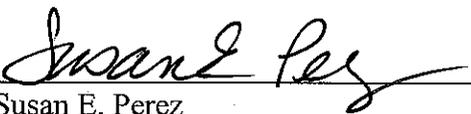


Certificate as to Program Resolution

The undersigned, Executive Director of the Massachusetts Water Pollution Abatement Trust (the "Trust"), certifies that attached hereto is a true and complete copy of the resolution of the Board of Trustees 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 as of May 31, 2012 (the "Program Resolution"), with such further additions, deletions and other changes thereto not inconsistent therewith as I have approved and which are reflected in the official copy of the Program Resolution that is on file in the records of the Trust. I further certify that, except as aforesaid, the Program Resolution has not been amended, modified, supplemented or repealed and remains in full force and effect.

Dated: June 13, 2012

  
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Susan E. Perez  
Executive Director

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MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

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AMENDED AND RESTATED RESOLUTION AUTHORIZING AND ESTABLISHING A  
WATER POLLUTION ABATEMENT AND DRINKING WATER  
PROJECT FINANCING PROGRAM

---

Adopted March 4, 1993  
As Amended Through May 1, 2012

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST  
AMENDED AND RESTATED RESOLUTION AUTHORIZING AND ESTABLISHING  
A WATER POLLUTION ABATEMENT  
AND DRINKING WATER PROJECT FINANCING PROGRAM

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Be It Resolved by the Massachusetts Water Pollution Abatement Trust and the Trustees thereof as follows:

**ARTICLE I.**

**DEFINITIONS**

Section 101. Purpose; Short Title. This Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program amends and restates the Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program, adopted March 4, 1993, as amended through May 1, 2012 and is hereinafter referred to as the "Program Resolution."

Section 102. Definitions.

(A) In the Program Resolution, unless a different meaning clearly appears from the context, the terms "Board," "Bond Act," "Bonds," "Cost," "eligible borrower," "loan," "loan agreement," "local governmental unit," "revenues," and "trust agreement" shall have the meaning given such terms in the Act (as hereinafter defined).

(B) In this Program Resolution, unless a different meaning clearly appears from the context:

"Act" means, collectively, Chapter 275 of the Acts of 1989 of the Commonwealth, including without limitation, Chapter 29C of the General Laws of the Commonwealth, and Chapter 203 of the Acts of 1992 of the Commonwealth, in each case as amended from time to time;

"Administrative Expenses" means the Trust's expenses of implementing, financing, carrying out and administering its powers, duties and functions that are allocable to the Program as authorized by the Act, including, without limitation, administrative and operating expenses of the Trust; salaries and benefits (or portions thereof) of employees of the Trust, the State Treasurer, the Secretary, the Department or other agencies or departments of the Commonwealth engaged in the administration of the Programs, including payments to pension, retirement, hospitalization and health funds; legal, accounting, financial and other consultant's services and expenses; costs of issuance of Bonds not paid from the proceeds thereof or from other amounts

held under the applicable Bond Resolution; and any other item of expense required or permitted to be paid by the Trust under the provision of the Act or this Program Resolution that is allocable to the Program;

“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;

“Allocated Equity” means the amount of Equity, if any, allocated to a Series of Bonds or to a Loan or to an issue of Local Governmental Obligations as specified in an Equity Allocation Certificate;

“Amortized Value,” when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price; and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price;

“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 Section 309(E) hereof;

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

“Authorized Officer” means any Trustee of the Trust (and any designee thereof pursuant to Chapter 30, Section 6A of the General Laws of the Commonwealth), any member of the Trust’s Executive Committee, the Treasurer of the Trust and any other officer of the Trust authorized by resolution of the Trustees to perform the act or sign the document in question;

“Bond Counsel” means any counsel nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions selected by the Trust and satisfactory to the Program Trustee;

“Bond Resolution” means any trust agreement and any amendments thereof and supplements thereto providing for the issuance of, and security for, Bonds issued by the Trust for the purpose of making Leveraged Loans or purchasing Local Governmental Obligations under the Program;

“Bond Trustee” means any trustee, custodian, depository or other representative of Bondowners under a Bond Resolution;

“Bondowner” and the term “Owner” or “owner” or any similar term, when used with reference to a Bond, means, except as otherwise provided in the applicable Bond Resolution, the registered owner of the Bond;

“Borrower,” with respect to a Loan or any 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,” 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 Program” means the program administered by the Trust and the Department in accordance with the Act and this 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;

“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, Loans, Interim Loans or 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 Grant Allocation” shall have the meaning given such term in the Master Funding Agreement;

“Commonwealth Matching Grant” means an amount provided to the Trust in accordance with the Federal Acts, 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 (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 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 Determination” shall have the meaning given such term in the Commonwealth Assistance Contract;

“Contract Assistance Payments” means payments, if any, made to the Trust by the Commonwealth in accordance with Section 6 or 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 default by the Commonwealth thereunder, together with the Net Earnings, if any, upon investment or deposit of such payments and amounts to the extent provided herein or in the applicable Bond Resolution, to be applied by the Trust to pay debt service obligations of the Trust including Bonds, including any amounts held in the Contract Assistance Fund hereunder which are applied to such purpose in accordance with Section 310 hereof and the applicable Contract Assistance Determination;

“Debt Service Fund” means the fund established under or pursuant to the applicable Bond Resolution to provide for the payment of the principal of and interest on Bonds Outstanding under such Bond Resolution and any Scheduled Hedge Payments payable by the Trust under any Qualified Hedge Agreement related to such Bonds, and designated as a “Debt Service Fund” for purposes of Section 306 or Section 307 of this Program Resolution;

“Debt Service Reserve Fund” means the reserve fund, if any, established under or pursuant to the applicable Bond Resolution to secure the payment of Bonds Outstanding under such Bond Resolution and any Scheduled Hedge Payments payable by the Trust under any Qualified Hedge Agreement related to such Bonds, and designated in such Bond Resolution as a “Debt Service Reserve Fund” for purposes of this Program Resolution; the term “Debt Service Reserve Fund” shall also mean one or more accounts or subaccounts established in a Debt Service Reserve Fund under the applicable Bond Resolution to the extent provided therein or in any Equity Allocation Certificate;

“Department” 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;

“DEP Regulations” means, respectively, the regulations of the Department applicable to the Clean Water Program appearing in 310 CMR 44.00 and the regulations of the Department applicable to the Drinking Water Program appearing in 310 CMR 45.00, as such regulations may be amended from time to time;

“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;

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

“Drinking Water Program” means the program administered by the Trust and the Department in accordance with the Act and this Program Resolution to finance Loans and

Interim 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 hereunder or required to be so deposited under any provision of this Program Resolution, as more fully described in an Equity Allocation Certificate;

“Equity Allocation Certificate”, with respect to any Series of Bonds or to any Loan or to the purchase of any Local Governmental Obligations, means the certificate of an Authorized Officer of the Trust delivered to the Program Trustee pursuant to Section 205 of this Program Resolution;

“Equity Earnings” 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 any Series of Bonds or any Loan or any issue of Local Governmental Obligations, means the amount, if any, specified as the Equity Requirement for such Series of Bonds or Loan or Local Governmental Obligations in the applicable 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 a Series of Bonds, shall have the meaning given such term in the related 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 Federal Acts 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 on the date of authentication and delivery of the related Series of 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;

“Financing Agreement” means an agreement between the Trust and a Borrower pertaining to a Loan or any Local Governmental Obligations and 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 or Local Governmental Obligations;

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

“Funds” and “Accounts” and “Subaccounts” means the funds and accounts and subaccounts established by or pursuant to this Program Resolution or a Bond Resolution, as applicable;

“Grant Agreement,” with respect to any Federal Capitalization Grants or Commonwealth Matching Grants, shall mean 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, as applicable;

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

“Interim Loan” means a temporary loan, whether or not interest bearing, provided by the Trust to a Borrower in accordance with a Financing Agreement for all or any part of the Cost of a Project and funded by the Trust from amounts held in or for the account of the Interim Loan Fund hereunder;

“Investment Obligation,” with respect to the investment or deposit of moneys held for the

credit of any Fund or Account or Subaccount hereunder, 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); (2) any bonds or other obligations of any state of the United States of America, of any agency, instrumentality or local governmental unit of any such state or any other entity that has the ability to issue obligations the interest on which is excludable from gross income for federal income tax purposes: (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, whether tax exempt or taxable, of any state of the United States, of any political

subdivision, agency or instrumentality thereof or any other entity of any such state that has the ability to issue obligations the interest on which is excludable from gross income for federal income tax purposes, including the Commonwealth, provided that if such obligations are purchased as an investment of amounts pledged to the payment of Bonds, 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, whether tax exempt or taxable, 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, bankers' acceptances or other similar banking arrangements with banks (which may include the Program Trustee or any Bond Trustee), provided that if such obligations are purchased as an investment of amounts pledged to the payment of Bonds, 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 if such obligations are purchased as an investment of amounts pledged to the payment of Bonds, 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 if such obligations are purchased as an investment of amounts pledged to the payment of Bonds, either (a) the repurchase agreement is an unconditional obligation of the provider thereof and such provider is rated at the time of purchase hereunder by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding 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 if such obligations are purchased as an investment of amounts pledged to the payment of Bonds, such investment will not adversely affect the then current ratings, if any, assigned to any Bonds Outstanding by any 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; and, with respect to the investment or deposit of moneys held for the credit of any Fund or Account or Subaccount under any Bond Resolution, the term "Investment

Obligation” shall have the meaning given such term in such Bond Resolution;

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

“Leveraged Loan” means a Loan funded directly or indirectly by the Trust in whole or in part from the proceeds of Bonds;

“Loan” 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 or other security evidencing or securing any such loan; except as otherwise expressly provided herein, the term “Loan” as used in this Program Resolution shall not include an Interim Loan or the purchase by the Trust of Local Governmental Obligations;

“Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, 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 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 Costs of a Clean Water Project which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants;

“Master Funding Agreement” means the Amended and Restated Master Funding Agreement dated as of October 3, 2005 among the Trust, the Department, the Secretary and the State Treasurer, as hereafter further amended from time to time in accordance therewith;

“Net Earnings,” with respect to the investment or deposit of moneys held hereunder or under any Bond Resolution for any period, means the aggregate earnings and gains less the aggregate 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;

“Note Resolution” means any trust agreement and any amendments thereof and supplements thereto providing for the issuance of, and security for, Notes issued by the Trust for the purposes of making Interim Loans under the Program;

“Notes” means any notes or other evidences of indebtedness issued by the Trust in anticipation of a Series of Bonds;

“Opinion of Counsel” means an opinion signed by an attorney or firm of attorneys selected by the Trust (who may be Bond Counsel or an attorney in the regular employ of the Trust of the Commonwealth) satisfactory to the Program Trustee;

“Origination Fees” means any fees, other than Administrative Fees, payable by a local governmental unit 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 and Interim Loans or the purchase of Local Governmental Obligations and the issuance of Bonds to fund the same and Administrative Expenses allocable to such Loans, Interim Loans, Local Governmental Obligations and Bonds;

“Outstanding” when used with reference to Bonds or Notes, shall have the meaning given such term in the applicable Bond Resolution or Note 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 Bonds of any Series when due or to pay the Scheduled Hedge Payments under any Qualified Hedge Agreement when due;

“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 Bond” means any Bond issued and Outstanding under a Pool Bond Resolution;

“Pool Bond Resolution” means the Pool 1 Bond Resolution and any other Bond Resolution heretofore or hereafter adopted by the Trust providing for the issuance of Bonds for the purpose of funding Pool Obligations under the Program;

“Pool Bond Trustee” means a Bond Trustee under a Pool Bond Resolution;

“Pool 1 Bond Resolution” means, collectively, the resolutions of the Trust adopted June 18, 1993, entitled “Water Pollution Abatement Project Bond Resolution (Pool Loan Program)” and “First Supplemental Water Pollution Abatement Project Bond Resolution (Pool Loan Program)”;

“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;

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

“Program Resolution” means this Program Resolution as the same may be amended or supplemented from time to time by a Supplemental Program Resolution;

“Program Trustee” means the trustee appointed by or pursuant to Section 801 hereof, and any successor or successors thereto appointed pursuant to this Program Resolution;

“Project,” means a Clean Water Project or a Drinking Water Project, as the context requires, including without limitation an ARRA Project;

“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 at the request of the Trust, and any successor to any such agency by merger, conversion, consolidation or otherwise;

“Rebate Fund” means the Fund or Account, if any, established under or pursuant to the applicable Bond Resolution or Note Resolution to account for amounts, if any, payable with respect to Bonds or Notes Outstanding under such Bond Resolution or Note Resolution, as applicable, to the United States of America in accordance with Section 148(f) of the Code;

“Rebate Requirement” means with respect to a particular Series of Bonds or Notes, the amount determined to be the Rebate Requirement, if any, for such Series pursuant to the applicable Bond Resolution or Note 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 or to be financed in whole or in part from the proceeds of a Loan or the purchase of Local Governmental Obligations;

“Revenues” means Borrower Payments, Contract Assistance Payments, Equity Earnings and Qualified Hedge Payments, if any, and any other amounts designated by the applicable Bond Resolution as revenues for the payment of or security for Bonds Outstanding under such Bond Resolution and any Qualified Hedge Payments payable by the Trust thereunder;

“Revolving Fund” means the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as the context requires;

“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;

“Secretary” means the Secretary for Administration and Finance of the Commonwealth;

“Series,” with respect to any Bonds or Notes, means and refers to all of the Bonds or Notes delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions;

“State Treasurer” means the Treasurer and Receiver-General of the Commonwealth;

“Supplemental Program Resolution” means any resolution of the Trust amending or supplementing this Program Resolution adopted and becoming effective in accordance with the terms of Article VI hereof;

“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;

“Trust” means the Massachusetts Water Pollution Abatement Trust, an instrumentality of the Commonwealth organized and existing under the Act, or any body, agency, political subdivision, officer or other instrumentality of the Commonwealth which shall hereafter succeed to the powers, duties and functions of the Trust; and

“Water Pollution Abatement and Drinking Water Projects Administration Fund” means the fund established and set up on the books of the Commonwealth pursuant to Section 2W of Chapter 29 of the General Laws of the Commonwealth.

(C) In this Program Resolution, unless a different meaning clearly appears from the context, the terms “Administrative Expense Fund,” “Clean Water Equity Fund,” “Clean Water Deficiency Account,” “Clean Water Leveraged Bond Account,” “Clean Water Pool Program Reserve Account,” “Contract Assistance Fund,” “Deficiency Fund,” “Direct Loan Fund”, “Direct Loan Project Account,” “Drinking Water Equity Fund,” “Drinking Water Leveraged Bond Account,” “Drinking Water Deficiency Account,” “Drinking Water Pool Program Reserve Account,” “Commonwealth Program Account,” “Commonwealth Program Subaccount,” “Federal Program Account,” “ARRA Project Account,” “Federal Program Subaccount,” “Interim Loan Fund,” “Interim Loan Project Account,” “Leveraged Bond Fund” and “Pool Program Reserve Fund” shall mean the Fund or Account so designated established under or pursuant to Section 301 hereof. Any reference in any Bond Resolution or any Equity Allocation Certificate to a Leveraged Bond Account related or applicable to any Loan or Local Governmental Obligations or to any Bonds shall mean the amount allocable to such Loan or Local Governmental Obligations or Bonds on deposit in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable.

(D) The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof” and any similar terms, refer to the this Program Resolution; the term “heretofore” means before the date of adoption of this Program Resolution and the term “hereafter” means after the date of adoption of this Program Resolution.

(E) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

(F) The terms “related” or “applicable” or words of similar import when used in this Program Resolution to describe any Loan or Local Governmental Obligations or Series of Bonds or any instrument delivered with respect thereto (including without limitation any Financing Agreement, Qualified Hedge Agreement or Bond Resolution) or any party to any such instrument or any Fund or Account hereunder or under a Bond Resolution, refer to the specific Loan, Local Governmental Obligations, Series of Bonds, instrument, parties or Funds and Accounts described in or otherwise pertaining to the word or words modified by such terms.

## ARTICLE II.

### THE PROGRAM

Section 201. Authority for Program Resolution. This Program Resolution is adopted pursuant to and in accordance with the Act.

Section 202. Purpose.

(A) This Program Resolution is adopted by the Trust in order to implement its Program of making Loans and Interim Loans to Borrowers, and purchasing Local Governmental Obligations from Borrowers, from amounts held in or for the account of the Clean Water Revolving Fund and the Drinking Water Revolving Fund to finance Costs of Projects eligible for financial assistance under the Act, the DEP Regulations and, except as herein expressly provided, the Federal Acts. Except as otherwise expressly provided herein or in any Equity Allocation Certificate, or as may be permitted by the Federal Acts or any Grant Agreement, all amounts held by the Program Trustee under this Program Resolution shall be held and applied by the Trust solely for the purposes and as permitted by the Act and, except for amounts held hereunder which are allocable to Commonwealth Program Loans and amounts held in the Contract Assistance Fund and the Administrative Expense Fund, the Federal Acts.

(B) Notwithstanding anything in Paragraph (A) of this Section 202 to the contrary, nothing in this Program Resolution shall prevent the Trust (1) from implementing one or more other programs and, in connection therewith, adopting or entering into one or more other trust agreements, for the purpose of making loans or purchasing local governmental obligations authorized by the Act which are funded from amounts provided to the Trust from Federal Capitalization Grants or Commonwealth Matching Grants not otherwise held under this Program Resolution or (2), to the extent permitted by the Federal Acts and authorized by one or more Supplemental Program Resolutions adopted and becoming effective in accordance with Article VI hereof, from establishing and implementing one or more programs under this Program Resolution for the purpose of making loans or purchasing local governmental obligations which are funded from amounts provided to the Trust other than from Federal Capitalization Grants and Commonwealth Matching Grants.

Section 203. Loans, Local Governmental Obligations and Other Revenue Producing Contracts.

(A) The Trust shall from time to time following adoption of this Program Resolution, with all practical dispatch and in all respects in a sound and economical manner consistent with the provisions of the Act, the Federal Acts, this Program Resolution and any applicable Bond Resolution, upon receipt of any approval or other certification from the Department required under the Act and the DEP Regulations, use and apply amounts deposited in or held for the account of the Clean Water Equity Fund or the Drinking Water Equity Fund hereunder, directly or indirectly, to finance and make Loans or to purchase Local Governmental Obligations and use and apply amounts, if any, deposited in or held for the account of the Interim Loan Fund hereunder to finance and make Interim Loans. No Loan or Interim Loan shall be made, or Local Governmental Obligations purchased, by the Trust from amounts deposited in or held for the

account of the Clean Water Equity Fund or the Drinking Water Equity Fund or the Interim Loan Fund hereunder, and no Bonds shall be issued by the Trust for the purpose of providing funds with which to make such Loans or Interim Loans or purchase such Local Governmental Obligations, unless (1) the Loan or Interim Loan and the Local Governmental Obligations shall comply with the terms, conditions, provisions and limitations provided herein, in the Act and in the Federal Acts, in any applicable Grant Agreement and any applicable Bond Resolution, (2) the Project to be financed or refinanced by such Loan or Interim Loan or Local Governmental Obligations shall have been approved by the Department in accordance with the Act and the DEP Regulations and (3) the Loan or Interim Loan or Local Governmental Obligations shall have been approved by the Trust.

(B) Each Loan made, or issue of Local Governmental Obligations purchased, by the Trust in accordance with this Program Resolution, directly or indirectly, from amounts deposited in or held for the credit of the Clean Water Equity Fund or the Drinking Water Equity Fund, including without limitation the proceeds of Bonds, and any Interim Loan made in anticipation of such Loan or the purchase of such Local Governmental Obligations, shall be in the amounts, shall be secured and shall otherwise have such terms and conditions as shall be set forth in such Loan and Interim Loan and Local Governmental Obligations and the applicable Financing Agreement, subject to any applicable requirements of the Federal Acts, the Act, the DEP Regulations, any Grant Agreement and the related Bond Resolution, if any.

(C) The Trust shall duly and properly service all Loans, Interim Loans and Local Governmental Obligations and enforce the payment and collection of all Borrower Payments and other Revenues, if any, due thereon or with respect thereto or shall cause such servicing to be done by a servicing agent evidencing, in the judgment of the Trust, the capability and experience necessary to adequately service Loans, Interim Loans and Local Governmental Obligations, provided that all Borrower Payments and other Revenues received by such servicing agent and required to be remitted to the Trust by the terms of any agreement with it shall be deposited with the Program Trustee or a Bond Trustee, as applicable, subject to and in accordance with the provisions of this Program Resolution and the applicable Bond Resolution, if any.

(D) The Trust shall do all such acts and things necessary to receive and collect Borrower Payments and other 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 Loans and Interim Loans and Local Governmental Obligations, and the applicable Financing Agreements therefore, and all terms, covenants and agreements of the Commonwealth Assistance Contract and all Investment Obligations, including the prompt payment of all Borrower Payments and all other 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 any applicable Bondowners and Hedge Providers under or with respect to each Loan and Interim Loan and each issue of Local Governmental Obligations and the applicable Financing Agreements therefore, and the Commonwealth Assistance Contract and all Investment Obligations, provided that, subject to the terms of the applicable Financing Agreement and the rights of the Department thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a Payment Default on any Loan or Interim Loan or Local Governmental Obligations 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 any applicable Bondowners and Hedge Providers and to forbear from taking action with respect to enforcement of a Loan or Interim Loan or Local Governmental Obligations 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 such Bondowners and Hedge Providers.

