Investment of Reserve Funds”), “The Bonds” (other than under the headings “Plan of Finance” and “Sources and Uses of Funds”), “Legal Investments” and “Tax Exemption” and in Appendix A and Appendix B thereto (except for any financial and statistical data included therein and the information in Appendix B constituting a summary of the Program Resolution and the Financing Agreements, as to which no opinion is expressed) did not, as of its date, and does not, as of the date of Closing contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

An opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Program Counsel, will also be furnished to the successful bidder to the effect that such counsel has participated in the preparation of the Official Statement as Program Counsel to the Trust and, based on such participation, it is of the opinion that (i) the information contained in the Official Statement under the headings “Sources of Payment and Security for the SRF Bonds—Sources of Payment—Investment of Reserve Funds,” “Security for the Borrower Obligations” and “The Trust” (in all instances except for the financial and statistical data contained therein) and in Appendix B and Appendix E (except for the information in Appendix B relating to the Bond Resolution and in Appendix E relating to the Commonwealth Continuing Disclosure Agreement and the Massachusetts Water Resources Authority (“MWRA”) Continuing Disclosure Agreement) does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (ii) based upon such counsel’s participation in the preparation of the Official Statement and, except as to the information referenced above, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that the information contained in the Official Statement, as of its date, and, as supplemented or amended up to and including the date of the Closing, as of the date of Closing (except for the financial and statistical data included therein, the information contained therein relating to the Commonwealth and the MWRA (whether contained therein or incorporated by reference), the information contained in Appendix B constituting a summary of the Bond Resolution, the information contained in Appendix C, Appendix D, Appendix E (as such information pertains to the Commonwealth or the MWRA), Appendix F and Appendix G, the information relating to the Commonwealth contained under the heading “Absence of Litigation,” and the information supplied by the Underwriters for the Trust’s \$136,750,000\* State Revolving Fund Bonds, Subseries 16B (the “Series 16B Bonds”) and \$96,040,000\* State Revolving Fund Refunding Bonds, Series 2012B (the “Series 2012B Bonds”) on the inside cover thereof and under the heading “Underwriting of the Series 16B Bonds and the Series 2012B Bonds” as to which no opinion is expressed) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., as disclosure counsel to the Commonwealth, to the effect that the information contained in Appendix E to the Official Statement relating to the Commonwealth Continuing Disclosure Agreement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (ii) based upon their participation in the preparation, as such disclosure counsel, of the Commonwealth Information Statement, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Commonwealth Information Statement, nothing has come to the attention of such counsel which has caused such counsel to believe that the Commonwealth Information Statement as of its date and as of the date of the Closing (except for the financial and statistical data included therein

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\* Preliminary; subject to change.

and the information contained in the Exhibits thereto, as to which no opinion is necessary), contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

An opinion of Greenberg Traurig, LLP, as disclosure counsel to the MWRA, to the effect that (i) the information contained in Appendix E to the Official Statement relating to the MWRA Continuing Disclosure Agreement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (ii) based upon their participation in the preparation, as such disclosure counsel, of the MWRA Information Statement and without having undertaken to determine independently the accuracy or completeness of the statements contained in the MWRA Information Statement, nothing has come to the attention of such counsel which has caused such counsel to believe that the MWRA Information Statement as of its date and as of the date of the Closing (except for the financial, engineering and statistical data included therein and Exhibits A and B thereto, as to which no opinion is necessary), contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

**CUSIP Numbers.** The successful bidder will be responsible for applying for and obtaining CUSIP numbers for the Bonds. The Trust will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the successful bidder.

**Right to Modify or Amend Notice of Sale.** The Trust reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Bonds will be communicated by posting on TM3 not later than 9:00 a.m. (Boston time) on the day on which bids may be submitted, and bidders shall bid upon the Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information, if any.

**Postponement.** The Trust reserves the right to postpone the date and time established for the receipt of bids. Any such postponement will be announced by posting on TM3 no later than 9:00 a.m. (Boston time) on the announced bid date. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and time of sale and except for any changes announced by posting on TM3 at the time the sale date and time are announced.

**Minority/Women Business Enterprises.** It is the policy of the Trust that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The Trust requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

**Additional Information.** Further information concerning the Trust and the Bonds is contained in the Preliminary Official Statement dated May 18, 2012, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded from the Trust's website at: <http://www.mass.gov/treasury/docs/mwpat/loan-docs/5-18-12-mwpat-pos-series-16-and-2012.pdf>. Additional information may be obtained as described in the Preliminary Official Statement under "Other Available Information".

Massachusetts Water Pollution Abatement Trust

A handwritten signature in black ink, appearing to read "Steven Grossman", with a long horizontal flourish extending to the right.

Steven Grossman  
Chairman, Board of Trustees

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