(E) Whenever it shall be necessary in order to protect and enforce the rights of the Trust under a Loan or Interim Loan or Local Governmental Obligations or under the Commonwealth Assistance Contract or any Investment Obligation and to protect and enforce the rights and interest of Bondowners and Hedge Providers under any applicable Bond Resolution, the Trust shall take or cause to be taken steps to enforce the related 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 or Interim Loan or Local Governmental Obligations or under the applicable Financing Agreement or available to the Trust under the Commonwealth Assistance Contract or such Investment Obligation or otherwise under the Act, and shall otherwise take such actions as are required or permitted under any applicable Bond Resolution.

(F) Except as otherwise provided in any Supplemental Program Resolution, all Loans made by the Trust in accordance with this Program Resolution shall either be Leveraged Loans or Direct Loans.

Section 204. Issuance of Bonds; Pledge.

(A) In order to provide funds to be applied by the Trust to make Leveraged Loans and purchase Local Governmental Obligations, the Trust may from time to time, as expressed or otherwise provided with respect to various Borrowers in one or more resolutions adopted by the Board and in one or more Bond Resolutions, issue one or more Series of Bonds and enter into one or more Qualified Hedge Agreements which, except as otherwise provided in the applicable Bond Resolution, shall be secured under this Program Resolution solely to the extent hereinafter provided. Each Series of Bonds shall bear such designation, be dated and mature, bear interest at the rate or rates, if any, be in such form and otherwise have such terms and provisions, be issued under such conditions, be secured and otherwise be as set forth in the applicable Bond Resolution.

(B) There are hereby pledged and assigned (1) to the Program Trustee as security for payment of the 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 Bonds and such Scheduled Hedge Payments but solely to the extent and in the manner provided in Section 308 hereof, (2) to the Program Trustee as security for the payment of the Pool 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 Bonds, the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available for the payment of Pool Bonds and such Scheduled Hedge Payments but solely to the extent and in the manner provided in Section 307 hereof, (3) to the Program Trustee as security for the payment of the

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 in the applicable Contract Assistance Determination and the applicable Bond Resolution and to any lien on and 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 Leveraged Loan or issue of Local Governmental Obligations, as applicable, 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, as provided in the applicable Bond Resolution and the related Equity Allocation Certificate, all amounts allocable to and available for the payment of such Leveraged Loan or issue of Local Governmental Obligations or Bonds or Scheduled Hedge Payments from time to time on deposit in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable, provided that (a) only the amounts in an Account or Subaccount in the Leveraged Bond Fund that are allocable to a Series of Bonds (or the several Series of parity Bonds the proceeds of which have been applied to make Loans to, or to purchase Local Governmental Obligations from, the same Borrower), as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Program Trustee pursuant to Section 305(E) hereof, shall be available for and pledged and assigned for the payment of the Bonds of such Series and for the payment of the Scheduled Hedge Payments required to be paid by the Trust under any Qualified Hedge Agreement related to such Series of Bonds, and (b) except as otherwise provided in the applicable Bond Resolution or the related Equity Allocation Certificate, in the case of any Series of Bonds the proceeds of which have been or will be applied to make Loans to, or to purchase Local Governmental Obligations from, more than one Borrower, upon a Payment Default by any such Borrower under the related Financing Agreement, only the amounts, if any, on deposit in an Account or Subaccount in the Leveraged Bond Fund which have been allocated to the Loan to, or Local Governmental Obligations purchased from, such Borrower (as evidenced by the related Equity Allocation Certificate and a certificate of an Authorized Officer of the Trust delivered to the Program Trustee pursuant to Section 305(E) hereof) shall be available for and pledged and assigned to the payment of the Bonds of such Series and to the payment of the Scheduled Hedge Payments required to be paid by the Trust under any Qualified Hedge Agreement related to such Series of Bonds and such amounts shall be applied to such purpose only to the extent of such Payment Default. Except as hereinafter provided, no other Fund or Account established under or pursuant to this Program Resolution shall be available for or pledged and assigned to the payment of Bonds or to Scheduled Hedge Payments required to be paid by the Trust under a Qualified Hedge Agreement. Notwithstanding the foregoing sentence, any Supplemental Program Resolution or certificate of an Authorized Officer directing the Program Trustee to establish a Fund, Account or Subaccount hereunder pursuant to Section 301(B) hereof may provide that such Fund, Account or Subaccount and all or any portion of the amounts deposited or held from time to time therein may be available for and pledged and assigned to the payment of Bonds or to Scheduled Hedge Payments required to be paid by the Trust under a Qualified Hedge Agreement.

(C) In consideration of the purchase and acceptance of Bonds by those who shall be the Owners thereof from time to time, the provisions of this Program Resolution shall be and shall constitute a contract among the Trust, the Program Trustee and the Owners from time to time of the Bonds. Except as otherwise expressly provided herein (including without limitation Paragraph (B) of this Section 204) or in the applicable Bond Resolution, the pledge made in this Program Resolution and the provisions, covenants and agreements herein set forth 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 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 Bonds over any other thereof.

(D) To the extent permitted by law, the pledge made by this Program Resolution shall be valid and binding from the time of the delivery by the Trust of the first Bond, shall be effective as to all such rights and other pledged property whether now existing or hereafter coming into existence, whether now held or hereafter acquired by the Trust, and whether or not segregated or held in trust by the Trust. The amounts so pledged shall immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act and the lien of such pledge shall be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise, against the Trust, irrespective of whether such parties have notice thereof.

(E) Notwithstanding anything herein to the contrary, except as expressly provided in the applicable Bond Resolution, the Bonds of each Series and any Scheduled Hedge Payments required to be paid by the Trust under any Qualified Hedge Agreement shall not be general obligations of the Trust or a pledge of its full faith and credit, but shall be special obligations of the Trust secured solely as provided herein and in the related Bond Resolution and payable solely from the funds, amounts and other property available and pledged for such payments pursuant to this Section 204 and in the related Bond Resolution. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the 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.

Section 205. Conditions Precedent to Securing Bonds under Program Resolution.

(A) Notwithstanding anything herein to the contrary, the pledge and assignment made herein for the benefit of the Owners of a Series of Bonds shall not be effective with respect to such Series unless prior to or simultaneously with the original authentication and delivery of such Series of Bonds the Trust shall deliver to the Program Trustee:

(1) an original executed counterpart of an Equity Allocation Certificate (a) stating that such Series of Bonds is being issued by the Trust and that such Series of Bonds is entitled to the pledge and assignment made in this Program Resolution, (b) directing the Program Trustee as to the creation of any Funds, Accounts or Subaccounts to be established for such Series of Bonds, (c) directing the Program Trustee, in accordance with Section 302 hereof, as to the amount of any Equity to be allocated to such Series of 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 Bonds, whether the Projects financed or refinanced by such Loans or Local Governmental Obligations are Clean Water Projects or Drinking Water Projects, whether any such Loans are Federal Program Loans or Commonwealth Program Loans, whether any such Federal Program Loans or Local Governmental Obligations are Pool Obligations, the sources of Equity allocated to such Series of Bonds or to such Loans or Local Governmental Obligations and the manner in which the Program Trustee is to deposit such Equity in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable, and to transfer such Equity to the applicable Bond Trustee for deposit in the related Debt Service Reserve Fund, if any, and the timing of such deposits and transfers, (d) subject to Section 302 hereof, describing the extent to which and the manner in which the sources of Equity allocated to such Series of Bonds or to such Loans or Local Governmental Obligations may be revised from time to time during the terms of the Loans or Local Governmental Obligations, (e) directing the Program Trustee as to the application of any Equity Earnings on Allocated Equity for such Series of Bonds or for such Loans or Local Governmental Obligations, and (f) setting forth the manner in which and the extent to which the amount of Allocated Equity referred to in such certificate may be reduced during the term of such Series of Bonds or such Loans or Local Governmental Obligations;

(2) a certificate of an Authorized Officer (which may be combined with the applicable Equity Allocation Certificate) setting forth the information required by Section 206(A) hereof;

(3) a copy, certified by an Authorized Officer, of the related Bond Resolution;  
and

(4) if such Series of Bonds are Pool Bonds and if the Equity Requirement for such Series of Bonds is less than the Equity Requirement for any other Series of Pool Bonds Outstanding, a certificate of an Authorized Officer of the Trust to the effect that it has notified each Rating Agency of the proposed issuance of such Series of Pool Bonds and has furnished each Rating Agency with a copy of the related Bond Resolution (or a final draft thereof), accompanied by a letter from each Rating Agency (or other evidence satisfactory to the Program Trustee) confirming that the reduction in the Equity Requirement for such Series of Pool 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 Bonds.

(B) Notwithstanding anything herein to the contrary, the Trust shall not make any Direct Loan under the Program unless prior to or simultaneously with the closing of such Loan the Trust shall deliver to the Program Trustee:

(1) an original executed counterpart of an Equity Allocation Certificate (a) directing the Program Trustee as to the creation of any Funds, Accounts or Subaccounts to be established for such Direct Loan, (b) directing the Program Trustee, in accordance with Section 302 hereof, as to the amount of Equity to be allocated to such Loan, whether

the Project financed or refinanced by such Loan is a Clean Water Project or a Drinking Water Project, whether such Loan is a Federal Program Loan or a Commonwealth Program Loan, the sources of Equity allocated to such Loan and the manner in which the Program Trustee is to deposit such Equity in the Direct Loan Fund and the related Direct Loan Project Account held hereunder, or, in the case of any Pledged Direct Loan, to transfer such Equity to the applicable Bond Trustee for deposit in the related Direct Loan Project Account held under the related Bond Resolution, and disburse such amounts to or for the account of the related Borrower and the timing of such deposits and disbursements, (c) subject to Section 302 hereof, describing the extent to which and the manner in which the sources of Equity allocated to such Loan may be revised from time to time during the term of such Loan, (d) directing the Program Trustee as to the application of any Net Earnings on investment or deposits of Equity and other amounts held in the Direct Loan Project Account allocable to such Loan; and (e) setting forth the manner in which and the extent to which the amount of Allocated Equity referred to in such certificate may be reduced during the term of such Loan;

(2) a certificate of an Authorized Officer (which may be combined with the applicable Equity Allocation Certificate) setting forth the information required by Section 206(B) hereof; and

(3) an original executed counterpart of the Financing Agreement for such Direct Loan.

(C) Notwithstanding anything herein to the contrary, the Trust shall not make any Interim Loan under the Program unless prior to or simultaneously with the closing of such Interim Loan the Trust shall deliver to the Program Trustee a certificate of an Authorized Officer (a) certifying that the Trust and the applicable Borrower have executed and delivered a Financing Agreement for the Loan or purchase of Local Governmental Obligations in anticipation of which the Interim Loan is to be made and stating whether the Project financed or refinanced by such Interim Loan is a Clean Water Project or a Drinking Water Project and whether any such Loan is a Federal Program Loan or a Commonwealth Program Loan, (b) setting forth the terms and conditions of such Interim Loan including the maximum principal amount thereof, the interest rate thereon and the maturity date thereof, (c) directing the Program Trustee as to the creation of an Interim Loan Project Account for the Interim Loan in accordance with Section 308 hereof, and (d) certifying that the amount of Project Costs that may be financed or refinanced by such Interim Loan, together with the amount of Project Costs that may be financed or refinanced under all other Interim Loans then outstanding (and not theretofore funded by such Interim Loans), does not exceed the amount available for such purpose in the Interim Loan Fund and all Accounts therein.

#### Section 206. Calculation of Obligations.

(A) Upon or prior to the original authentication and delivery of any Series of Bonds the Trust shall deliver to the Program Trustee a certificate of an Authorized Officer, upon which the Program Trustee may conclusively rely, setting forth (i) the principal (including mandatory sinking fund installments) and interest payable on the Bonds of such Series on each principal and interest payment date thereof, and (ii) 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 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 Bonds required to be set forth in said certificate pursuant to clause (i) above, if the Trust (1) enters into a Qualified Hedge Agreement pursuant to Section 207 hereof 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 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 Bonds, then the interest set forth as payable on the 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 Bonds.

(B) Upon or prior to the closing of each Direct Loan other than a Pledged Direct Loan made by the Trust in accordance with this Program Resolution the Trust shall deliver to the Program Trustee a certificate of an Authorized Officer, upon which the Program Trustee may conclusively rely, setting forth the principal and interest payable on such Direct Loan and, as applicable, the Borrower Payments, Contract Assistance Payments and Equity Earnings allocable to such Direct Loan, and demonstrating that such Borrower Payments, Contract Assistance Payments and Equity Earnings, as applicable, are expected to be sufficient in amount and time of receipt to pay the principal of and interest on such Direct Loan when due.

Section 207. Qualified Hedge Agreements.

(A) 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 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 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 the following:

(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 Bonds or portions thereof subject to the Qualified Hedge Agreement.

(B) 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 Section 204 hereof on a parity with the pledge thereof created hereunder for the benefit of the Registered Owners of the 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 this Program Resolution

Section 208. Bond Anticipation Notes.

(A) 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. Each Series of Notes shall bear such designation, be dated and mature, bear interest at the rate or rates, if any, be in such form and otherwise have such terms and provisions, be issued under such conditions, be secured and otherwise be as set forth in the applicable Note Resolution.

(B) As provided in the Act, the Notes of any Series may be issued as general obligations of the Trust for the payment of which its full faith and credit may be pledged, or as special obligations of the Trust secured solely by and payable solely from the funds, amounts and other property available and pledged for such payments pursuant to this Section 208 and in the related Note Resolution. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Notes and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to their payment.

(C) A copy, certified by an Authorized Officer, of the related Note Resolution authorizing any Series of Notes shall be delivered to the Program Trustee prior to or simultaneously with the original authentication and delivery of such Series of Notes, together with such other information concerning such Notes as the Program Trustee may reasonably request.

**ARTICLE III.**

**ESTABLISHMENT OF FUNDS AND  
ACCOUNTS AND APPLICATION THEREOF**

Section 301. Establishment of Funds and Accounts and Subaccounts.

(A) The following Funds and Accounts and Subaccounts are hereby created, or authorized to be created as provided herein, to be held by the Program Trustee, except for the Administrative Expense Fund which shall be held by the Trust in the custody of the State

Treasurer or such depository or depositories (which may include the Program Trustee or any Bond Trustee) as the State Treasurer may designate, separate and apart from all other moneys and funds of the Trust:

- (1) Clean Water Equity Fund
  - Federal Program Account
  - Commonwealth Program Account
  - ARRA Program Account
- (2) Drinking Water Equity Fund
  - Federal Program Account
  - ARRA Program Account
- (3) Leveraged Bond Fund
  - Clean Water Leveraged Bond Account
    - Federal Program Subaccount
    - Commonwealth Program Subaccount
  - Drinking Water Leveraged Bond Account
- (4) Direct Loan Fund
  - Direct Loan Project Accounts
- (5) Pool Program Reserve Fund
  - Clean Water Pool Program Reserve Account
  - Drinking Water Pool Program Reserve Account
- (6) Deficiency Fund
  - Clean Water Deficiency Account
    - Federal Program Subaccount
    - Commonwealth Program Subaccount
  - Drinking Water Deficiency Account

(7) Interim Loan Fund

Clean Water Program Account

Federal Program Subaccount

Commonwealth Program Subaccount

Drinking Water Program Account

Interim Loan Project Accounts

(8) Contract Assistance Fund

(9) Administrative Expense Fund

(B) In addition to the Funds and Accounts created by Paragraph (A) of this Section 301, the Trust may by Supplemental Program Resolution or by certificate of an Authorized Officer (which may be an Equity Allocation Certificate) filed with the Program Trustee create one or more other funds or accounts, or may create one or more accounts or sub-accounts within such Funds and Accounts, to be held and maintained as provided in such Supplemental Program Resolution or certificate.

(C) The Leveraged Bond Fund, the Pool Program Reserve Fund and the Deficiency Fund shall be held by the Program Trustee for the benefit of the Owners of the respective Series of Bonds Outstanding and for the benefit of the Hedge Providers for any Qualified Hedge Agreements in the manner and to the extent provided in or pursuant to Section 204 hereof and the related Equity Allocation Certificate. Except as otherwise provided herein, in any Supplemental Program Resolution or in any certificate of an Authorized Officer filed with the Program Trustee in accordance with Paragraph (B) of this Section 301, all other Funds and Accounts created under or pursuant to this Program Resolution shall be held by the Program Trustee solely for the account of the Trust.

(D) For purposes of compliance with provisions of the Clean Water Act and the Act restricting the use of moneys within the Clean Water SRF, except as otherwise provided in any Grant Agreement or in any Supplemental Program Resolution or any certificate of an Authorized Officer described in Paragraph (B) of this Section 301, the Clean Water Equity Fund, other than the Commonwealth Program Account therein, the Clean Water Leveraged Bond Account in the Leveraged Bond Fund, other than the Commonwealth Program Subaccount therein, the Clean Water Pool Program Reserve Account, the Clean Water Deficiency Account, other than the Commonwealth Program Subaccount therein, and the Clean Water Program Account in the Interim Loan Fund shall be deemed to be within the Clean Water SRF. For purposes of compliance with provisions of the Drinking Water Act and the Act restricting the use of moneys within the Drinking Water SRF, except as otherwise provided in any Grant Agreement or in any Supplemental Program Resolution or any certificate of an Authorized Officer described in Paragraph (B) of this Section 301, the Drinking Water Equity Fund, the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund, the Drinking Water Pool Program Reserve Account, the Drinking Water Deficiency Account and the Drinking Water Program

Account in the Interim Loan Fund shall be deemed to be within the Drinking Water SRF. As provided in the Master Funding Agreement, the Program Trustee shall hold and apply all such Funds and Accounts and Subaccounts on the terms and conditions provided herein, in trust subject to any pledge and assignment made hereby, as custodian for, and as agent of, the State Treasurer. Except as expressly authorized or permitted hereunder or otherwise by the Clean Water Act or the Drinking Water Act, as applicable (as evidenced by an Opinion of Counsel to such effect delivered to the Program Trustee), (i) no amount held or deposited hereunder in any Fund or Account within the Clean Water SRF shall be applied to fund any Drinking Water Loan or any Commonwealth Program Loan or any Borrower Payments thereon or any Interim Loan made in anticipation thereof, or to secure any Bonds issued to fund any Drinking Water Loan or any Commonwealth Program Loan or to secure any Scheduled Hedge Payments related to such Bonds which are required to be made by the Trust under any Qualified Hedge Agreement or to cure any Payment Default thereon, or any Fund or Account or Subaccount allocable thereto under this Program Resolution or any Bond Resolution, and (ii) no amount held or deposited hereunder in any Fund or Account or Subaccount within the Drinking Water SRF shall be applied to fund any Clean Water Loan or the purchase of any Local Governmental Obligations or any Borrower Payments thereon or any Interim Loan made in anticipation thereof, or to secure any 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 Bonds which are required to be made by the Trust under any Qualified Hedge Agreement or to cure any Payment Default thereon, or any Fund or Account or Subaccount allocable thereto under this Program Resolution or any Bond Resolution.

Section 302. Allocation of Equity.

(A) Simultaneously with or prior to the authentication and delivery of any Series of Bonds the proceeds of which will be applied by the Trust to fund one or more Leveraged Loans or to purchase one or more issues of Local Governmental Obligations in whole or in part, the Trust may, and to the extent provided in this Section 302 shall, allocate Equity to such Series of Bonds or to any Pledged Direct Loans or Leveraged Loans or Local Governmental Obligations, and simultaneously with or prior to the closing of any Direct Loan other than a Pledged Direct Loan or ARRA Loan in accordance with this Program Resolution, the Trust may, and to the extent provided in this Section 302 shall, allocate Equity to such Direct Loan or ARRA Loan, in each case in compliance with the requirements of this Section 302 and as set forth in the related Equity Allocation Certificate.

(B) The Trust shall allocate Equity to each Series of Bonds, or to each Pledged Direct Loan securing such Bonds or to each Leveraged Loan and issue of Local Governmental Obligations funded thereby, and to each Direct Loan other than a Pledged Direct Loan or ARRA Loan made hereunder, in the amount or amounts set forth in the related Equity Allocation Certificate, provided that the Allocated Equity for each Series of 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 for such Series of Bonds, Pledged Direct Loan, Leveraged Loan or issue of Local Governmental Obligations (to the extent reasonably practicable and subject to such deviation as may be necessary for the administration and investment of moneys in the Revolving Fund and as otherwise permitted in the applicable Bond Resolution).

(C) Each Equity Allocation Certificate shall identify the amount or amounts of Allocated Equity for the applicable Series of Bonds or Pledged Direct Loans or Leveraged Loans or Local Governmental Obligations and the sources thereof, which sources may be derived from (1) funds drawn by the Trust on or prior to the date of delivery to the Program Trustee of such Equity Allocation Certificate 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 Section 308 hereof or any other source, provided such funds have been received in cash and are held in trust as security hereunder or under the applicable Bond Resolution for repayment of such Series of Bonds or such Pledged Direct Loans or Leveraged Loans or Local Governmental Obligations 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 (i) in the case of any Federal Capitalization Grant, (a) such Grant has been awarded to and accepted by the Trust, (b) such funds may be drawn by the Trust under the applicable Grant Agreement without further authorization of the grantor (other than satisfaction by the Trust of such preconditions to such draw as are provided in the Federal Acts and the applicable Grant Agreement) and (c) the Trust in the applicable Equity Allocation Certificate has agreed to allocate such Grant as Equity for such Series of Bonds or such Pledged Direct Loans or Leveraged Loans or Local Governmental Obligations and (ii) in the case of any Commonwealth Matching Grant, (a) the Secretary shall have approved a Commonwealth Grant Allocation providing for such Commonwealth Matching Grant, (b) such funds may be drawn upon or are otherwise payable to the Trust under the Master Funding Agreement and the applicable Commonwealth Grant Allocation without further authorization of the Commonwealth (other than satisfaction by the Trust of such preconditions, if any, to such draw as are provided in the Master Funding Agreement), and (c) the Trust in the applicable Equity Allocation Certificate has agreed to allocate such Grant as Equity for such Series of Bonds or such Pledged Direct Loans or Leveraged Loans or Local Governmental Obligations.

(D) Each Equity Allocation Certificate pertaining to a Series of Bonds or to a Pledged Direct Loan securing such Bonds or to a Leveraged Loan or to the purchase of Local Governmental Obligations funded thereby 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 Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations, the sum of the Equity allocable to such Series of Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations (1) on deposit in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable (exclusive of Equity Earnings thereon except as otherwise provided in such Equity Allocation Certificate), (2) on deposit in the related Debt Service Reserve Fund (exclusive of Equity Earnings thereon), 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 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 Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations, less any unreimbursed amounts of Allocated Equity applied in accordance with this Program Resolution and the applicable Bond Resolution to pay debt service on such 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. Each Equity Allocation Certificate pertaining to a Direct Loan other than a Pledged Direct Loan or an ARRA Loan shall set forth the Equity Requirement therefor and shall direct the Program 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, including ARRA 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 Direct Loan or ARRA Loan, the sum of the Equity allocable to such Direct Loan or ARRA Loan (1) deposited in the related Direct Loan Project Account or Interim Loan Project Account, as applicable, (exclusive of Equity Earnings thereon except as otherwise provided in such Equity Allocation Certificate), and either on deposit therein or theretofore disbursed to or for the account of the Borrower as provided herein and (2) allocated to such Direct Loan or ARRA Loan 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 Direct Loan or ARRA Loan, as applicable.

(E) The Trust may in its discretion and from time to time deliver to the Program Trustee and the Program Trustee shall accept a certificate of an Authorized Officer amending any Equity Allocation Certificate previously filed with the Program Trustee, provided that no such amendment shall cause such Equity Allocation Certificate, as so amended, not to satisfy the requirements of Paragraph (D) of this Section 302.

(F) 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.

(G) Except as may be otherwise provided in any Supplemental Program Resolution, the Program Trustee shall have no obligation or duty with respect to the Federal Capitalization Grants or Commonwealth Matching Grants or under any applicable Grant Agreement (except as expressly provided therein) including, without limitation, any obligation or duty to draw funds on such Federal Capitalization Grants or Commonwealth Matching Grants or to enforce the obligations of the United States for any Federal Capitalization Grants or of the Commonwealth for any Commonwealth Matching Grants or other amounts appropriated to the Trust.

Section 303. Clean Water Equity Fund.

(A) Except as otherwise provided herein or in any Supplemental Program Resolution, upon the written direction of an Authorized Officer of the Trust (which direction may be an Equity Allocation Certificate or any other certificate of an Authorized Officer) the Program Trustee shall deposit the following amounts in the Federal Program Account in the Clean Water Equity Fund upon receipt thereof by the Program Trustee;

(1) all Federal Capitalization Grants (other than ARRA Capitalization Grants) and Commonwealth Matching Grants allocable to the Clean Water SRF and amounts drawn thereon;

(2) any other amounts paid to the Trust (or paid to the Commonwealth and appropriated to the Trust), other than ARRA Capitalization Grants, representing financial assistance provided pursuant to the Clean Water Act for purposes of deposit in the Clean Water SRF;

(3) any other amounts appropriated to the Trust by the Commonwealth for purposes of the Clean Water SRF;

(4) 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;

(5) all amounts transferred to the Federal Program Account in the Clean Water Equity Fund from the Federal Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund in accordance with Section 308 hereof;

(6) all amounts transferred to the Federal Program Account in the Clean Water Equity Fund from the Federal Program Account in the Drinking Water Equity Fund in accordance with Section 304(D)(8) hereof;

(7) all amounts transferred to the Federal Program Account in the Clean Water Equity Fund from the ARRA Program Account in the Clean Water Equity Fund in accordance with Section 303(G)(2) hereof;

(8) all amounts paid to or for the account of the Trust by Borrowers on account of interest on any Interim Loan made in anticipation of any Federal Program Loan or the purchase of any Local Governmental Obligations allocable to the Clean Water SRF;

(9) all other amounts required by any provision of this Program Resolution to be deposited in the Federal Program Account in the Clean Water Equity Fund; and

(10) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by the Trust for deposit in the Federal Program Account in the Clean Water Equity Fund.

(B) Except as otherwise provided herein or in any Supplemental Program Resolution, upon the written direction of an Authorized Officer of the Trust (which direction may be an Equity Allocation Certificate or any other certificate of an Authorized Officer) the Program Trustee shall deposit the following amounts in the Commonwealth Program Account in the Clean Water Equity Fund upon receipt thereof by the Program Trustee;

(1) any amounts appropriated to the Trust by the Commonwealth for purposes of the Commonwealth Program Account in the Clean Water Equity Fund;

(2) all Net Earnings on investment or deposit of amounts held in the Commonwealth Program Account in the Clean Water Equity Fund;

(3) all amounts transferred to the Commonwealth Program Account in the Clean Water Equity Fund from the Commonwealth Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund in accordance with Section 308 hereof;

(4) all amounts paid to or for the account of the Trust by Borrowers on account of interest on any Interim Loan made in anticipation of a Commonwealth Program Loan;

(5) all other amounts required by any provision of this Program Resolution to be deposited in the Commonwealth Program Account in the Clean Water Equity Fund; and

(6) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by the Trust for deposit in the Commonwealth Program Account in the Clean Water Equity Fund.

(C) Except as otherwise provided herein or in any Supplemental Program Resolution, upon the written direction of an Authorized Officer of the Trust (which direction may be an Equity Allocation Certificate or any other certificate of an Authorized Officer) the Program Trustee shall deposit the following amounts in the ARRA Program Account in the Clean Water Equity Fund upon receipt thereof by the Program Trustee:

(1) all ARRA Capitalization Grants allocable to the Clean Water SRF and amounts drawn thereon;

(2) all other amounts required by any provision of this Program Resolution to be deposited in the ARRA Program Account in the Clean Water Equity Fund; and

(3) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by the Trust for deposit in the ARRA Program Account in the Clean Water Equity Fund.

(D) Notwithstanding anything in Paragraph (A) or Paragraph (B) or Paragraph (C) of this Section 303 to the contrary, the Trust covenants and agrees that as funds representing Allocated Equity become available to be drawn under any Federal Capitalization Grant or

Commonwealth Matching Grant or other source identified in the applicable Equity Allocation Certificate for the benefit of the Federal Program Account or the Commonwealth Program Account or the ARRA Program Account of the Clean Water Equity Fund, as applicable, the Trust shall promptly take all actions necessary to draw and obtain such funds in accordance with the Clean Water Act, ARRA, the Act and the applicable Grant Agreement and to pay such amounts over to the Program Trustee. Upon receipt of such amounts the Program Trustee shall promptly deposit them in the Clean Water Equity Fund as provided in Paragraph (A) or Paragraph (B) or Paragraph (C) of this Section 303, as applicable.

(E) The Program Trustee shall make the following transfers and payments from the Federal Program Account in the Clean Water Equity Fund:

(1) as provided in the applicable Equity Allocation Certificate (or at such earlier time as may be directed by certificate of an Authorized Officer of the Trust), for deposit in the Federal Program Subaccount in the Clean Water Leveraged Bond Account, amounts in the aggregate equal to the Allocated Equity for each Leveraged Loan which is a Federal Program Clean Water Loan or for each purchase of Local Governmental Obligations or for the Bonds of the Series issued to fund such Loan or Local Governmental Obligations (together with any amounts allocable to such Loan or Local Governmental Obligations or Bonds transferred to a Bond Trustee in accordance with clause (2) of this Paragraph (E)), but solely to the extent amounts equal to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund;

(2) subject to the related Bond Resolution and the applicable Equity Allocation Certificate, to a Bond Trustee upon its written request, for deposit in the Debt Service Fund for the Bonds of a Series issued to fund any Leveraged Loan which is a Federal Program Clean Water Loan or the purchase of any Local Governmental Obligations, amounts in the aggregate (together with all amounts allocable to such Leveraged Loan or Local Governmental Obligations or Bonds deposited in the Federal Program Subaccount in the Clean Water Leveraged Bond Account in accordance with clause (1) of this Paragraph (E) or issued to fund any Pledged Direct Loan that is a Clean Water Loan and that secures such Series of Bonds) equal to the Allocated Equity for such 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 Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations or Bonds to make a debt service payment on such Bonds, or to make Scheduled Hedge Payments related to such 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 may be drawn from Federal Capitalization Grants or Commonwealth Matching Grants held for the credit of the Federal Program Account in the Clean Water Equity Fund in accordance with the applicable Equity Allocation Certificate;

(3) as provided in the applicable Equity Allocation Certificate, (i) for deposit in the related Direct Loan Project Account established hereunder for each Direct Loan which is a Federal Program Clean Water Loan, amounts in the aggregate equal to the Allocated Equity for such Direct Loan, or (ii) for deposit in the Direct Loan Project

Accounts established under the related Bond Resolution for Pledged Direct Loans which are Federal Program Clean Water Loans, amounts in the aggregate equal to the Allocated Equity for the Bonds of the Series secured by such Pledged Direct Loans, but solely to the extent amounts equal to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund;

(4) upon written direction of the Trust, for deposit in the Federal Program Subaccount in the Clean Water Program Account in the Interim Loan Fund, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer, provided that each such certificate shall certify that such transfer and deposit will not adversely affect the ability of the Trust to thereafter fund the Allocated Equity for all Loans then outstanding which are Federal Program Clean Water Loans, for all Local Governmental Obligations then outstanding and for all Bonds then outstanding which were issued to fund such Loans and Local Governmental Obligations in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans, Local Governmental Obligations and Bonds;

(5) upon written direction of the Trust, to one or more Bond Trustees for deposit in the Rebate Funds under the related Bond Resolutions, amounts if any (specified by the Trust) necessary to satisfy any Rebate Requirement under the applicable Bond Resolution;

(6) upon the written direction of the Trust, to the State Treasurer for deposit in the Water Pollution Abatement and Drinking Water Projects Administration Fund, amounts derived solely from the proceeds of each Federal Capitalization Grant or Commonwealth Matching Grant allocable to the Clean Water SRF to the extent permitted by the Clean Water Act to be used for costs of administration of the Clean Water Program;

(7) upon the written direction of the Trust, for deposit in the Administrative Expense Fund, amounts, if any, allowed pursuant to the Clean Water Act and the Act to be used by the Trust to pay Administrative Expenses;

(8) upon the written direction of the Trust, for transfer to and deposit in the Federal Program Account in the Drinking Water Equity Fund for application to the purpose authorized by Section 304(D)(4) hereof, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer; provided that each such written direction shall certify that (i) no other funds on deposit in the Federal Program Account in the Drinking Water Equity Fund are available for such purpose, (ii) the amount to be transferred was not drawn on any Federal Capitalization Grant or Commonwealth Matching Grant in order to make such transfer, (iii) the amount to be transferred is not reasonably expected to be needed for any other purpose authorized under this Paragraph (E) prior to the repayment of such amount to the Federal Program Account in the Clean Water Equity Fund, and (iv) such transfer and deposit will not adversely affect the ability of the Trust thereafter to fund the Allocated Equity for all Loans then outstanding which are Federal Program Clean Water Loans, for all Local Governmental Obligations then outstanding and for all Bonds then outstanding which

were issued to fund such Loans and Local Governmental Obligations in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans, Local Governmental Obligations and Bonds; and provided further that each such transfer and deposit shall be evidenced by a note issued by the Trust to the Program Trustee in principal amount equal to the amount transferred, maturing on a date no later than one year after the date of such transfer, bearing interest at a rate equivalent to the rate or rates payable while such note shall be outstanding by a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth and payable from any amounts thereafter deposited in the Federal Program Account in the Drinking Water Equity Fund that are available for such purpose, subject to the prior application of any such amounts that constitute Allocated Equity for any Outstanding Drinking Water Loan or Bond as provided in clauses (1), (2) and (3) of Section 304(D);

(9) upon the written direction of the Trust, to the payment of the principal and interest due on any Series of Outstanding Notes to the extent provided in the applicable Note Resolution therefor; and

(10) upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely), for transfer to or upon the order of the Trust for any other purpose authorized by the Clean Water Act, this Program Resolution and the Act.

(F) The Program Trustee shall make the following transfers and payments from the Commonwealth Program Account in the Clean Water Equity Fund:

(1) as provided in the applicable Equity Allocation Certificate (or at such earlier time as may be directed by certificate of an Authorized Officer of the Trust), for deposit in the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, amounts in the aggregate equal to the Allocated Equity for each Leveraged Loan which is a Commonwealth Program Loan or for the Bonds of the Series issued to fund such Loan (together with any amounts allocable to such Loan or Bonds transferred to a Bond Trustee in accordance with clause (2) of this Paragraph (F)), but solely to the extent amounts equal to such Allocated Equity are available in the Commonwealth Program Account in the Clean Water Equity Fund;

(2) subject to the provisions of the related Bond Resolution and the applicable Equity Allocation Certificate, to a Bond Trustee upon its written request, for deposit in the Debt Service Fund for the Bonds of a Series issued to fund any Leveraged Loan which is a Commonwealth Program Loan, amounts in the aggregate (together with all amounts allocable to such Leveraged Loan or Bonds deposited in the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account in accordance with clause (1) of this Paragraph (F) or issued to fund any Pledged Direct Loan that is a Commonwealth Program Loan and that secures such Series of Bonds) equal to the Allocated Equity for such Bonds or Pledged Direct Loan or Leveraged Loan and certified by the Bond Trustee as necessary due to a Payment Default allocable to such Pledged Direct Loan or Leveraged Loan or Bonds to make a debt service payment on such Bonds, or to make Scheduled Hedge Payments related to such 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 Commonwealth Program Account in the Clean Water Equity Fund or may be drawn from a Commonwealth appropriation to the Trust or other source held for the credit of the Commonwealth Program Account in the Clean Water Equity Fund in accordance with the applicable Equity Allocation Certificate;

(3) as provided in the applicable Equity Allocation Certificate, (i) for deposit in the related Direct Loan Project Account established hereunder for each Direct Loan which is a Commonwealth Program Loan, amounts in the aggregate equal to the Allocated Equity for such Direct Loan or (ii) for deposit in the Direct Loan Project Accounts established under the related Bond Resolution for Pledged Direct Loans which are Commonwealth Program Loans, amounts in the aggregate equal to the Allocated Equity for the Bonds of the Series secured by such Pledged Direct Loans, but solely to the extent amounts equal to such Allocated Equity are available in the Commonwealth Program Account in the Clean Water Equity Fund;

(4) upon written direction of the Trust, for deposit in the Commonwealth Program Subaccount in the Clean Water Program Account in the Interim Loan Fund, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer, provided that each such certificate shall certify that such transfer and deposit will not adversely affect the ability of the Trust to thereafter fund the Allocated Equity for all Loans then outstanding which are Commonwealth Program Loans and for all Bonds then outstanding which were issued to fund such Loans in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans or Bonds;

(5) upon written direction of the Trust, to one or more Bond Trustees for deposit in the Rebate Funds under the related Bond Resolutions, amounts if any (specified by the Trust) necessary to satisfy any Rebate Requirement under the applicable Bond Resolution;

(6) upon the written direction of the Trust, for deposit in the Administrative Expense Fund, amounts, if any, allowed pursuant to the Act to be used by the Trust to pay Administrative Expenses; and

(7) upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely), for transfer to or upon the order of the Trust for any purpose authorized by the Act.

(G) The Program Trustee shall make the following transfers and payments from the ARRA Program Account in the Clean Water Equity Fund:

(1) upon written direction of the Trust, for deposit in the Federal Program Subaccount in the Clean Water Program Account in the Interim Loan Fund, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer;

(2) upon written direction of the Trust, for deposit in the Federal Program Account in the Clean Water Equity Fund to the extent provided in Section 309(E) hereof, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer, to reimburse the Federal Program Account in the Clean Water Equity Fund for amounts theretofore transferred to the Federal Program Subaccount in the Clean Water Program Account in the Interim Loan Fund in accordance with Paragraph (E)(4) of this Section 303 to fund an ARRA Loan; and

(3) upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely), for transfer to or upon the order of the Trust for any purpose authorized by the Clean Water Act, ARRA and the Act.

(H) Notwithstanding anything in this Program Resolution to the contrary, to the extent provided in the applicable Equity Allocation Certificate and permitted by the Clean Water Act, the Act and any applicable Grant Agreement, amounts held in the Federal Program Account or the Commonwealth Program Account in the Clean Water Equity Fund may be applied by the Trust as directed from time to time in a certificate of an Authorized Officer (which may be an Equity Allocation Certificate) to temporarily finance or refinance costs of any Clean Water Project pending disbursement of the proceeds of the applicable Series of Bonds as provided in the related Bond Resolution; provided that each such certificate shall certify that such transfer and deposit will not adversely affect the ability of the Trust to thereafter fund the Allocated Equity for all Clean Water Loans and Local Governmental Obligations then outstanding and for all Bonds then outstanding which were issued to fund Clean Water Loans and Local Governmental Obligations in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans, Local Governmental Obligations and Bonds; and provided further that upon disbursement of such Bond proceeds the applicable Account in the Clean Water Equity Fund shall be reimbursed in an amount equal to the amount in such Account so previously applied as provided in this Paragraph (H).

#### Section 304. Drinking Water Equity Fund.

(A) Except as otherwise provided herein or in any Supplemental Program Resolution, upon the written direction of an Authorized Officer of the Trust (which direction may be an Equity Allocation Certificate or any other certificate of an Authorized Officer) the Program Trustee shall deposit the following amounts in the Federal Program Account in the Drinking Water Equity Fund upon receipt thereof by the Program Trustee;

(1) all Federal Capitalization Grants (other than ARRA Capitalization Grants) and Commonwealth Matching Grants allocable to the Drinking Water SRF and amounts drawn thereon;

(2) any other amounts paid to the Trust (or paid to the Commonwealth and appropriated to the Trust), other than ARRA Capitalization Grants, representing financial assistance provided pursuant to the Drinking Water Act for purposes of deposit in the Drinking Water SRF;

(3) any other amounts appropriated to the Trust by the Commonwealth for purposes of the Drinking Water SRF;

(4) all Net Earnings on investment or deposit of amounts held in the Federal Program Account and the ARRA Program Account in the Drinking Water Equity Fund;

(5) all amounts transferred to the Federal Program Account in the Drinking Water Equity Fund from the Drinking Water Deficiency Account in the Deficiency Fund in accordance with Section 308 hereof;

(6) all amounts transferred to the Federal Program Account in the Drinking Water Equity Fund from the Federal Program Account in the Clean Water Equity Fund in accordance with Section 303(E)(8) hereof;

(7) all amounts transferred to the Federal Program Account in the Drinking Water Equity Fund from the ARRA Program Account in the Drinking Water Equity Fund in accordance with Section 304(E)(2) hereof;

(8) all amounts paid to or for the account of the Trust by Borrowers on account of interest on any Interim Loan made in anticipation of any Drinking Water Loan;

(9) all other amounts required by any provision of this Program Resolution to be deposited in the Federal Program Account in the Drinking Water Equity Fund; and

(10) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by the Trust for deposit in the Federal Program Account in the Drinking Water Equity Fund.

(B) Except as otherwise provided herein or in any Supplemental Program Resolution, upon the written direction of an Authorized Officer of the Trust (which direction may be an Equity Allocation Certificate or any other certificate of an Authorized Officer) the Program Trustee shall deposit the following amounts in the ARRA Program Account in the Drinking Water Equity Fund upon receipt thereof by the Program Trustee:

(1) all ARRA Capitalization Grants allocable to the Drinking Water SRF and amounts drawn thereon;

(2) all other amounts required by any provision of this Program Resolution to be deposited in the ARRA Program Account in the Drinking Water Equity Fund; and

(3) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by the Trust for deposit in the ARRA Program Account in the Drinking Water Equity Fund.

(C) Notwithstanding anything in Paragraph (A) or Paragraph (B) of this Section 304 to the contrary, the Trust covenants and agrees that as funds representing Allocated Equity become available to be drawn under any Federal Capitalization Grant or Commonwealth

Matching Grant or other source identified in the applicable Equity Allocation Certificate for the benefit of the Federal Program Account or the ARRA Program Account in the Drinking Water Equity Fund, the Trust shall promptly take all actions necessary to draw and obtain such funds in accordance with the Drinking Water Act, ARRA, the Act and the applicable Grant Agreement and to pay such amounts over to the Program Trustee. Upon receipt of such amounts the Program Trustee shall promptly deposit them in the Drinking Water Equity Fund as provided in Paragraph (A) or Paragraph (B) of this Section 304, as applicable.

(D) The Program Trustee shall make the following transfers and payments from the Federal Program Account in the Drinking Water Equity Fund:

(1) as provided in the applicable Equity Allocation Certificate (or at such earlier time as may be directed by certificate of an Authorized Officer of the Trust), for deposit in the Drinking Water Leveraged Bond Account, amounts in the aggregate equal to the Allocated Equity for each Leveraged Loan which is a Drinking Water Loan or for the Bonds of the Series issued to fund such Loan (together with any amounts allocable to such Loan or Bonds transferred to a Bond Trustee in accordance with clause (2) of this Paragraph (D)), but solely to the extent amounts equal to such Allocated Equity are available in the Drinking Water Equity Fund;

(2) subject to the related Bond Resolution and the applicable Equity Allocation Certificate, to a Bond Trustee upon its written request, for deposit in the Debt Service Fund for the Bonds of a Series issued to fund any Leveraged Loan which is a Drinking Water Loan, amounts in the aggregate (together with all amounts allocable to such Leveraged Loan or Bonds deposited in the Drinking Water Leveraged Bond Account in accordance with clause (1) of this Paragraph (D) or issued to fund any Pledged Direct Loan that is a Drinking Water Loan and that secures such Series of Bonds) equal to the Allocated Equity for such Bonds or Pledged Direct Loan or Leveraged Loan and certified by the Bond Trustee as necessary due to a Payment Default allocable to such Pledged Direct Loan or Leveraged Loan or Bonds to make a debt service payment on such Bonds, or to make Scheduled Hedge Payments related to such 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 Drinking Water Equity Fund or may be drawn from Federal Capitalization Grants or Commonwealth Matching Grants held for the credit of the Federal Program Account in the Drinking Water Equity Fund in accordance with the applicable Equity Allocation Certificate;

(3) as provided in the applicable Equity Allocation Certificate, (i) for deposit in the related Direct Loan Project Account established hereunder for each Direct Loan which is a Drinking Water Loan, amounts in the aggregate equal to the Allocated Equity for such Direct Loan or (ii) for deposit in the Direct Loan Project Accounts established under the related Bond Resolution for Pledged Direct Loans which are Drinking Water Loans, amounts in the aggregate equal to the Allocated Equity for the Bonds of the Series secured by such Pledged Direct Loans, but solely to the extent amounts equal to such Allocated Equity are available in the Federal Program Account in the Drinking Water Equity Fund;

(4) upon written direction of the Trust, for deposit in the Drinking Water Program Account in the Interim Loan Fund, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer, provided that each such certificate shall certify that such transfer and deposit will not adversely affect the ability of the Trust to thereafter fund the Allocated Equity for all Loans then outstanding which are Drinking Water Loans and for all Bonds outstanding which were issued to fund Drinking Water Loans in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans;

(5) upon written direction of the Trust, to one or more Bond Trustees for deposit in the Rebate Funds under the related Bond Resolutions, amounts if any (specified by the Trust) necessary to satisfy any Rebate Requirement under the applicable Bond Resolution;

(6) upon the written direction of the Trust, to the State Treasurer for deposit in the Water Pollution Abatement and Drinking Water Projects Administration Fund, amounts derived solely from the proceeds of each Federal Capitalization Grant or Commonwealth Matching Grant allocable to the Drinking Water SRF to the extent permitted by the Drinking Water Act to be used for costs of administration of the Drinking Water Program;

(7) upon the written direction of the Trust, for deposit in the Administrative Expense Fund, amounts, if any, allowed pursuant to the Drinking Water Act and the Act to be used by the Trust to pay Administrative Expenses;

(8) upon the written direction of the Trust, for transfer to and deposit in the Federal Program Account in the Clean Water Equity Fund for application to the purpose authorized by Section 303(E)(4) hereof, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer; provided that each such written direction shall certify that (i) no other funds on deposit in the Federal Program Account in the Clean Water Equity Fund are available for such purpose, (ii) the amount to be transferred was not drawn on any Federal Capitalization Grant or Commonwealth Matching Grant in order to make such transfer, (iii) the amount to be transferred is not reasonably expected to be needed for any other purpose authorized under this Paragraph (D) prior to the repayment of such amount to the Federal Program Account in the Drinking Water Equity Fund, and (iv) such transfer and deposit will not adversely affect the ability of the Trust thereafter to fund the Allocated Equity for all Loans then outstanding which are Drinking Water Loans and for all Bonds then outstanding which were issued to fund such Loans in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans and Bonds; and provided further that each such transfer and deposit shall be evidenced by a note issued by the Trust to the Program Trustee in principal amount equal to the amount transferred, maturing on a date no later than one year after the date of such transfer, bearing interest at a rate equivalent to the rate or rates payable while such note shall be outstanding by a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth and payable from any amounts thereafter deposited in the Federal Program Account in the Clean Water Equity Fund that are available for such purpose,

subject to the prior application of any such amounts that constitute Allocated Equity for any Outstanding Clean Water Loan, Local Governmental Obligation or Bond as provided in clauses (1), (2) and (3) of Section 303(E);

(9) upon the written direction of the Trust, to the payment of the principal and interest due on any Series of Outstanding Notes to the extent provided in the applicable Note Resolution therefor; and

(10) upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely), for transfer to or upon the order of the Trust for any other purpose authorized by the Drinking Water Act, this Program Resolution and the Act.

(E) The Program Trustee shall make the following transfers and payments from the ARRA Program Account in the Drinking Water Equity Fund:

(1) upon written direction of the Trust, for deposit in the Drinking Water Program Account in the Interim Loan Fund, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer;

(2) upon written direction of the Trust, for deposit in the Federal Program Account in the Drinking Water Equity Fund, to the extent provided in Section 309(E) hereof, such amounts as may be directed from time to time by the Trust in a certificate of an Authorized Officer, to reimburse the Federal Program Account in the Drinking Water Equity Fund for amounts transferred to the Drinking Water Program Account in the Interim Loan Fund in accordance with Paragraph (D)(4) of this Section 304 to fund an ARRA Loan; and

(3) upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely), for transfer to or upon the order of the Trust for any purpose authorized by the Drinking Water Act, ARRA and the Act.

(F) Notwithstanding anything in this Program Resolution to the contrary, to the extent provided in the applicable Equity Allocation Certificate and permitted by the Drinking Water Act, the Act and any applicable Grant Agreement, amounts held in the Federal Program Account in the Drinking Water Equity Fund may be applied by the Trust as directed from time to time in a certificate of an Authorized Officer (which may be an Equity Allocation Certificate) to temporarily finance or refinance costs of any Drinking Water Project pending disbursement of the proceeds of the applicable Series of Bonds as provided in the related Bond Resolution; provided that each such certificate shall certify that such transfer and deposit will not adversely affect the ability of the Trust to thereafter fund the Allocated Equity for all Drinking Water Loans then outstanding and for all Bonds outstanding which were issued to fund Drinking Water Loans in the amounts, at the times and in the manner provided in the Equity Allocation Certificates applicable to such Loans and Bonds; and provided further that upon disbursement of such Bond proceeds the Federal Program Account in the Drinking Water Equity Fund shall be reimbursed in an amount equal to the amount in such Fund so previously applied as provided in this Paragraph (F).

Section 305. Leveraged Bond Fund.

(A) The Program Trustee shall promptly deposit in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable:

(1) any amount transferred from the Clean Water Equity Fund or the Drinking Water Equity Fund for deposit in such Subaccount or Account pursuant to Section 303(E)(1) or Section 303(F)(1) or Section 304(D)(1) hereof;

(2) any amounts made available by the Trust or the related Bond Trustee as reimbursement for amounts transferred to the Bond Trustee from such Subaccount or Account upon a Payment Default;

(3) to the extent provided in the applicable Equity Allocation Certificate, Net Earnings on investment or deposit of moneys held in such Subaccount or Account; and

(4) 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.

(B) Upon the written direction of an Authorized Officer of the Trust (which may be an Equity Allocation Certificate or any other certificate of an Authorized Officer), the Program Trustee shall make the following transfers or payments from amounts held in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable:

(1) to the related Bond Trustee for deposit in the appropriate Account in the Debt Service Reserve Fund for the related Series of Bonds, the amounts certified in such written direction as necessary to fund such Account in the Debt Service Reserve Fund;

(2) to the appropriate Account in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, or to the related Bond Trustee (as directed in such certificate), all Net Earnings on investment or deposit of moneys held in such Subaccount or Account; provided, however, that anything herein to the contrary notwithstanding, upon the occurrence of a Payment Default allocable to a Series of Bonds, or to a Qualified Hedge Agreement, then, solely to the extent provided in the applicable Equity Allocation Certificate, all such Net Earnings accruing from the date of such Payment Default and for so long as such Payment Default continues shall be retained in such Subaccount or Account subject to the pledge and assignment made in Section 204 hereof; and

(3) to a related Bond Trustee for deposit in the Debt Service Fund for a related Series of Bonds, the amounts, if any, certified by the Bond Trustee as necessary upon the occurrence of a Payment Default allocable to such Series of Bonds to make a debt service payment on such Series of Bonds or to make a Scheduled Hedge Payment required to be paid by the Trust thereunder.

(C) Notwithstanding anything in this Program Resolution to the contrary, in making any transfer provided in Paragraph (B)(1) or (B)(3) of this Paragraph 305 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 or retentions 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. Any amounts made available by the Trust or the related Bond Trustee as reimbursement for amounts transferred to the Bond Trustee due to a Payment Default shall be redeposited in the Federal Program Subaccount in the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, only after first reimbursing any other Subaccount or Account for any inter-account transfer made on account of such Payment Default as provided in this Paragraph (C).

(D) Notwithstanding anything in Paragraph (B) of this Section 305 to the contrary, at any time and from time to time the Trust may direct the Program Trustee 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 the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable, that is allocable to a Series of Bonds or to one or more Leveraged Loans or issues of Local Governmental Obligations funded by such Series of Bonds, provided that (1) the amount remaining on deposit in such Subaccount or Account together with the amount held in the appropriate Account in the related Debt Service Reserve Fund (other than Equity Earnings on such amount) and the amount of Allocated Equity remaining to be received with respect to such Series of Bonds or Loans or Local Governmental Obligations 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 Series of Bonds or Loans or Local Governmental Obligations, less any unreimbursed amounts of Allocated Equity applied in accordance with this Program Resolution and the applicable Bond Resolution to pay debt service on such Series of Bonds upon the occurrence of a Payment Default, or to make any Scheduled Hedge Payments related to such Series of Bonds which are required to be paid by the Trust under any Qualified Hedge Agreement, and (2) any such remaining Allocated Equity will be available under the applicable Grant Agreements or from such other sources at such time and in such amounts as will be sufficient to provide moneys for transfer to the related Bond Trustee for deposit in the appropriate Account in the Debt Service Reserve Fund in accordance with the schedule set forth in the applicable Equity Allocation Certificate.

(E) Notwithstanding anything in this Program Resolution to the contrary, when all Bonds allocable to any amount held in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable, shall no longer be outstanding under the related Bond Resolution, the Program Trustee, upon written direction of the Trust, shall transfer any balance of such amount remaining in such Subaccount or Account to the appropriate Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable.

(F) As long as no Event of Default shall have occurred and be continuing, the Program 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 Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or to be deposited in or withdrawn from the Drinking Water Leveraged Bond Account, as required by this Section. The Trust shall furnish the Program Trustee with such a certificate prior to each time the Program Trustee is required or directed to deposit amounts in or withdraw amounts from any such Subaccount or Account. The Program Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

Section 306. Direct Loan Fund.

(A) 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. Each such Account shall be designated "Direct Loan Project Account - ( ) Loan No. \_\_\_" (inserting the name of the applicable Borrower and Loan number). Notwithstanding anything in this Program Resolution to the contrary, the "Direct Loan Project Account" shall be deemed to refer to the project account established for each 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.

(B) The Program Trustee or Bond Trustee, as applicable, shall promptly deposit in each Direct Loan Project Account:

(1) any amount transferred from the Clean Water Equity Fund or the Drinking Water Equity Fund for deposit therein pursuant to Section 303(E)(3) or Section 303(F)(3) or Section 304(D)(3) hereof;

(2) 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

(3) 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.

(C) 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:

(1) 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;

(2) 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;

(3) 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;

(4) 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;

(5) 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;

(6) 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

(7) 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 or Pledged Direct Loans.

(D) Notwithstanding anything in Paragraph (C) of this Section 306 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 (1) of Paragraph (C) of this Section 306 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.

Section 307. Pool Program Reserve Fund.

(A) The Program Trustee shall promptly deposit in the Clean Water Pool Program Reserve Account in the Pool Program Reserve Fund upon receipt:

(1) any amounts allocable to Pool Obligations allocable to Clean Water Projects, or allocable to Pool 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, including without limitation any such amounts released from the lien of the Pool 1 Bond Resolution notwithstanding any provision thereof to the contrary;

(2) 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; and

(3) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by or for the account of the Trust for deposit in the Clean Water Pool Program Reserve Account.

(B) The Program Trustee shall promptly deposit in the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund upon receipt:

(1) any amounts allocable to Pool Obligations allocable to Drinking Water Projects, or allocable to Pool 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;

(2) 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 Drinking Water Pool Program Reserve Account; and

(3) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by or for the account of the Trust for deposit in the Drinking Water Pool Program Reserve Account.

(C) The Program Trustee shall transfer to the Federal Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund or to the Drinking Water Deficiency Account in the Deficiency Fund, as applicable, any amount deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account as provided in Paragraph (A) and Paragraph (B) of this Section 307 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 or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable, all amounts available in the Federal Program Account in the Clean Water Equity Fund in accordance with Section 303(E)(2) or the Federal Program Account in the Drinking Water Equity Fund in accordance with Section 304 (D)(2) hereof, as applicable, and all amounts in the appropriate Account in the 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 Bonds and to make Scheduled Hedge Payments related to such Series of Pool 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 the 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).

Notwithstanding anything in this Program Resolution to the contrary, in making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Pool 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 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 Bonds issued to fund any Drinking Water Loan or allocable to any Qualified Hedge Agreements related to any such Pool 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.

(D) Immediately succeeding any transfer of funds to a Pool Bond Trustee pursuant to clause FIRST of Paragraph (C) of this Section 307, 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 Bonds and under any applicable Qualified Hedge Agreement after such transfer. Any amount thereafter received by the Program Trustee in accordance with this Section 307 which is attributable to the Pool Obligations or Pool 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, as provided in Paragraph (A) and Paragraph (B) of this Section 307, only after first reimbursing either such Account for any inter-account transfer made on account of such Pool Obligations or Pool Bonds or Qualified Hedge Agreements as provided in said Paragraph (C).

(E) Notwithstanding anything in this Section 307 to the contrary, when the Program Trustee shall have received notice from a Pool Bond Trustee that a deficiency described in clause SECOND of Paragraph (C) of this Section 307 has been cured under the related Pool Bond Resolution, 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 in 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 in said Paragraph (C), shall deposit such amount in the Federal Program Subaccount in the Clean Water Deficiency Account or 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 Bond Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND of Paragraph (C) of this Section 307 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.

(F) Notwithstanding anything in the Program Resolution to the contrary, when there are no Bonds Outstanding under any Pool Bond Resolution (as certified by an Authorized Officer of the Trust) the Bond Trustee, upon written direction of the Trust, shall transfer any balance remaining in the Pool Program Reserve Fund, or thereafter paid to the Bond Trustee for deposit therein, to the Program Trustee for deposit in the Federal Program Subaccount in the Clean Water Deficiency Account or the Drinking Water Deficiency Account in the Deficiency Fund, as applicable.

(G) As long as no Event of Default shall have occurred and be continuing, the Program 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 Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund as required by this Section. The Trust shall furnish the Program Trustee with such a certificate prior to each time the Program Trustee is required or directed to deposit amounts in or withdraw amounts from any such Account. The Program Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

Section 308. Deficiency Fund.

(A) The Program Trustee shall promptly deposit in the Federal Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund upon receipt:

(1) any amounts allocable to Federal Program Clean Water Loans and Local Governmental Obligations (other than Pool Obligations), or allocable to Bonds issued to fund such Loans and Local Governmental Obligations (other than Pool 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;

(2) any amounts allocable to Pool Obligations, or allocable to Pool Bonds, that have been transferred from the Clean Water Pool Program Reserve Account in the Pool Program Reserve Fund for deposit in the Federal Program Subaccount in the Clean Water Deficiency Account pursuant to Section 307 hereof;

(3) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all Borrower Payments and other amounts allocable to all Direct Loans which are Federal Program Clean Water Loans received by the Program Trustee (or by the Trust and transferred to the Program Trustee), other than Pledged Direct Loans securing a Series of Pool Bonds, including without limitation amounts transferred to the Federal Program Subaccount in the Clean Water Deficiency Account from any Direct Loan Project Account pursuant to Section 306 (C)(3) and (4) hereof and from the Contract Assistance Fund pursuant to Section 310(B)(2) hereof; and

(4) 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 Federal Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund.

(B) The Program Trustee shall promptly deposit in the Commonwealth Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund upon receipt:

(1) any amounts allocable to Commonwealth Program Loans, or to Bonds issued to fund such Loans, 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;

(2) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all Borrower Payments and other amounts allocable to all Direct Loans other

than Pledged Direct Loans which are Commonwealth Program Loans received by the Program Trustee (or by the Trust and transferred to the Program Trustee), including without limitation amounts transferred to the Commonwealth Program Account in the Deficiency Fund from any Direct Loan Project Account pursuant to Section 306 (C)(3) and (4) hereof and from the Contract Assistance Fund pursuant to Section 310(B)(2) hereof; and

(3) 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 Commonwealth Program Account in the Clean Water Deficiency Account.

(C) The Program Trustee shall promptly deposit in the Drinking Water Deficiency Account in the Deficiency Fund upon receipt:

(1) any amounts allocable to Drinking Water Loans (other than Pool Obligations), or allocable to Bonds issued to fund such Loans (other than Pool 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;

(2) any amounts allocable to Pool Obligations or to Pool Bonds that have been transferred from the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund for deposit in the Drinking Water Deficiency Account in the Deficiency Fund pursuant to Section 307 hereof;

(3) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all Borrower Payments and other amounts allocable to all Direct Loans which are Drinking Water Loans received by the Program Trustee (or by the Trust and transferred to the Program Trustee), other than Pledged Direct Loans securing a Series of Pool Bonds, including without limitation amounts transferred to the Drinking Water Deficiency Account in the Deficiency Fund from any Direct Loan Project Account pursuant to Section 306(3) and (4) hereof and from the Contract Assistance Fund pursuant to Section 310(B)(2) hereof; and

(4) 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 Drinking Water Deficiency Account.

(D) The Program Trustee shall transfer to the appropriate Account in the Clean Water Equity Fund any amount deposited in the Federal Program Subaccount in the Clean Water Deficiency Account as provided in Paragraph (A) of this Section 308 or deposited in the Commonwealth Program Subaccount in the Clean Water Deficiency Account as provided in Paragraph (B) of this Section 308, and shall transfer to the Federal Program Account in the Drinking Water Equity Fund any amount deposited in the Drinking Water Deficiency Account in the Deficiency Fund as provided in Paragraph (C) of this Section 308, as applicable, 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 or the Commonwealth Program Subaccount in the Clean Water Leveraged Bond Account, or in the Drinking Water Leveraged Bond Account, as applicable, all amounts available in the Clean Water Equity Fund or the Drinking Water Equity Fund in accordance with Section 303(E)(2), Section 303(F)(2) or Section 304(D)(2) hereof, as applicable, in the case of Pool Bonds, all amounts available in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund in accordance with Section 307(C) hereof, as applicable, and all amounts in the appropriate Account in the Debt Service Reserve Fund and all other Funds and Accounts under the related Bond Resolution available to pay debt service on the related Series of Bonds and to make Scheduled Hedge Payments related to such Series of 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 Accounts 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 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 and, in the case of Pool Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, pursuant to Section 307 hereof, 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).

Notwithstanding anything in this Program Resolution to the contrary, (i) in making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to 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 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, (ii) in making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Bonds issued to fund any Drinking Water Loan or allocable to any Qualified Hedge Agreements related to any such Bonds, amounts, if any, in the Drinking Water Deficiency Account shall be applied to such purpose before any amounts in the Federal Program Subaccount of the Clean Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount of the Clean Water Deficiency Account shall be applied to such purpose, and (iii) in making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Bonds issued to fund any Commonwealth Program Loan or allocable to any Qualified Hedge Agreements related to any such 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.

(E) Immediately succeeding any transfer of funds to a Bond Trustee pursuant to clause FIRST of Paragraph (D) of this Section 308, the Program Trustee shall confirm with each certifying Bond Trustee the Outstanding balance, if any, due but unpaid on the applicable Series of Bonds and under any applicable Qualified Hedge Agreement after such transfer. Any amount thereafter deposited in the Deficiency Fund by the Program Trustee in accordance with this Section 308 which is attributable to the Loans or Local Governmental Obligations or 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, as provided in Paragraph (A), Paragraph (B) and Paragraph (C) of this Section 308, 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 Bonds or Qualified Hedge Agreements as provided in said Paragraph (D).

(F) Notwithstanding anything in this Section 308 to the contrary, when the Program Trustee shall have received notice from a Bond Trustee that a deficiency described in clause SECOND of Paragraph (D) of this Section 308 has been cured under the related Bond Resolution, 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 first reimbursing any Account or Subaccount therein for any inter-account transfer made on account of such deficiency as provided in said Paragraph (D), 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 of Paragraph (D) of this Section 308 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.

(G) Notwithstanding anything in the Program Resolution to the contrary, when there are no Bonds Outstanding under any Bond Resolution (as certified by an Authorized Officer of the Trust) the Program Trustee, upon written direction of the Trust, shall transfer any balance remaining in the Deficiency Fund or any applicable Account or Subaccount thereof, or thereafter paid to the Program Trustee for deposit therein, to the appropriate Account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable.

(H) As long as no Event of Default shall have occurred and be continuing, the Program 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 Federal Program Subaccount in the Clean Water Deficiency Account or the Commonwealth Program Subaccount in the Clean Water Deficiency Account or the Drinking Water Deficiency Account in the Deficiency Fund as required by this Section. The Trust shall furnish the Program Trustee with such a certificate prior to each time the Program Trustee is required or directed to deposit amounts in or withdraw amounts from any such Subaccount or Account. The Program Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

#### Section 309. Interim Loan Fund.

(A) The Program Trustee shall promptly deposit in the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Program Account in the Interim Loan Fund or in the Drinking Water Program Account in the Interim Loan Fund, as applicable, (1) any amount transferred from the Federal Program Account, the Commonwealth Program Account or the ARRA Program Account in the Clean Water Equity Fund pursuant to Section 303(E)(4), Section 303(F)(4) or Section 303(G)(1) hereof, (2) any amount transferred from the Federal Program Account or the ARRA Program Account in the Drinking Water Equity Fund pursuant to Section 304(D)(4) or Section 304(E)(1) hereof and (3) the proceeds of any Notes issued by the Trust pursuant to Section 208 hereof to the extent provided in the applicable Note Resolution therefor. Except as otherwise directed by the Trust, the Program Trustee shall also deposit in the appropriate Account in the Interim Loan Fund all amounts paid to or for the account of the Trust by Borrowers on account of the principal of any Interim Loan funded from amounts withdrawn from such Account as hereinafter provided.

(B) The Program Trustee shall establish in the Interim Loan Fund a separate Interim Loan Project Account for each Interim Loan made by the Trust as directed in a certificate of an Authorized Officer of the Trust delivered to the Program Trustee upon the closing of such Interim Loan. Each such Account shall be designated "Interim Loan Project Account - ( ) Project No. \_\_\_\_" (inserting the name of the applicable Borrower and the applicable Project number).

(C) The Program Trustee shall promptly transfer from the Federal Program Subaccount or the Commonwealth Program Subaccount in the Clean Water Program Account or from the Drinking Water Program Account, as applicable, in the Interim Loan Fund and deposit in each Interim Loan Project Account, such amounts as may be directed by the Trust from time to time in one or more certificates of an Authorized Officer filed with the Program Trustee. Upon the written direction of an Authorized Officer of the Trust, the Program Trustee shall pay to or for the account of the related Borrower from amounts deposited in each Interim Loan Project Account as aforesaid in payment or reimbursement for Costs of the applicable Project such amounts as may be directed by the Trust or as may be set forth in one or more written requests therefor furnished the Program Trustee by the Borrower and approved by the Department and the Trust. If at any time the Trust shall determine that any amount on deposit in an Interim Loan Project Account will not be required for the purposes of such Account, it may direct the Program Trustee to withdraw such amount and to deposit it in the appropriate Account in the Interim Loan Fund.

(D) All Net Earnings on investment or deposit of any Account in the Interim Loan Fund shall be deposited upon receipt to the appropriate Account in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable.

(E) Notwithstanding anything in this Program Resolution to the contrary, upon completion of an ARRA Project in accordance with the Financing Agreement and Regulatory Agreement therefore the Trust may forgive repayment of the ARRA Loan applicable to such ARRA Project. If any portion of an Interim Loan for an ARRA Project has been funded from amounts transferred to the Federal Program Subaccount in the Clean Water Program Account in the Interim Loan Fund or to the Drinking Water Program Account in the Interim Loan Fund, as applicable, from the Federal Program Account in the Clean Water Equity Fund pursuant to Section 303(E)(4) hereof or from the Federal Program Account in the Drinking Water Equity Fund pursuant to Section 304(D)(4) hereof, as applicable, in anticipation of the receipt of an ARRA Capitalization Grant, upon receipt of such ARRA Capitalization Grant the Trust may direct the Program Trustee to transfer an equivalent amount thereof 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, pursuant to Section 303(G)(2) or Section 304(E)(2) hereof. At any time and from time to time the Trust may direct the Program Trustee to transfer to the appropriate Account in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, any other amounts held in any Account or Subaccount in the Interim Loan Fund, provided that the amount remaining in such Account or Subaccount following such transfer which is available in accordance with this Section 309 to finance or refinance Project Costs is not less than the aggregate amount of Project Costs that may be financed or refinanced from such Account or Subaccount under all Interim Loans then outstanding.

Section 310. Contract Assistance Fund.

(A) Upon the written direction of an Authorized Officer of the Trust, the Program Trustee shall deposit the following amounts in the Contract Assistance Fund upon receipt thereof by the Program Trustee:

(1) to the extent provided in any Contract Assistance Determination, all or any part of any Contract Assistance Payments made to the Trust;

(2) all Net Earnings on investment or deposit of amounts held in the Contract Assistance Fund; and

(3) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) paid to the Program Trustee by the Trust for deposit in the Contract Assistance Fund.

(B) The Program Trustee shall make the following transfers and payments from the Contract Assistance Fund:

(1) upon the written direction of the Trust, to one or more Bond Trustees amounts, if any, designated by one or more Contract Assistance Determinations as Contract Assistance Payments allocable to any Bonds issued or Loans made or Local Governmental Obligations purchased under such Bond Resolutions;

(2) upon the written direction of the Trust, to the Federal Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund, the Commonwealth Program Subaccount in the Clean Water Deficiency Account in the Deficiency Fund or the Drinking Water Deficiency Account in the Deficiency Fund, as applicable, amounts, if any, designated by one or more Contract Assistance Determinations as Contract Assistance Payments allocable to any Direct Loans;

(3) to the extent authorized or permitted by the Act and any other applicable law, upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely) for transfer to and deposit in any other Fund or Account hereunder or under any Bond Resolution; and

(4) upon the written direction of the Trust (upon which direction the Program Trustee may conclusively rely), for transfer to or upon the order of the Trust for any purpose authorized or permitted by the Act and any other applicable law.

Section 311. Administrative Expense Fund.

(A) The Trust shall deposit in the Administrative Expense Fund:

(1) all amounts transferred from the Clean Water Equity Fund or the Drinking Water Equity Fund upon written direction of the Trust pursuant to Section 303(D)(7) or Section 303(E)(6) or Section 304(C)(7) hereof;

(2) all Administrative Fees received pursuant to any Financing Agreement;

(3) except as otherwise provided in the applicable Bond Resolution, all Origination Fees payable with respect to any Leveraged Loan or to any issue of Local Governmental Obligations;

(4) except as otherwise provided in the applicable Financing Agreement, all Origination Fees payable with respect to any Direct Loan;

(5) all Origination Fees payable with respect to any Interim Loan;

(6) all Net Earnings on investment or deposit of moneys held in the Administrative Expense Fund; and

(7) any other amounts (not otherwise directed to be deposited by any provision of this Program Resolution) received by the Trust for such purpose.

(B) Amounts deposited and held in the Administrative Expense Fund shall be applied by the Trust from time to time to the payment or reimbursement of Administrative Expenses.

#### ARTICLE IV.

#### INVESTMENT AND DEPOSIT OF FUNDS

##### Section 401. Investments and Deposits.

(A) Moneys held for the credit of any Fund or Account or Subaccount under this Program Resolution shall, to the fullest extent practicable, be invested by the Program Trustee at the written direction of an Authorized Officer, either alone or jointly with moneys in any other Fund or Account or Subaccount hereunder 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. If the Trust shall fail to provide the Trustee with written directions of an Authorized Officer for the investment of any moneys held in any Fund or Account or Subaccount hereunder, the Trustee shall invest such moneys in Investment Obligations described in clause (12) of the definition thereof in Section 102(B) hereof (and shall be fully protected in making such investment) maturing or redeemable at the option of the owner thereof within thirty (30) days of the date of such investment. Investment Obligations purchased as an investment of moneys in any Fund or Account or Subaccount shall be deemed at all times to be a part of such Fund or Account until transferred as provided in this Program Resolution. In making investments hereunder, the Program Trustee shall be protected in relying on the directions of an Authorized Officer as to the nature, maturity, rate and amount of such investments.

(B) Unless otherwise provided herein or in any Supplemental Program Resolution or applicable Equity Allocation Certificate with respect to any particular Fund or Account or Subaccount, Net Earnings derived from the investment or deposit of moneys in any Fund or Account or Subaccount hereunder shall be credited to such Fund or Account or Subaccount.

(C) In computing the amount in any Fund or Account or Subaccount held by the Trustee under the provisions of this Program 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 Obligation.

(D) At the written direction of the Trust, the Program Trustee shall sell at the best price obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from the Fund or Account or Subaccount for which such investment was made. The Program Trustee shall not be liable or responsible for any loss resulting from any such sale or redemption or any such draw or demand except to the extent provided in the agreements relating thereto. The Program Trustee shall advise the Trust in writing, on or before the 10th day of each calendar month, of the details of all cash and investments held for the credit of, and transactions in, each Fund and Account and Subaccount in its custody under the provisions of this Program Resolution as of the end of the preceding month, and shall provide such information as of any other date specified by the Trust when requested by the Trust.

Section 402. Maintenance of Records on Payment of Bonds. In connection with the payment, redemption or purchase of any Bonds, the Program Trustee shall keep accurate records (which shall be available for inspection by the Trust and, upon reasonable notice, by any Owner of not less than five percent (5%) in aggregate principal amount of any Series of Bonds Outstanding) of the source and use of any moneys held hereunder to pay, redeem or purchase such Bonds.

## ARTICLE V.

### PARTICULAR COVENANTS OF THE TRUST

The Trust covenants and agrees as follows:

Section 501. Powers as to Resolution and Pledge. The Trust is duly authorized under the Act and all applicable laws to adopt this Program Resolution and to pledge and grant a security interest in the moneys, funds and other property purported to be pledged by this Program Resolution in the manner and to the extent provided in this Program Resolution. The moneys, funds and other property so pledged 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 this Program Resolution and the applicable Bond Resolution except to the extent expressly permitted hereby. The Trust shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the moneys, funds and other property pledged under this Program Resolution against all claims and demands of all persons whomsoever. Nothing in this Section shall be deemed to limit the right of the Trust, and the Trust hereby expressly retains the right, to create a pledge, lien or other charge on the moneys, funds and other property pledged hereunder junior and subordinate to the pledge and lien created hereby so long as any such pledge, lien or other charge shall not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

Section 502. Payment of Lawful Charges. The Trust shall pay all taxes and assessments or other governmental charges, if any, lawfully levied or assessed upon the Trust or

in respect of the Program or upon any of the moneys, funds and other property held hereunder or upon any revenues therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any governmental authority relative to any part of the Program, and shall not create or suffer to be created any lien or charge upon the moneys, funds, and other property held hereunder, except as provided in or permitted hereby.

(A) The Trust shall not use or permit the use of any moneys held under this 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 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 of the Code.

(B) 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 moneys held hereunder 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.

(C) The covenants and agreements contained in this Section 502 shall survive the payment of a Bond or the making of provision for the payment thereof as provided in the applicable Bond Resolution. Notwithstanding anything in this Program Resolution to the contrary, the covenants and agreements contained in this Section 502 shall not apply to any Bond bearing at the time of original issuance under the applicable Bond Resolution such terms and provisions, or the proceeds of which are applied in such a manner, as shall cause the interest payable on such Bond to be includable in gross income for federal income tax purposes, if upon original issuance of such Bond an opinion of Bond Counsel is delivered to the Program Trustee stating, in effect, that under then existing laws the interest payable on such Bond is so includable.

Section 503. Accounts and Reports. In addition to (or as a part of) any records and accounts maintained by the Trust as required by the Act, 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 and Subaccounts established by or pursuant to this Program Resolution which shall at all reasonable times be subject to the inspection of the Program Trustee, any Bond Trustee and the Owners of not less than five percent (5%) in aggregate principal amount of the Bonds of any Series then Outstanding or their representatives duly authorized in writing. All such books of record and account shall conform to the requirements of the applicable Grant Agreement and the Act.

Section 504. Further Assurance. At any and all times the Trust shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for better assuring, conveying, granting, assigning or confirming all and singular the moneys,

funds and other property hereby pledged or assigned, or intended so to be, or which the Trust may hereafter become bound to pledge or assign.

## ARTICLE VI.

### SUPPLEMENTAL PROGRAM RESOLUTIONS

Section 601. Supplemental Program Resolutions Effective Upon Filing. For any one or more of the following purposes and at any time or from time to time, a resolution of the Trust supplementing this Program Resolution may be adopted, which resolution, upon the filing with the Program Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in Section 604 hereof, shall be fully effective in accordance with its terms:

- (1) To add to the covenants or agreements of the Trust in this Program Resolution contained other covenants or agreements to be observed by the Trust which are not contrary to or inconsistent with this Program Resolution or any applicable Supplemental Program 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 this Program Resolution as theretofore in effect;
- (3) To surrender any right, power or privilege reserved to or conferred upon the Trust by this Program Resolution;
- (4) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the moneys, funds and other property pledged hereby;
- (5) To establish one or more additional Funds, Accounts or Subaccounts hereunder or to subject to the provisions of this Program Resolution additional moneys, rights or property; and
- (6) To insert, repeal or amend in this Program Resolution any provision relating solely to the provision of Direct Loans other than Pledged Direct Loans or Interim Loans hereunder.

Section 602. Supplemental Program Resolutions Effective Upon Consent of Program Trustee. For any one or more of the following purposes and at any time or from time to time, a resolution of the Trust amending or supplementing this Program Resolution may be adopted, which resolution upon the (a) filing with the Program Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in Section 604 hereof, and (b) filing with the Program Trustee and the Trust of an instrument in writing made by the Program Trustee consenting to the amendment or supplement effected by such resolution, shall be fully effective in accordance with its terms:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Program Resolution;

(2) To insert any provisions, not contrary to or inconsistent with this Program Resolution as theretofore in effect, clarifying matters or questions arising under this Program Resolution; and

(3) To insert, repeal or amend any provision in this Program Resolution, provided such insertion, deletion or amendment is permitted by the Federal Acts 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 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 adoption of such Supplemental Program Resolution will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding.

Section 603. Supplemental Program Resolutions Effective with Consent of Bondholders.

(A) In addition to Supplemental Program Resolutions adopted pursuant to Sections 601 and 602 hereof, at any time or from time to time, a resolution of the Trust amending or supplementing this Program Resolution may be adopted modifying any of the provisions of this Program Resolution or releasing the Trust from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, but, except as provided in Section 601 or Section 602 hereof, no such resolution adversely affecting the Owners of any Bonds Outstanding shall be effective until after the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in Section 604 hereof, and unless such resolution is consented to by or on behalf of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds of each Series Outstanding adversely affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of similar tenor of any specified Series, maturity and interest rate remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided, further, that no such modification or amendment shall change or modify any of the rights or obligations of the Program Trustee without its written assent thereto.

(B) For all purposes of this Program Resolution, Bonds of a Series shall be deemed to be adversely affected by the provisions of a Supplemental Program Resolution adopted pursuant to this Section 603 if the same materially adversely affects or diminishes the rights of the Owners of the Bonds of such Series. The Program Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series would be adversely affected by the provisions of a Supplemental Program Resolution adopted pursuant to this Section 603 and any such determination shall be binding and conclusive on the Trust and all Owners of the Bonds. For all purposes of this Section 603, the Program Trustee shall be entitled to rely upon an opinion of counsel (which may be an Opinion of Counsel) with respect to the extent, if any, as to which such action adversely affects the rights under the Program Resolution of any Owners of Bonds then Outstanding.

(C) A copy of any Supplemental Program Resolution described in this Section 603 (or brief summary thereof or reference thereto in form approved by the Program Trustee), together with a request to Bondowners for their consent thereto in form satisfactory to the Program Trustee, shall be mailed by the Trust to Bondowners (but failure to mail such copy and request shall not affect the validity of such resolution when consented to as in this Section provided). Such resolution shall not be effective unless and until, and shall only take effect in accordance with its terms when, (1) there shall have been filed with the Program Trustee (a) the written consents of Owners of the percentage of Outstanding Bonds specified in Paragraph (A) of this Section 603 and (b) an Opinion of Counsel to the effect required by Section 604 hereof and (2) a notice shall have been mailed as hereinafter in this Section provided. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) but such consent may be revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Program Trustee prior to but not later than the time the written statement of the Program Trustee hereinafter in this Section provided for is filed with the Trust. The fact that a consent has not been revoked may likewise be proved by a certificate of the Program Trustee filed with the Trust to the effect that no revocation thereof is on file with the Program Trustee. When the Owners of the required percentage of Bonds shall have filed their consents to such resolution, the Program Trustee shall make and file with the Trust a written statement that the Owners of such required percentage of Bonds have filed and given such consents. Such written statement shall be conclusive that such consents have been so filed and have been given. Not more than ninety (90) days after the Owners of the required percentage of Bonds shall have filed their consents to the resolution and the written statement of the Program Trustee hereinabove provided for is filed with the Trust, notice, stating in substance that such resolution (which may be referred to as a resolution adopted by the Trust on a stated date a copy of which is on file with the Program Trustee) has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section, shall be given to Bondowners by the Trust by mailing such notice to Bondowners. The Trust shall file with the Program Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Program Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed conclusively binding upon the Trust, the Program Trustee, any applicable Bond Trustee and the Owners of all Bonds upon the mailing of such last-mentioned notice.

(D) Except as otherwise provided in any Supplemental Program Resolution theretofore in full force and effect, any provision in this Section 603 relative to the mailing of a notice or other paper to Bondowners shall be fully complied with if it is mailed, postage prepaid, only (1) to each registered owner of any Bonds then Outstanding at its last address, if any, appearing upon the registry books of the Trust maintained by each Bond Trustee, (2) to each Bond Trustee, and (3) to the Program Trustee.

(E) The provisions of this Section 603 shall not be applicable to resolutions of the Trust adopted and becoming effective in accordance with the provisions of Section 601 or Section 602 hereof.

Section 604. Adoption and Filing of Supplemental Program Resolutions. Any resolution of the Trust referred to and permitted or authorized by Sections 601, 602 or 603 may be adopted by the Trust without the vote or consent of any of the Bondowners, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Every such resolution so becoming effective shall thereupon form a part of this Program Resolution. The copy of every such resolution when filed with the Program Trustee shall be accompanied by an Opinion of Counsel to the effect that such resolution has been duly and lawfully adopted by the Trust in accordance with the provisions of this Program Resolution, is authorized or permitted by the provisions of this Program Resolution and, when effective, will be valid and binding upon the Trust and enforceable in accordance with its terms. The Trust shall furnish a copy of any such resolution and the applicable Opinion of Counsel to each Rating Agency then maintaining a rating on any Bonds Outstanding at the time such resolution and opinion are filed with the Program Trustee.

Section 605. Authorization to Program Trustee. The Program Trustee is hereby authorized to accept the delivery of a certified copy of any resolution of the Trust referred to and permitted or authorized by Sections 601, 602 or 603 and to consent to such resolution and to make all further agreements and stipulations which may be therein contained, and the Program Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be an Opinion of Counsel) that such resolution is authorized or permitted by the provisions of this Program Resolution.

Section 606. Exclusion of Bonds. Bonds owned or held by or for the account of the Trust shall be excluded and shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article VI. At the time of any consent or other action under this Article VI, the Trust shall furnish the Program Trustee a certificate of an Authorized Officer, upon which the Program Trustee may rely, describing all Bonds so to be excluded.

## ARTICLE VII.

### DEFAULTS AND REMEDIES

Section 701. Events of Default. Each of the following shall constitute a "Default" under this Program Resolution:

- (1) Default by the Trust in the performance or observance of any of the covenants, agreements or conditions on its part provided in this Program Resolution and such default shall continue for a period of 30 days after written notice thereof shall be given to the Trust by the Program Trustee or to the Trust and the Program Trustee by any Bond Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds of any Series Outstanding; provided that if such default cannot be remedied within such 30 day period, it shall not constitute a Default hereunder if corrective action is instituted by the Trust within such period and diligently pursued until the default is remedied;

(2) 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

(3) 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.

Section 702. Remedies. Upon the happening and continuance of any Default hereunder, then, and in each such case, 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 Bondowners hereunder 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 hereunder and to enforce the obligations of the Trust set forth in this Program Resolution and the Act subject, with respect to the funds, accounts, rights and other property pledged and assigned pursuant to Section 204 hereof for the payment of the Bonds, to the parity pledge and assignment thereof for the payment of Scheduled Hedge Payments under any Qualified Hedge Agreements.

Section 703. Limitation on Powers of Program Trustee. Nothing in this Program Resolution contained shall be deemed to give power to the Program Trustee either as such or as attorney-in-fact of any Bond Trustee or any Bondowners to vote the claims of the Bondowners in any bankruptcy proceeding or to accept or consent to any plan of reorganization, readjustment, arrangement or composition or other like plan, or by other action of any character to waive or change any right of any Bondowner or to give consent on behalf of any Bondowner to any modification or amendment of this Program Resolution requiring such consent or to any resolution requiring such consent pursuant to the provisions of Article VI hereof.

Section 704. Action by Program Trustee. All rights of action under this Program Resolution, enforceable by the Program Trustee, may be enforced by the Program Trustee without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Program Trustee may be brought in its name for the ratable benefit of the Owners of said Bonds, subject to the provisions of this Program Resolution and the applicable Bond Resolution.

Section 705. Accounting and Examination of Records after Default. The Trust covenants with the Program Trustee that, if a Default shall have happened hereunder and shall not have been remedied, (1) the books of record and account of the Trust and all records relating to the Program shall at all times be subject to the inspection and use of the Program Trustee and

of its agents and attorneys, and (2) the Trust, whenever the Program Trustee shall demand, will account, as if it were the trustee of an express trust, for all moneys, funds and other property pledged or held under this Program Resolution for such period as shall be stated in such demand.

Section 706. Restriction on Bondowner's Action. No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of this Program Resolution or for the execution of any trust hereunder or for any other remedy hereunder, unless (1) (i) such Owner previously shall have given to the Trust and the Program Trustee written notice of the Default on account of which such suit, action or proceeding is to be instituted, (ii) after the occurrence of such Default, written request shall have been made of the Program Trustee to institute such suit, action or proceeding by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding and there shall have been offered to the Program Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (iii) the Program Trustee shall have refused or neglected to comply with such request within a reasonable time, and (iv) such suit, action or proceeding is brought for the ratable benefit of all Owners of all Bonds subject to the provisions of this Program Resolution.

Section 707. Remedies Not Exclusive. No remedy by the terms of this Program Resolution conferred upon or reserved to the Program Trustee is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute, except as provided in Section 703 and Section 706.

Section 708. Effect of Waiver and Other Circumstances. No delay or omission of the Program Trustee or of any Owner of Bonds to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein, and every right, power and remedy given by this Program Resolution to them or any of them may be exercised from time to time and as often as may be deemed expedient by the Program Trustee or, in an appropriate case, by the Bondowners. In case the Program Trustee shall have proceeded to enforce any right under this Program Resolution, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Program Trustee, then and in every such case the Trust and the Program Trustee will be restored to their former positions and rights hereunder as if no such proceedings had been taken.

Section 709. Right to Enforce Payment of Bonds and Scheduled Hedge Payments Unimpaired. Nothing in this Article contained shall effect or impair the right of any Bondowner to enforce the payment of the principal amount of and interest on such Bond or the obligation of the Trust to pay the principal amount of and interest on each Bond to the Owner thereof, at the time and place in said Bond and the related Bond Resolution expressed or the right of any Hedge Provider to enforce the payment of Scheduled Hedge Payments under any Qualified Hedge Agreement or the obligation of the Trust to pay such Scheduled Hedge Payments to the Hedge Provider at this time and place in said Qualified Hedge Agreement and the related Bond Resolution expressed.

## ARTICLE VIII.

### THE PROGRAM TRUSTEE

Section 801. Program Trustee. U.S. Bank National Association is hereby appointed as Program Trustee hereunder, and the property, rights, powers and duties of the Program Trustee under this Program Resolution are hereby vested in said Program Trustee in trust on the terms and provisions hereof.

Section 802. Responsibilities of Program Trustee. The recitals of fact contained herein shall be taken as the statements of the Trust and the Program Trustee assumes no responsibility for the correctness of the same. The Program Trustee makes no representations as to the validity or sufficiency of the Program Resolution or in respect of the security afforded by this Program Resolution, and the Program Trustee shall incur no responsibility in respect thereof. The Program Trustee shall be under no responsibility or duty with respect to the issuance of any Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Trust or others in accordance with this Program Resolution. The Program Trustee shall be under no responsibility or duty with respect to the application of any moneys paid to any Bond Trustee. The Program Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any action or suit in respect of this Program Resolution or the Bonds, or to advance any of its own moneys, unless properly indemnified. The Program Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or default. The Program Trustee prior to the occurrence of a Default hereunder and after the curing of all Defaults which may have occurred, undertakes to perform such duties as are specifically set forth in this Program Resolution. In case a Default hereunder has occurred (which has not been cured) the Program Trustee shall exercise such of the rights and powers vested in it by this Program Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provisions of this Program Resolution relating to action taken or to be taken by the Program Trustee or the evidence upon which the Program Trustee may rely shall be subject to the provisions of this Section 802.

Section 803. Funds Held in Trust. All moneys held by the Program Trustee, as such, at any time pursuant to the terms of this Program Resolution shall be and hereby are assigned, transferred and set over unto the Program Trustee in trust for the purposes and under the terms and conditions of this Program Resolution.

Section 804. Evidence On Which Program Trustee May Act. The Program Trustee shall be protected in acting and relying without inquiry upon any notice, resolution, direction, request, consent, order, certificate, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties as contemplated by this Program Resolution. The Program Trustee may consult with counsel, who may or may not be counsel to the Trust, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Program Trustee shall deem it necessary or desirable that a fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer

stating the same, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Program Resolution upon the faith thereof, but in its discretion the Program Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein, any direction, request, order, notice or other instruction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Trust to the Program Trustee shall be sufficiently executed if executed by an Authorized Officer.

Section 805. Compensation and Expenses; Indemnity. Unless otherwise provided by contract with the Program Trustee, the Trust shall pay to the Program Trustee from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all of its reasonable expenses, charges, legal fees and other disbursements and those to its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder. The Trust shall indemnify and save the Program Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or default.

Section 806. Certain Permitted Acts. The Program Trustee may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not Program Trustee hereunder. To the extent permitted by law, the Program Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Program Resolution, whether or not any such committee shall represent the Owners of a majority in aggregate principal amount of all Bonds Outstanding.

Section 807. Resignation. The Program Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Program Resolution by giving not less than sixty (60) days' written notice to the Trust and mailing notice thereof, specifying the date when such resignation shall take effect, to the Owners of all Bonds Outstanding within twenty (20) days after the giving of such written notice. Such resignation shall only take effect upon the day specified in such notice provided a successor has been appointed as provided herein by the Trust or Bondowners, unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 808. Removal. The Program 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. Copies of each such instrument shall be delivered by the Trust to the Program Trustee and any successors thereof.

Section 809. Appointment of Successor Program Trustee. In case at any time the Program Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Program Trustee or of its property shall be appointed, or if any public officer

shall take charge or control of the Program Trustee or of its property or affairs, a successor may be appointed 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 by such Bondowners or their attorneys duly authorized in writing and delivered to such successor Program Trustee, notification thereof being given to the Trust and the predecessor Program Trustee and all Bond Trustees. Pending appointment of a successor Program Trustee by Bondowners, the Trust, with the approval of the State Treasurer, shall forthwith appoint a Program Trustee to fill such vacancy until a successor Program Trustee shall be appointed by Bondowners as herein authorized. The Trust shall mail notice of any such appointment to the Owners of all Bonds Outstanding within twenty (20) days after such appointment. Any successor Program Trustee appointed by the Trust shall, immediately and without further act, be superseded by a Program Trustee appointed by Bondowners. If in a proper case no appointment of a successor Program Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Program Trustee shall have given to the Trust written notice as provided in Section 807 or Section 808 or after the occurrence of any other event requiring or authorizing such appointment, the Program Trustee or any Bond Trustee or any Bondowner may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Program Trustee. Any successor Program Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of the Commonwealth or a national banking association, doing business and having its principal office in the Commonwealth, and having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Program Resolution.

Section 810. Transfer of Rights and Property to Successor Program Trustee. Any successor Program Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor Program Trustee, and also to the Trust, an instrument accepting such appointment, and thereupon such successor Program Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Program Trustee, with like effect as if originally named herein or pursuant hereto as Program Trustee, but the Program Trustee ceasing to act shall nevertheless, on the written request of the Trust or of the successor Program Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Program Trustee all the right, title and interest of the predecessor Program Trustee in and to any property held by it under this Program Resolution, and shall pay over, assign and deliver to the successor Program Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Trust be required by such successor Program Trustee for more fully and certainly vesting in and confirming to such successor Program Trustee any such moneys, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Trust.

Section 811. Merger or Consolidation. Any company into which the Program Trustee shall be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Program Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company or national banking association which is qualified to be a successor to the Program Trustee under Section 809 hereof, and shall be authorized by law to perform all the duties imposed upon it by this Program Resolution, shall be the successor to the Program Trustee without the execution or filing of any paper or the performance of any further act.

## ARTICLE IX.

### MISCELLANEOUS

#### Section 901. Evidence of Signatures of Bondowners and Ownership of Bonds.

(A) Any request, consent or other instrument which this Program Resolution may require or permit to be signed and executed by the Bondowners may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondowners in person, or by their attorneys appointed in writing.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same, shall be proved solely by the registry books of the Trust maintained by the related Bond Trustee.

(C) Any request, consent or vote of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Trust or the Program Trustee in accordance therewith.

Section 902. Preservation and Inspection of Documents. All reports, certificates, statements, and other documents received by the Program Trustee under the provisions of this Program Resolution shall be retained in its possession and shall be available at all reasonable times to the inspection of the Trust, any Bond Trustee or the Owner of not less than five percent (5%) of the Bonds of any Series Outstanding, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents, may, at the election of the Program Trustee, be destroyed or otherwise disposed of at any time six years after such date as the pledge created by this Program Resolution shall be discharged with respect to all Bonds Outstanding.

Section 903. Parties Interested Herein. Nothing in this Program Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Trust, the Program Trustee, the Bond Trustees, Hedge Providers and the Owners of the Bonds, any right, remedy or claim under or by reason of this Program Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Program Resolution contained by and on behalf of the Trust shall be for the sole and exclusive benefit of the Trust, the Program Trustee, the Bond Trustees, Hedge Providers and the Owners of the Bonds.

Section 904. Actions by Trust. Whenever any provision of this Program Resolution requires or permits any action to be taken by the Trust, such action shall be deemed sufficiently taken for all purposes of this Program Resolution if taken by an Authorized Officer of the Trust.

Section 905. Termination. If at any time there are no 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 Bonds, then the Program Trustee, in such case, on demand of the Trust, shall release the lien of this Program Resolution with respect to such 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 Bonds outstanding under all Bond Resolutions, the Trust may at any time thereafter elect to terminate this 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 hereunder to be used for any purposes allowed pursuant to the Federal Acts and the Act; otherwise, this Program Resolution shall continue and remain in full force and effect.

Section 906. Partial Invalidity. If any provision of this Program Resolution or any Supplemental Program Resolution is held invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 907. Law and Place of Enforcement of Resolution. This Program Resolution shall be construed and governed in accordance with the laws of the Commonwealth and all suits and actions arising out of this Program Resolution shall be instituted in a court of competent jurisdiction in the Commonwealth.

Section 908. Effective Date. This Program Resolution shall be effective immediately.

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Certificate as to Amended and Restated Clean Water Finance Plan

The undersigned, Executive Director of the Massachusetts Water Pollution Abatement Trust (the "Trust"), certifies that attached hereto is a true and complete copy of the Amended and Restated Finance Plan for the Clean Water State Revolving Fund Federal Program adopted on June 6, 2012 (the "Clean Water Finance Plan"), with such additions, deletions and other changes thereto as I have approved and which are reflected in the official copy of the Clean Water Finance Plan that is on file in the records of the Trust. I further certify that, except as aforesaid, the Clean Water Finance Plan has not been amended, modified, supplemented or repealed and remains in full force and effect.

Dated: June 13, 2012

  
Susan E. Perez  
Executive Director

# **MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

## **AMENDED AND RESTATED FINANCE PLAN**

### **FOR THE CLEAN WATER STATE REVOLVING FUND**

#### **FEDERAL PROGRAM**

As Adopted

June 6, 2012

#### **Introduction and Overview**

In 1992 the Commonwealth of Massachusetts implemented legislation to create a state revolving fund as contemplated by Title VI of the Federal Clean Water Act (the “Clean Water Act”) to be administered by the Massachusetts Water Pollution Abatement Trust (the “Trust”) under Chapter 29C of the General Laws of Massachusetts (the “Enabling Act”). Today, the Trust’s federally capitalized state revolving fund program is one of the largest state revolving funds in the country, with over \$4.2 billion in financing provided to local government units in Massachusetts. With the help of the financial incentives provided by the state revolving fund, the Commonwealth has made tremendous strides in addressing the Commonwealth’s needs for advanced wastewater treatment, secondary treatment, combined sewer overflow control (CSO), wastewater collection and transmission, non-point source and residuals management projects. The Trust has achieved this success through the combined efforts of the United States Environmental Protection Agency (the “EPA”), the Treasurer and Receiver-General of the Commonwealth, the Massachusetts Department of Environmental Protection (“DEP”) and the Executive Office for Administration and Finance of the Commonwealth.

The Commonwealth provides financial assistance to local governmental units for water pollution abatement projects on the state’s annual Project Priority List and Intended Use Plan principally through the Trust’s federally capitalized state revolving fund (the “Federal SRF Program”). The Federal SRF Program includes a leveraged loan financing program under Sections 603(d)(1) and (4) of the Clean Water Act and a leveraged bond purchase financing program for projects with extended useful lives under Section 603(d)(2) and (4) of the Clean Water Act. The Federal SRF Program also includes a direct loan program under Section 603(d)(1) of the Clean Water Act.

In addition to the direct assistance provided to local governmental units from the loans made, or local bonds purchased, by the Trust, the Commonwealth also provides substantial debt service subsidies which are applied to reduce the borrowing costs of the local governmental units. The “contract assistance payments” which are provided by the Commonwealth are deposited in the Federal SRF upon receipt and are applied to pay a portion of the debt service due on bonds issued by the Trust to fund loans or purchase local bonds, thus reducing the loan or bond repayments otherwise required from local borrowers to pay the debt service on the Trust’s bonds. The payments from the Commonwealth are received over a period not exceeding 20 years which

serves to maintain the recycling capacity of the fund under the Trust's longer term bond purchase program.

### **Finance Plan**

The Trust's Federal SRF Program provides financial assistance to local governmental units for the financing and refinancing of water pollution abatement projects which are eligible for assistance under Section 603(c) of the Clean Water Act. The Federal SRF Program is capitalized with federal grants made available to the Commonwealth under the Clean Water Act as well as 20% matching state grants provided by the Commonwealth.

### **Objectives**

The Trust's Finance Plan for its Federal SRF Program achieves several major objectives of both the Commonwealth and the Trust, and where such objectives compete, attempts to balance the requirements of each. Overall, the Finance Plan provides significant incentives to local governmental units to undertake water pollution control projects while reducing the long term cost of the program to the Commonwealth. The leveraged structure of the Trust's program also delivers more projects at a lower cost to the Commonwealth. Each federal grant and associated state matching grant dollar contributed to the program results in at least two to three dollars of project cost financing while assuring the perpetual nature of the revolving fund. The contributions of the Commonwealth are structured in such a way as to achieve maximization of the federal grants and to provide a consistent and substantial level of debt service subsidy for local governmental units and additional security for the Trust's bonds.

The Finance Plan achieves the following objectives of the Trust:

1. Establish a relatively simple and financially attractive approach, which is easily understood by local governmental units, rating agencies and investors and stimulates local government participation and market access. The approach is flexible, allowing different amortization patterns and length of financing to meet borrower needs and constraints while maintaining the recycling capacity of the revolving fund.
2. Utilize investment earnings on federal grants and state matching funds, together with substantial additional payments from the Commonwealth, to provide the applicable subsidies and the additional security necessary to credit enhance the Trust's revenue bonds.
3. Maximize draws of the federal grant funds in the shortest period of time.
4. Manage the level of required Commonwealth cash flow contributions consistent with budgetary goals.
5. Provide a high level of project construction within the financial constraints of the federal grants and Commonwealth contributions.
6. Create a security structure which will receive ratings higher than the average underlying rating of the participating local governmental units, and therefore reduce borrowing costs to

the Commonwealth and its municipalities.

### **Program Elements**

- Leveraging of reserve funds and subsidy contributions from the Commonwealth at various levels to achieve a consistent overall recycling rate for the program while maintaining security.
- Reserve funds or loans made under the direct loan program securitize bonds issued to finance loans or the purchase of local governmental obligations and cure defaults before being recycled for new projects resulting in better financial ratings and thus lower financing costs.
- Financing of projects at an effective below market interest rate.

### **The Federal Program**

*Leveraged Financing Programs.* Except for certain projects and for short-term interim financing as described below, the Trust's Federal SRF Program utilizes a "leveraged" financing model authorized by Section 603(d)(4) of the Clean Water Act similar to the approach contemplated by EPA's Initial Guidance for state revolving fund programs and subsequent federal regulations. Under this model, federal grants and state matching grants are used as a source of security for revenue bonds issued by the Trust. The proceeds of the revenue bonds are deposited in the federally capitalized revolving fund (the "Federal SRF") and are applied either to fund loans to local governmental units for eligible project costs in accordance with Section 603(d)(1) of the Clean Water Act or to purchase debt obligations issued by local governmental units for such purpose in accordance with Section 603(d)(2) of the Clean Water Act.

The use of federal grants and state matching grants to secure revenue bonds issued by the Trust permits the Commonwealth to substantially increase the amounts available to fund eligible project costs. Each grant dollar contributed to the program to finance projects is leveraged by the Trust to result in at least two dollars to three dollars of project cost financing. The Trust secures its revenue bonds by applying federal grant and state matching grants to fund (i) loans to local governmental units that are pledged as a source of payment of and security for such revenue bonds, (ii) a reserve fund for such revenue bonds, or (iii) a combination thereof.

Principal and interest payments on the Trust's revenue bonds are made from the following sources: debt service payments to the Trust by local governmental units, earnings on the federal grants and state matching funds pledged as security to the revenue bonds, including, as applicable, interest payments on direct loans pledged to secure such bonds, and substantial direct debt service subsidies ("Contract Assistance Payments") provided from Commonwealth appropriations. As the revenue bonds are repaid, the federal grants and state matching grants which are pledged to secure the bonds are released from the pledge and become available to be recycled to secure additional series of revenue bonds for other projects or to fund other direct loans.

*Leveraged Loan Program.* Subject to the requirements of DEP's regulations for the State Revolving Fund Program, including application of the annual Project Priority List process and

the preparation of the annual Intended Use Plan by DEP, any water pollution abatement project which is eligible to receive financial assistance from a state revolving fund under Section 603(c) of the Clean Water Act is eligible to participate in the Trust's Leveraged Loan Program.

Under the Trust's Leveraged Loan Program, eligible project costs are financed or refinanced with the proceeds of loans made to participating local governmental units under one or more Loan Agreements between the Trust and the local governmental units. The loans are funded from the proceeds of Trust revenue bonds or, in the case of pledged direct loans, federal grant and state matching grant funds. The loans are either general obligations of the borrowing local governmental unit or special obligations secured by specified pledged revenues.

Principal and interest payments on the loans must commence within one year after completion of the applicable project, the loan must be fully amortized within 20 years of project completion and the loans must otherwise conform to the requirements of Section 603(d)(1) of the Clean Water Act and EPA's Initial Guidance and regulations for state revolving funds. Specifically, the loans shall bear interest at or below market interest rates (Sec. 603(d)(1)(A)); the borrower shall establish a dedicated source of revenue to pay the obligations (Sec. 603(d)(1)(C)); and the revolving fund shall be credited with all payments of principal and interest on the loans (Sec. 603(d)(1)(D)).

Leveraged Bond Purchase Program. The Trust instituted its Leveraged Bond Purchase Program under Sections 603(d)(2) and (4) of the Clean Water Act in 1998 in order to provide additional financial assistance and rate moderation to local governmental units which are undertaking water pollution abatement projects with extended useful lives. The Leveraged Bond Purchase Program is funded by the Trust with the proceeds of revenue bonds which are issued and secured on a parity with bonds issued to fund the Trust's Leveraged Loan Program.

Under the Trust's Leveraged Bond Purchase Program, project costs for eligible projects are financed or refinanced with the proceeds of bonds ("Local Governmental Obligations") issued by participating local governmental units which are purchased by the Trust under one or more Bond Purchase Agreements between the Trust and the local governmental units. The Trust purchases the Local Governmental Obligations with proceeds of Trust revenue bonds or, in the case of pledged direct loans, federal grant and state matching grant funds. The Local Governmental Obligations are either general obligations of the borrowing local governmental unit or special obligations secured by specified pledged revenues.

Principal and interest payments on the Local Governmental Obligations purchased by the Trust must commence within one year after completion of the applicable project and the obligations must be fully amortized within a period not exceeding 30 years of project completion or the useful life of the project financed by the obligations, whichever is less. The Local Governmental Obligations must otherwise conform to requirements similar to those imposed on loans made under Section 603(d)(1) of the Clean Water Act, and to EPA's Initial Guidance and regulations for state revolving funds. Specifically, the Local Governmental Obligations purchased by the Trust shall bear interest at or below market interest rates (Sec. 603(d)(1)(A)); the issuer of the Local Governmental Obligations shall establish a dedicated source of revenue to pay the obligations (Sec. 603(d)(1)(C)); and the revolving fund shall be credited with all payments of principal and interest on the Local Governmental Obligations (Sec. 603(d)(1)(D)).

In addition to satisfying the requirements of DEP's regulations for the State Revolving Fund Program, including application of the annual Project Priority List process and Intended Use Plan, participation in the Trust's Leveraged Bond Purchase Program is limited to water pollution abatement projects with a useful life exceeding 20 years. The Trust may also limit participation in the Leveraged Bond Purchase Program to projects with a cost which exceeds a specified minimum amount or which, together with all other eligible projects to be funded from a particular issue of revenue bonds, will equal or exceed an aggregate minimum principal amount. Further limits on participation in the program or on the terms of the Local Governmental Obligations purchased by the Trust may be necessary or appropriate to assure an orderly and efficient market for the revenue bonds issued by the Trust to fund the program. Any project which is denied participation in the Trust's Leveraged Bond Purchase Program by such limits is eligible for financing or refinancing under the Trust's Leveraged Loan Program.

Prior to financing or refinancing a project under the Leveraged Bond Purchase Program, the Trust must also demonstrate that the financing will not reduce the recycling capacity of the revolving fund from the level that would be attained if the project was financed at a two to one leveraging ratio under the Trust's Leveraged Loan Program pursuant to Section 603(d)(1) of the Clean Water Act. Recycling capacity may be maintained through a reduction in the required level of reserves or pledged loans funded by the revolving fund or other similar measures to increase the leveraging ratio to a level greater than two to one and by the contribution to the fund of substantial Contract Assistance Payments from the Commonwealth on a payment schedule no longer than the schedule applicable to the Trust's shorter term Leveraged Loan Program.

*Direct Loan Program.* The Trust has adopted a direct loan program under which amounts attributable to federal grants and state matching grants are loaned directly to local governmental units to finance or refinance project costs. Under certain market conditions, it may be more efficient for the Trust to pledge the debt service payments payable by local governmental units on loans made under the direct loan program to secure revenue bonds issued by the Trust than to apply the federal grants and state matching grants to fund a reserve fund. By pledging the debt service payments on direct loans to a particular series of bonds, the Trust is able to leverage the federal grants and state matching grants in the same manner it leverages such grant money by funding a reserve fund. The principal payments on a direct loan pledged to secure revenue bonds issued by the Trust are available to cure a payment default on a loan or local governmental obligation financed by such bonds. In other cases, in light of the issuance costs attributable to a bond financed program at both the Trust and borrower levels, it may be more efficient to provide funds directly to borrowers rather than financing such costs through the Trust's leveraged programs. This approach may also be utilized for infrequent borrowers without a published rating and those borrowers whose credit rating would negatively impact the Trust's leveraged program.

*Interim Financing Program.* In order to provide a continuous supply of project financing, the Trust has instituted an Interim Financing Program which allows local governmental units to finance costs of approved federally eligible projects prior to bond financing of the project. To meet project expenditures as they are incurred, the Trust uses amounts attributable to federal grants and state matching grants to make short term loans to local governmental units participating in the Trust's Leveraged Loan Program and purchases bond anticipation notes ("BANs") from local governmental units participating in the Trust's Leveraged Bond Purchase

Program. The short term loans or BANs are refinanced and retired upon permanent financing of the project under the applicable Leveraged Program. The Trust may also finance and refinance costs of eligible projects under the Interim Financing Program with proceeds of a short term borrowing by the Trust. Any such short term borrowing is retired upon the issuance by the Trust of long term bonds, the proceeds of which finance the projects on a permanent basis.

Debt Service Subsidies. The Trust is required by its Enabling Act to provide debt service subsidies for most water pollution abatement projects financed or refinanced by the Trust in amounts and at times sufficient to provide to local borrowers the financial equivalent of either (i) a grant equal to a statutorily prescribed percentage of eligible project costs (i.e., a "Grant Equivalency") or (ii) a loan made at an interest rate of two percent. Debt service subsidies are not required under Title VI of the Clean Water Act, but have been provided for in state law and the Trust's Finance Plan to reduce debt service costs for local government units. These subsidies also encourage local government units to finance water pollution projects in furtherance of Title VI goals.

Debt service subsidies are funded from (i) investment earnings on amounts attributable to federal and state grants or interest payments on loans funded directly with such grants, in either case that are pledged to the Trust's leveraged revenue bonds issued to finance the applicable project and (ii) Contract Assistance Payments appropriated to the Trust by the Commonwealth. All subsidy amounts are deposited in the Federal SRF upon receipt. Investment earnings, interest payments on direct loans pledged to the Trust's revenue bonds and Contract Assistance Payments received by the Trust are applied to pay a portion of the debt service on the revenue bonds issued by the Trust to fund loans to, or purchase Local Governmental Obligations from, local governmental units. As a result, the debt service payments on the leveraged loans required from local borrowers to pay debt service on the Trust's bonds is reduced by the amount of the subsidies.

Projects funded under the Trust's Federal SRF Program since inception through September 30, 1995, receive debt service subsidies equal to at least a 25% Grant Equivalency. Subject to the availability of Contract Assistance Payments from the Commonwealth, all projects receiving permanent financing from the Trust on and after October 1, 1995 which appear on DEP's Intended Use Plan for calendar year 2001 or any prior year are eligible to receive financial assistance equivalent to a 50% Grant Equivalency, and all projects receiving permanent financing from the Trust on and after that date which first appear on DEP's Intended Use Plan for calendar year 2002 or any subsequent year are eligible to receive financial assistance equivalent to a loan made at an interest rate of two percent. The Trust also is required by the Enabling Act to provide financial assistance at Grant Equivalency levels up to 90% for certain transition projects that were included on DEP's Project Priority Lists between Commonwealth fiscal years 1989 and 1991, and for certain other projects specified in special legislation adopted by the state legislature. Local governmental units participating in the Trust's Leveraged Bond Purchase Program may receive a slightly lower subsidy. However, the extended term of the financing will result in lower average annual net debt service payments.

Contract Assistance Payments from the Commonwealth are not counted toward satisfaction of the state match requirement. The obligation of the Commonwealth to provide Contract Assistance Payments to the Trust constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged.

In the case of the Trust's Leveraged Loan Program, Contract Assistance Payments are applied upon receipt from the Commonwealth to pay a portion of the debt service on the Trust's revenue bonds over the 20 year term of the bonds. In the case of the Trust's Leveraged Bond Purchase Program, Contract Assistance Payments are also received from the Commonwealth over a 20 year period, but may be applied to pay debt service over a maximum 30 year term. In the first 20 years, a portion of each Contract Assistance Payment may be applied to pay bond debt service upon receipt and a portion may be held in a subsidy account within the federal SRF. The retained amounts in any such subsidy account, together with all investment earnings thereon, are applied to debt service over the term of the bonds which is in excess of 20 years.

## **Financial Structure**

### **Leveraged Financing Programs**

Substantially all permanent, long term financing provided by the Trust under the Federal SRF Program has been and will continue to be provided under either the Trust's Leveraged Loan Program or its Leveraged Bond Purchase Program, in either case in accordance with Section 603(d)(4) of the Clean Water Act. Bonds issued by the Trust under its Leveraged Programs are secured by a master trust indenture or "Program Resolution" under which all federal capitalization grants and associated state matching funds are held in trust as "equity" for the financing programs. The bonds are issued and further secured under separate, financing indentures or "Bond Resolutions."

Federal and state grant amounts are held in an Equity Fund under the Program Resolution until applied to fund (i) a Debt Service Reserve Fund created under each Bond Resolution or (ii) direct loans that are pledged to secure a particular series of revenue bonds or (iii) a combination thereof. Amounts released from the Debt Service Reserve Fund or principal repayments on the pledged direct loans, as applicable, are transferred first to a Pool Program Reserve Fund and/or a Deficiency Fund maintained under the Program Resolution and used to satisfy defaults, if any, by local governmental units under other Bond Resolutions before being redeposited in the Equity Fund and recycled to finance additional projects.

*Pooled Financing Programs.* Most Commonwealth borrowers have participated to date, and can be expected to participate in the future, in a pooled financing program with the proceeds of a single leveraged bond issue used to provide financing for multiple local governmental units and projects. Each series of pooled bonds is issued under a single, "closed" Bond Resolution under which financing is provided only for a specified group of local governmental units and projects. Each issue of pooled bonds is further secured by a Pool Program Reserve Fund maintained under the Program Resolution on a parity with all pooled bonds outstanding and by the Deficiency Fund maintained under the Program Resolution on a parity with all other bonds outstanding under the Federal SRF Program.

Financial assistance provided to local governmental units by the Trust's pooled financing programs is either in the form of loans as contemplated by, and satisfying the conditions provided in, Section 603(d)(1) of the Clean Water Act or by means of a bond purchase transaction as contemplated by, and satisfying the conditions provided in, Section 603(d)(2) of the Clean Water Act. In general, pooled bonds are issued for up to two years of cashflow needs of

the financed project or, in the case of smaller projects, for the entire project cost. Bonds are issued in amounts sufficient to finance projects for which the Trust either has executed Loan Agreements or Bond Purchase Agreements prior to the issuance of the Trust's revenue bonds or for which the Trust reasonably expects to enter into Loan Agreements or Bond Purchase Agreements not later than three years following the issuance of the Trust's revenue bonds.

Single Governmental Unit Financing Programs. Financing for large projects, defined to include single or multi-phased projects with an estimated cost in excess of \$80 million, which are undertaken by an individual local governmental unit or regional local governmental unit, has been provided to date, and may be provided in the future, under separate "single governmental unit" Bond Resolutions. Bonds are issued by the Trust under a "closed" Bond Resolution or under an "open" Bond Resolution under which financing or refinancing is provided only for the particular local governmental unit through one or more series of leveraged bonds issued on a parity with all other bonds issued by the Trust under that Bond Resolution. Each issue of bonds is further secured by the Deficiency Fund maintained under the Program Resolution on a parity with all other bonds issued under the Federal SRF Program.

Financial assistance provided to local governmental units by the Trust's single governmental unit financing programs is either in the form of loans as contemplated by, and satisfying the conditions provided in, Section 603(d)(1) of the Clean Water Act or by means of a bond purchase transaction as contemplated by, and satisfying the conditions provided in, Section 603(d)(2) of the Clean Water Act. Local governmental units which have received financial assistance from the Trust under a single governmental unit Bond Resolution currently include the Massachusetts Water Resources Authority, the South Essex Sewerage District and the City of New Bedford. Additional single governmental unit Bond Resolutions may be adopted in the future as needs dictate.

Cross-Collateralization. Commencing with the Trust's Pool 5 Financing Program, the Trust implemented cross-collateralization of the SRF under the Clean Water Act and the SRF under the Safe Drinking Water Act in accordance with the authorization contained in Public Law 105-65, the Departments of Veteran Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1998, and EPA's "Transfer/Cross-Collateralization Policy for Drinking Water State Revolving Fund and Clean Water State Revolving Fund" revised March 25, 1999. Under cross-collateralization, federal capitalization grants and associated state matching grants and other amounts held in the Clean Water Equity Fund and in the Drinking Water Equity Fund under the Program Resolution are applied to fund Debt Service Reserve Funds in the same manner and at the same reserve requirements as the Trust's traditional financing programs. No amounts in the Clean Water Equity Fund are applied to fund a Debt Service Reserve Fund allocable to a Drinking Water Loan and no amounts in the Drinking Water Equity Fund are applied to fund a Debt Service Reserve Fund allocable to a Clean Water Loan. Absent a default on a loan or local governmental obligation financed or refinanced by bonds of the Trust, until the amounts deposited in the Debt Service Reserve Funds are redeposited in the respective Equity Funds such amounts are maintained in such Debt Service Reserve Funds and in other funds and accounts under the Program Resolution in the same proportions that the proceeds of the bonds have been allocated to the purposes of the Clean Water Act and Safe Drinking Water Act.

With respect to direct loans pledged to secure a particular series of revenue bonds, no amounts in the Clean Water Equity Fund are applied to fund a Drinking Water Loan that is pledged to secure revenue bonds and no amounts in the Drinking Water Equity Fund are applied to fund a Clean Water Loan that is pledged to secure revenue bonds. Absent a default on a loan or local governmental obligation financed or refinanced by bonds of the Trust, the amounts in the Clean Water Equity Fund and Drinking Water Equity Fund that are applied to finance direct loans pledged to a particular series of bonds are repaid to the Trust for deposit in the Clean Water Equity Fund and Drinking Water Equity Fund, as applicable. Absent a default on a loan or local governmental obligation financed or refinanced by bonds of the Trust, the amount of equity allocated to such pledged direct loans is maintained throughout the term of such direct loans in the same proportions that the proceeds of the bonds have been allocated to the purposes of the Clean Water Act and Safe Drinking Water Act.

If a default occurs on a loan or local governmental obligation financed or refinanced by bonds secured by cross-collateralization, amounts allocable to the applicable SRF will be applied to satisfy such default before any amounts in the other SRF are so applied, and when the default is cured by the borrower, any amounts in a SRF used to satisfy a default allocable to the other SRF will be replenished first.

#### Direct Loan Program.

The Trust has adopted a direct loan program, with federal grants and state matching funds loaned directly to local governmental units for project costs in accordance with Section 603(d)(1) of the Clean Water Act. In light of the issuance costs attributable to a bond financed program, and on-going administrative costs, the Trust has determined that it is more efficient to loan the funds directly to certain borrowers. This approach may also be utilized for those borrowers whose credit rating would negatively impact a pooled program; as a matter of policy and to meet EPA requirements, however, the Trust makes a determination that the borrowers are capable of repaying their loans in all events.

#### Pledged Direct Loans

Under certain market conditions, it may be more efficient for the Trust to pledge the debt service payments payable by local governmental units on loans made under the direct loan program to secure revenue bonds issued by the Trust than to apply the federal grants and state matching grants to fund a reserve fund. By pledging the debt service payments on direct loans to a particular series of bonds, the Trust is able to leverage the federal grants and state matching grants in the same manner it leverages such grant money by funding a reserve fund. The principal payments on a direct loan pledged to secure revenue bonds issued by the Trust are available to cure a payment default on a loan or local governmental obligation financed by such bonds.

#### Interim Financing Program.

The Trust has instituted its Interim Financing Program to provide short term financing of approved federally eligible project costs prior to the issuance of long term bonds by the Trust. Upon approval by DEP of the applicable project and pending issuance of the Trust's revenue

bonds, the Trust uses federal and state grant amounts in the Equity Fund, or proceeds of a short term borrowing, to make temporary loans to borrowers which are expected to participate in one of the Trust's Leveraged Loan Programs or to purchase BANs from local governmental units which are expected to participate in one of the Trust's Leveraged Bond Purchase Programs.

Temporary loans or BANs accrue interest at a below market interest rate fixed for the term of the interim loan. Interest accrues on amounts disbursed from the date of disbursement through the date of permanent financing. All interim loans or BANs, including accrued interest, are due and payable no later than the date of permanent financing. All principal and interest paid on interim financing is deposited in the Equity Fund.

#### Refunding Bonds.

The Trust has issued refunding bonds under both of its leveraged programs to refund outstanding leveraged bonds to take advantage of reduced interest rates or to restructure the debt service or subsidy payments due on loans made, or Local Governmental Obligations purchased, from the proceeds of the refunded bonds. The Trust may issue additional series of refunding bonds in the future as conditions warrant.

The refunding bonds have been and will be issued under and secured by the Trust's Program Resolution and one or more Bond Resolutions on terms and conditions substantially similar to other leveraged bonds issued by the Trust. Upon issuance of the refunding bonds, the loans or Local Governmental Obligations securing the refunded bonds may be pledged as security for the refunding bonds and amended to reflect the terms of the refunding, provided that the underlying loans or Local Governmental Obligations shall continue to comply with the applicable provisions of the Clean Water Act and this Finance Plan and the term of the loan or Local Governmental Obligation shall not be extended by operation of the refunding beyond the maximum term which applies to the applicable leveraged program for the refunding bonds (e.g., 20 years in the case of the Trust's Leveraged Loan Program and 30 years or the useful life of the financed project, whichever is less, in the case of the Trust's Leveraged Bond Purchase Program), in each case measured from the original completion date of the financed project.

#### Obligations of Local Governmental Units.

Loans made by the Trust to local governmental units, and Local Governmental Obligations that are purchased by the Trust from local governmental units, constitute either a general obligation of the local governmental unit for which its full faith and credit are pledged which is payable, unless paid from other sources, from *ad valorem* taxes assessed on all taxable property in the local governmental unit, or a revenue obligation secured by a pledge of, and payable from, dedicated wastewater and other revenues of the local governmental unit in compliance with EPA requirements.

Loans made to, and local governmental obligations purchased from, local governmental units are generally amortized on a level debt basis with payment dates at least five business days prior to the Trust's revenue bond payment dates. Local governmental units have the option of differing lengths of financing and amortization patterns, according to their specific needs, subject to the maximum amortization periods provided in the Clean Water Act.

**Issuance Schedule of Trust Revenue Bonds**

To date, the Trust has issued 27 issues of revenue bonds which have financed or refinanced over \$4.2 billion of project costs for local governmental units for water pollution abatement projects. These include the following:

Issue	Date Issued	Amount Issued to Fund Water Pollution Abatement Projects
MWRA 1993A	March 18, 1993	\$ 148,575,000
Pool Series 1 <sup>1</sup>	July 14, 1993	49,100,000
MWRA 1993B	January 6, 1994	86,985,000
SESD 1994A	November 1, 1994	80,925,000
Pool Series 2	June 1, 1995	58,910,000
MWRA 1995A	November 21, 1995	84,585,000
New Bedford 1996A	July 10, 1996	150,810,000
SESD 1996A	December 5, 1996	88,855,000
Pool Series 3	April 29, 1997	136,740,000
MWRA 1998A	July 9, 1998	125,000,000
Pool Series 4	December 9, 1998	156,929,980.25
New Bedford 1998A <sup>2</sup>	December 23, 1998	128,815,000
Pool Series 5	October 6, 1999	204,770,000
MWRA 1999A <sup>3</sup>	November 3, 1999	406,585,000
Pool Series 6	November 8, 2000	248,485,000
Pool Series 7 <sup>4</sup>	July 26, 2001	293,462,762
MWRA 2002A	October 31, 2002	91,665,000
Pool Series 8	November 26, 2002	193,910,000
Pool Series 9	November 6, 2003	225,940,000
Refunding Series 2004A & B	August 25, 2004	457,323,563
Pool Series 10	November 23, 2004	221,930,000
Pool Series 11	November 16, 2005	220,635,000
Pool Series 12 / Series 2006 <sup>5</sup>	December 14, 2006	662,301,000
Pool Series 13	December 18, 2007	267,217,000
Pool Series 14	March 18, 2009	313,000,000

<sup>1</sup> Excludes \$42 million for transition projects under the State SRF Program.

<sup>2</sup> All of this issue was applied to refund a substantial portion of the New Bedford 1996A bonds.

<sup>3</sup> Proceeds of this issue in the amount of \$94,814,487 were applied to fund new water pollution abatement projects; the balance of the proceeds shown was applied to refund portions of the MWRA 1993A, MWRA 1993B, MWRA 1995A and MWRA 1998A bonds.

<sup>4</sup> Proceeds of this issue in the amount of \$96,758,483 were applied to fund new water pollution abatement projects; the balance of the proceeds shown was applied to refund portions of the Pool Series 1, Pool Series 2, Pool Series 3, SESD 1994A and SESD 1996A bonds.

<sup>5</sup> Proceeds of Pool Series 12 Bonds in the amount of \$246,066,333 were applied to fund new water pollution abatement projects. The amount shown also includes the proceeds of the Pool Series 2006 Bonds, which were applied to refund a portion of the Pool Series 9, Pool Series 10, Pool Series 11 and MWRA 2002A Bonds.

Refunding Series 2009A <sup>6</sup>	August 11, 2009	216,730,000
Pool Series 15 / Series 2010A <sup>7</sup>	July 8, 2010	363,795,000

In addition to the revenue bonds shown in the foregoing table, the Trust anticipates that it will issue approximately \$205 million in revenue bonds during calendar year 2012 for a twentieth pooled series to make loans to, or purchase Local Governmental Obligations from, local governmental units for water pollution abatement projects. The Trust also anticipates that it will issue approximately \$125 million in revenue bonds during calendar year 2012 to refund certain bonds previously issued by the Trust.

**EPA oversight**

The finance plan makes the following assumptions regarding EPA requirements and review:

- a) All equivalency projects, in an amount equal to the total federal grants, as designated by DEP, will be subject to all SRF requirements, including a “NEPA-like” review and all “cross-cutters”.
- b) All other Federal SRF projects will be subject to “first use” and second tier environmental review. All NMP projects are currently in compliance.
- c) EPA project audits will be done on a sampling basis, according to the review levels described in a) and b) above.
- d) An EPA financial review is required on the Federal SRF. The Trust also has engaged outside auditors to perform a yearly financial audit in accordance with generally accepted governmental auditing standards and a “Single Audit” in accordance with the Office of Management and Budget’s Circular A - 133.
- e) Projects that are not eligible for the Title VI assistance will be funded through a Commonwealth-funded revolving fund separate from the Federal SRF.

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<sup>6</sup> All of this issue was applied to refund a substantial portion of the MWRA 1999A bonds and a portion of the Pool Series 12 Bonds.

<sup>7</sup> Proceeds of Pool Series 15 Bonds in the amount of \$317,600,000 were applied to fund new water pollution abatement projects. The amount shown also includes the proceeds of the Pool Series 2010A Bonds, which were applied to refund a substantial portion of the New Bedford 1998A bonds.

Certificate as to Amended and Restated Drinking Water Finance Plan

The undersigned, Executive Director of the Massachusetts Water Pollution Abatement Trust (the "Trust"), certifies that attached hereto is a true and complete copy of Amended and Restated Finance Plan for the Safe Drinking Water State Revolving Fund Federal Program adopted on June 6, 2012 (the "Drinking Water Finance Plan"), with such additions, deletions and other changes thereto as I have approved and which are reflected in the official copy of the Drinking Water Finance Plan that is on file in the records of the Trust. I further certify that, except as aforesaid, the Drinking Water Finance Plan has not been amended, modified, supplemented or repealed and remains in full force and effect.

Dated: June 13, 2012

  
Susan E. Perez  
Executive Director

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**AMENDED AND RESTATED FINANCE PLAN**  
**FOR THE SAFE DRINKING WATER STATE REVOLVING FUND**

**FEDERAL PROGRAM**

As Adopted

June 6, 2012

**Introduction and Overview**

In 1998 the Commonwealth of Massachusetts enacted legislation to create a state revolving fund as contemplated by the federal Safe Drinking Water Act, 42 USC 300f et seq., as amended (the “Safe Drinking Water Act”), to be administered by the Massachusetts Water Pollution Abatement Trust (the “Trust”) under Chapter 29C of the General Laws of Massachusetts (the “Enabling Act”). Through the combined efforts of the United States Environmental Protection Agency (the “EPA”), the Treasurer and Receiver–General of the Commonwealth, the Massachusetts Department of Environmental Protection (“DEP”) and the Executive Office for Administration and Finance of the Commonwealth, the Trust’s federally capitalized state revolving fund (the “Federal SRF Program,”) provides financial incentives to borrowers and other eligible owners and operators of public water systems (collectively, “borrowers”) to address the Commonwealth’s needs for the development, construction, installation, rehabilitation and upgrade of drinking water projects.

The Commonwealth provides financial assistance to borrowers for drinking water projects on the state’s annual Project Priority List and Intended Use Plan through the Trust’s Federal SRF Program. The Federal SRF Program includes a leveraged loan program under Sections 1452(f)(1) and (4) of the Safe Drinking Water Act and a direct loan program under Section 1452(f)(1) of the Safe Drinking Water Act. To date, the Commonwealth has provided over \$1.1 billion in financing to local government units under the Federal SRF Program.

In addition to the direct assistance provided to borrowers from the loans made by the Trust, the Commonwealth also provides substantial debt service subsidies to reduce the borrowing costs of the borrowers. The “contract assistance payments” which are provided by the Commonwealth are deposited in the Federal SRF upon receipt and are applied to pay a portion of the debt service due on bonds issued by the Trust to fund loans or purchase local bonds, thus reducing the loan or bond repayments otherwise required from local borrowers to pay the debt service on the Trust’s bonds.

## **Finance Plan**

The Trust's Federal SRF Program provides financial assistance to borrowers for the financing and refinancing of drinking water projects which are eligible for assistance under Section 1452(a)(2) of the Safe Drinking Water Act. The Federal SRF Program is capitalized with federal grants made available to the Commonwealth under the Safe Drinking Water Act as well as 20% matching state grants provided by the Commonwealth.

### **Objectives**

The Trust's Finance Plan for its Federal SRF Program achieves several major objectives of both the Commonwealth and the Trust, and where such objectives compete, attempts to balance the requirements of each. Overall, the Finance Plan provides significant incentives to borrowers to undertake drinking water projects while reducing the long term cost of the program to the Commonwealth. The leveraged structure of the Trust's program also delivers more projects at a lower cost to the Commonwealth. Each federal grant and associated state matching grant dollar contributed to the leveraged loan program will result in at least two and one-half to three dollars of project cost financing while assuring the perpetual nature of the revolving fund. The contributions of the Commonwealth will be structured in such a way as to achieve maximization of the federal grants and to provide a consistent and substantial level of debt service subsidy for borrowers and additional security for the Trust's bonds.

The Finance Plan achieves the following objectives of the Trust:

1. Establish a relatively simple and financially attractive approach, which is easily understood by borrowers, rating agencies and investors and stimulates local government participation and market access. The approach is flexible, allowing different amortization patterns and length of financing to meet borrower needs and constraints while maintaining the recycling capacity of the revolving fund.
2. Utilize investment earnings on federal grants and state matching funds, together with substantial additional payments from the Commonwealth, to provide the applicable subsidies and the additional security necessary to enhance the credit of the Trust's revenue bonds.
3. Manage the level of required Commonwealth cash flow contributions consistent with budgetary goals.
4. Provide a high level of project construction within the financial constraints of the federal grants and Commonwealth contributions.
5. Create a security structure, which will receive ratings higher than the average underlying rating of the participating borrowers, and therefore reduce borrowing costs to the Commonwealth and borrowers.

### **Program Elements**

- Leveraging of reserve funds and subsidy contributions from the Commonwealth at various levels to achieve a consistent overall recycling rate for the program while maintaining

security.

- Reserve funds or loans made under the direct loan program to secure bonds issued to finance loans and cure defaults before being recycled for new projects resulting in better financial ratings and thus lower financing costs.
- The Trust will finance borrowers who are privately held, but serve the public, under certain constraints.
- Financing of projects at an effective below market interest rate.

### **The Federal Program**

*In General.* Except for certain small projects and for short-term interim financing as described below, the Trust's Federal SRF Program utilizes a "leveraged" loan model authorized by Section 1452(f)(1) and 1452(f)(4) of the Safe Drinking Water Act similar to the approach utilized by the Trust to provide financial assistance to water pollution abatement projects with the Trust's state revolving fund under the federal Clean Water Act. Under this model, federal grants and state matching grants are used as a source of security for revenue bonds issued by the Trust. The proceeds of the revenue bonds are deposited in the federally capitalized revolving fund (the "Federal SRF") and are applied to fund projects for borrowers for eligible project costs in accordance with the Safe Drinking Water Act.

The use of federal grants and state matching grants to secure revenue bonds issued by the Trust permits the Commonwealth to substantially increase the amounts available to fund eligible project costs. Each grant dollar contributed to the program to finance projects is leveraged by the Trust to result in at least two and one-half dollars to three dollars of project cost financing. The Trust secures its revenue bonds by applying federal grant and state matching grants to fund (i) loans to eligible borrowers that are pledged as a source of payment of and security for such revenue bonds, (ii) a reserve fund for such revenue bonds, or (iii) a combination thereof.

Principal and interest payments on the Trust's revenue bonds are made from the following sources: loan repayments to the Trust by borrowers, earnings on the federal grants and state matching funds pledged as security to the revenue bonds, including, as applicable, interest payments on direct loans pledged to secure such bonds, and substantial direct debt service subsidies ("Contract Assistance Payments") provided from annual Commonwealth appropriations. As the revenue bonds are repaid, the federal grants and state matching grants which are pledged to secure the bonds are released from the pledge and become available to be recycled to secure additional series of revenue bonds for other projects or to fund other direct loans.

*Leveraged Loan Program.* Subject to the requirements of DEP's regulations for the State Revolving Fund Program, including application of the annual Project Priority List process and the preparation of the annual Intended Use Plan by DEP, any drinking water project which is eligible to receive financial assistance from a state revolving fund under Section 1452(a)(2) of the Safe Drinking Water Act is eligible to participate in the Trust's Leveraged Loan Program.

Under the Trust's Leveraged Loan Program, eligible project costs are financed or refinanced under one or more Loan Agreements between the Trust and the borrowers. The loans are funded from the proceeds of Trust revenue bonds or, in the case of pledged direct loans, federal grant and state matching grant funds. The loans are either general obligations of the borrowing local governmental unit or special obligations secured by specified pledged revenues.

Principal and interest payments on the projects financed must commence within one year after completion of the applicable project, and the loan must be fully amortized within 20 years of project completion. The loans must otherwise conform to the requirements of Section 1452(f)(1) of the Safe Drinking Water Act and EPA's program regulations for state revolving funds. Specifically, the loans shall bear interest at or below market interest rates (Sec. 1452(f)(1)(A)); the borrower shall establish a dedicated source of revenue to pay the obligations (Sec. 1452(f)(1)(C)); and the revolving fund shall be credited with all payments of principal and interest paid by borrowers (Sec. 1452(f)(1)(D)).

*Direct Loan Program.* The Trust has adopted a direct loan program under which amounts attributable to federal grants and state matching grants are loaned directly to borrowers to finance or refinance project costs. Under certain market conditions, it may be more efficient for the Trust to pledge the debt service payments payable by borrowers on loans made under the direct loan program to secure revenue bonds issued by the Trust than to apply the federal grants and state matching grants to fund a reserve fund. By pledging the debt service payments on direct loans to a particular series of bonds, the Trust is able to leverage the federal grants and state matching grants in the same manner it leverages such grant money by funding a reserve fund. The principal payments on a direct loan pledged to secure revenue bonds issued by the Trust are available to cure a payment default on a loan financed by such bonds. In other cases, in light of the issuance costs attributable to a leveraged loan program at both the Trust and borrower levels, it may be more efficient to provide funds directly to borrowers with small projects rather than financing such costs through the Trust's leveraged program. This approach may also be utilized for infrequent borrowers without a published rating and those borrowers whose credit rating would negatively impact the Trust's leveraged program.

*Interim Loan Program.* In order to provide a continuous supply of project financing, the Trust has instituted an Interim Loan Program which allows borrowers to finance costs of approved federally eligible projects prior to bond financing of the project. To meet project expenditures as they are incurred, the Trust uses amounts attributable to federal grants and state matching grants to make short term loans to borrowers participating in the Trust's Leveraged Loan Program. The short-term loans are refinanced and retired upon permanent financing of the project under the Leveraged Loan Program. The Trust may also finance and refinance costs of eligible projects under the Interim Financing Program with proceeds of a short term borrowing by the Trust. Any such short term borrowing is retired upon the issuance by the Trust of long term bonds, the proceeds of which finance the projects on a permanent basis.

*Debt Service Subsidies.* The Trust is required by its Enabling Act to provide debt service subsidies for most drinking water projects financed or refinanced by the Trust in amounts and at times sufficient to provide to local borrowers the financial equivalent of either (i) a grant equal to a statutorily prescribed percentage of eligible project costs (i.e., a "Grant Equivalency") or (ii) a loan made at an interest rate of two percent. Debt service subsidies are not required under the

Safe Drinking Water Act but have been provided for in state law and the Trust's Finance Plan to reduce debt service costs for borrowers. These subsidies also encourage borrowers to finance drinking water projects in furtherance of the goals of the Safe Drinking Water Act.

Debt service subsidies are funded from (i) investment earnings on amounts attributable to federal and state grants or interest payments on loans funded directly with such grants, in either case that are pledged to the Trust's leveraged revenue bonds issued to finance the applicable project and (ii) Contract Assistance Payments appropriated to the Trust by the Commonwealth. All subsidy amounts are deposited in the Federal SRF upon receipt. Investment earnings, interest payments on direct loans pledged to the Trust's revenue bonds and Contract Assistance Payments received by the Trust are applied to pay a portion of the debt service on the revenue bonds issued by the Trust to fund loans to borrowers. As a result, the debt service payments on the leveraged loans required from borrowers to pay debt service on the Trust's bonds is reduced by the amount of the subsidies.

Subject to the availability of Contract Assistance Payments from the Commonwealth, all drinking water projects receiving permanent financing from the Trust which appear on DEP's Intended Use Plan for calendar year 2001 or any prior year are eligible to receive financial assistance equivalent to a 50% Grant Equivalency. All other projects receiving permanent financing from the Trust which first appear on DEP's Intended Use Plan for calendar year 2002 or any subsequent year are eligible to receive financial assistance equivalent to a loan made at an interest rate of two percent.

Contract Assistance Payments from the Commonwealth are not counted toward satisfaction of the state match requirement. The obligation of the Commonwealth to provide Contract Assistance Payments to the Trust constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged. Contract Assistance Payments are made in semi-annual payments over the maximum 20 year term of each loan.

## **Financial Structure**

### **Leveraged Loan Program**

Substantially all permanent, long term financing provided by the Trust under the Federal SRF Program has been and will continue to be provided under the Trust's Leveraged Loan Program in accordance with Sections 1452(f)(1) and 1452(f)(4) of the Safe Drinking Water Act. Bonds issued by the Trust under its Leveraged Loan Program are secured by a master trust indenture or "Program Resolution" under which all federal capitalization grants and associated state matching funds are held in trust as "equity" for the financing program. The bonds are issued and further secured under separate, financing indentures or "Bond Resolutions."

Federal and state grant amounts are held in an Equity Fund under the Program Resolution until applied to fund (i) a Debt Service Reserve Fund created under each Bond Resolution or (ii) direct loans that are pledged to secure a particular series of revenue bonds or (iii) a combination thereof. Amounts released from the Debt Service Reserve Fund or principal repayments on the pledged direct loans, as applicable, are transferred first to a Pool Program Reserve Fund and/or a Deficiency Fund maintained under the Program Resolution and used to satisfy defaults, if any,

by borrowers under other Bond Resolutions before being redeposited in the Equity Fund and recycled to finance additional projects.

*Pooled Financing Program.* Most borrowers participate in a pooled loan program with the proceeds of a single leveraged bond issue used to provide financing for multiple borrowers and projects. Each series of pooled bonds is issued under a single, "closed" Bond Resolution under which financing is provided only for a specified group of borrowers and projects. Each issue of pooled bonds is further secured by a Pool Program Reserve Fund maintained under the Program Resolution on a parity with all pooled bonds outstanding and by the Deficiency Fund maintained under the Program Resolution on a parity with all other bonds outstanding under the Federal SRF Program.

In general, pooled bonds are issued for up to two years of cash flow needs of the financed project or, in the case of smaller projects, for the entire project cost. Bonds are issued in amounts sufficient to finance projects for which the Trust either has executed Loan Agreements prior to the issuance of the Trust's revenue bonds or for which the Trust reasonably expects to enter into Loan Agreements not later than three years following the issuance of the Trust's revenue bonds.

*Single Borrower Loan Programs.* Financing for large projects, defined to include single or multi-phased projects with an estimated cost in excess of \$80 million, which are undertaken by an individual borrower may be provided under separate "single borrower" Bond Resolutions. Bonds may be issued by the Trust under a closed Bond Resolution or under an "open" Bond Resolution under which financing or refinancing is provided only for the particular borrower through one or more series of leveraged bonds issued on a parity with all other bonds issued by the Trust under that Bond Resolution. Each issue of bonds may be further secured by the Deficiency Fund maintained under the Program Resolution on a parity with all other bonds issued under the Federal SRF Program.

*Cross-Collateralization.* Commencing with the Trust's Pool 5 Financing Program, the Trust implemented cross-collateralization of the SRF under the Clean Water Act and the SRF under the Safe Drinking Water Act in accordance with the authorization contained in Public Law 105-65, the Departments of Veteran Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1998, and EPA's "Transfer/Cross-Collateralization Policy for Drinking Water State Revolving Fund and Clean Water State Revolving Fund" revised March 25, 1999. Under cross-collateralization, federal capitalization grants and associated state matching grants and other amounts held in the Clean Water Equity Fund and in the Drinking Water Equity Fund under the Program Resolution are applied to fund Debt Service Reserve Funds in the same manner and at the same reserve requirements as the Trust's traditional financing programs. No amounts in the Clean Water Equity Fund are applied to fund a Debt Service Reserve Fund allocable to a Drinking Water Loan and no amounts in the Drinking Water Equity Fund are applied to fund a Debt Service Reserve Fund allocable to a Clean Water Loan. Absent a default on a loan financed or refinanced by bonds of the Trust, until the amounts deposited in the Debt Service Reserve Funds are redeposited in the respective Equity Funds such amounts are maintained in such Debt Service Reserve Funds and other funds and accounts under the Program Resolution in the same proportions that the proceeds of the bonds have been allocated to the purposes of the Clean Water Act and Safe Drinking Water Act.

With respect to direct loans pledged to secure a particular series of revenue bonds, no amounts in the Clean Water Equity Fund are applied to fund a Drinking Water Loan that is pledged to secure revenue bonds and no amounts in the Drinking Water Equity Fund are applied to fund a Clean Water Loan that is pledged to secure revenue bonds. Absent a default on a loan or local governmental obligation financed or refinanced by bonds of the Trust, the amounts in the Clean Water Equity Fund and Drinking Water Equity Fund that are applied to finance direct loans pledged to a particular series of bonds are repaid to the Trust for deposit in the Clean Water Equity Fund and Drinking Water Equity Fund, as applicable. Absent a default on a loan or local governmental obligation financed or refinanced by bonds of the Trust, the amount of equity allocated to such pledged direct loans is maintained throughout the term of such direct loans in the same proportions that the proceeds of the bonds have been allocated to the purposes of the Clean Water Act and Safe Drinking Water Act.

If a default occurs on a loan financed or refinanced by bonds secured by cross-collateralization, amounts allocable to the applicable SRF will be applied to satisfy such default before any amounts in the other SRF are so applied, and when the default is cured by the borrower, any amounts in a SRF used to satisfy a default allocable to the other SRF will be replenished first.

#### Direct Loan Program.

The Trust has implemented a direct loan program, with federal grants and state matching funds loaned directly to borrowers for project costs in accordance with Section 1452(f)(1) of the Safe Drinking Water Act. In light of the issuance costs attributable to a bond financed program, and on-going administrative costs, the Trust has determined that it is more efficient to loan the funds directly to certain borrowers. This approach may also be utilized for those borrowers whose credit rating would negatively impact a pooled program; as a matter of policy and to meet EPA requirements, however, the Trust makes a determination that the borrowers are capable of repaying their loans in all events. The Trust also reserves the ability to issue direct loans to refinance certain projects that are federally eligible.

#### Pledged Direct Loans

Under certain market conditions, it may be more efficient for the Trust to pledge the debt service payments payable by borrowers on loans made under the direct loan program to secure revenue bonds issued by the Trust than to apply the federal grants and state matching grants to fund a reserve fund. By pledging the debt service payments on direct loans to a particular series of bonds, the Trust is able to leverage the federal grants and state matching grants in the same manner it leverages such grant money by funding a reserve fund. The principal payments on a direct loan pledged to secure revenue bonds issued by the Trust are available to cure a payment default on a loan financed by such bonds.

#### Interim Loan Program.

The Trust has instituted its Interim Loan Program to provide short term financing of approved federally eligible project costs prior to the issuance of long term bonds by the Trust. Upon approval by DEP of the applicable project and pending issuance of the Trust's revenue bonds, the Trust uses federal and state grant amounts in the Equity Fund, or proceeds of a short term

borrowing, to make temporary loans to borrowers which are expected to participate in the Trust's Leveraged Loan Program.

Interim loans accrue interest at a below market interest rate fixed for the term of the interim loan. Interest accrues on amounts disbursed from the date of disbursement through the date of permanent financing. All interim loans, including accrued interest, are due and payable no later than the date of permanent financing. All principal and interest paid on interim financing are deposited in the Equity Fund.

#### Refunding Bonds.

The Trust has issued refunding bonds to refund outstanding leveraged bonds to take advantage of reduced interest rates or to restructure the debt service or subsidy payments due on loans made from the proceeds of the refunded bonds. The Trust may issue additional series of refunding bonds in the future as conditions warrant.

The refunding bonds have been and will be issued under and secured by the Trust's Program Resolution and one or more Bond Resolutions on terms and conditions substantially similar to other leveraged bonds issued by the Trust. Upon issuance of the refunding bonds, the loans securing the refunded bonds may be pledged as security for the refunding bonds and amended to reflect the terms of the refunding, provided that the underlying loans shall continue to comply with the applicable provisions of the Drinking Water Act and this Finance Plan.

#### Obligations of Borrowers.

Loans made by the Trust to borrowers constitute either a general obligation of the borrower for which its full faith and credit is pledged, payable, in the case of borrowers which are local governmental units, unless paid from other sources, from *ad valorem* taxes assessed on all taxable property in the local governmental unit, or a revenue obligation secured by a pledge of, and payable from, dedicated water and other revenues of the borrower in compliance with EPA requirements. The loan repayment obligations of non-governmental public water systems eligible for funding from the Federal SRF must also be guaranteed, insured or otherwise secured by a letter of credit, insurance policy, surety bond or similar credit instrument issued by a financial institution satisfactory to the Trust.

Financing made available to borrowers is generally amortized on a level debt basis with payment dates at least five business days prior to the Trust's revenue bond payment dates. Borrowers have the option of differing lengths of financing and amortization patterns, according to their specific needs, subject to the maximum amortization periods provided in the Safe Drinking Water Act.

### **Issuance Schedule of Trust Revenue Bonds**

To date, the Trust has issued 14 issues of revenue bonds which have financed or refinanced over \$1.1 billion of project costs for eligible borrowers for drinking water projects. These include the following:

<u>Issue</u>	<u>Date Issued</u>	<u>Amount Issued to Fund Drinking Water Projects</u>
Pool Series 5	October 6, 1999	\$66,930,000
Pool Series 6	November 8, 2000	92,945,000
Pool Series 7	July 26, 2001	28,342,000
MWRA 2002A	October 31, 2002	33,135,000
Pool Series 8	November 26, 2002	72,975,000
Pool Series 9	November 6, 2003	85,640,000
Refunding Series 2004A & B	August 25, 2004	127,716,385
Pool Series 10	November 23, 2004	95,245,000
Pool Series 11	November 16, 2005	73,125,000
Pool Series 12 / Series 2006 <sup>1</sup>	December 14, 2006	123,812,000
Pool Series 13	December 18, 2007	105,831,000
Pool Series 14	March 18, 2009	117,000,000
Refunding Series 2009A <sup>2</sup>	August 11, 2009	31,430,000
Pool Series 15 / Series 2010A	July 8, 2010	150,800,000

In addition to the revenue bonds shown in the foregoing table, the Trust anticipates that it will issue approximately \$65 million in revenue bonds during calendar year 2012 for a twentieth pooled series to make loans to eligible borrowers for drinking water projects. The Trust also anticipates that it will issue approximately \$125 million in revenue bonds during calendar year 2012 to refund certain bonds previously issued by the Trust.

#### EPA oversight

The finance plan makes the following assumptions regarding EPA requirements and review:

- a) All equivalency projects, in an amount equal to the total federal grants, as designated by DEP, will be subject to all SRF requirements, including a "NEPA-like" review and all "cross-cutters" as provided in DEP's drinking water SRF regulations at 310 CMR 45.09. All other Federal SRF projects must also comply with the environmental review requirements at 310 CMR 45.09(1).
- b) EPA project audits will be done on a sampling basis, according to the review levels described in (a) above.
- c) An EPA financial review is required on the Federal SRF. The Trust also has engaged outside auditors to perform a yearly financial audit in accordance with generally accepted governmental auditing standards and a "Single Audit" in accordance with the Office of Management and Budget's Circular A - 133.

<sup>1</sup> Proceeds of Pool Series 12 Bonds in the amount of \$123,812,000 were applied to fund new drinking water projects. The amount shown also includes the proceeds of the Pool Series 2006 Bonds, which were applied to refund a portion of the Pool Series 9, Pool Series 10, Pool Series 11 and MWRA 2002A Bonds.

<sup>2</sup> The amount shown was applied to refund a portion of the Pool Series 12 Bonds.