FINAL

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

WATER POLLUTION ABATEMENT AND DRINKING
WATER PROJECT BOND RESOLUTION
POOL PROGRAM, SERIES 10

Adopted November 3, 2004

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WATER POLLUTION ABATEMENT AND DRINKING WATER PROJECT BOND RESOLUTION POOL PROGRAM, SERIES 10

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

ARTICLE I

DEFINITIONS

Section 101. Short Title. This Water Pollution Abatement and Drinking Water Project Bond Resolution, Pool Program, Series 10 is hereinafter referred to as the "Bond Resolution."

Section 102. Definitions. (A) In this Bond Resolution, unless a different meaning clearly appears from the context, the terms "board," "eligible borrower", "general revenues," "local aid distributions," "local governmental obligations", "local governmental unit," "local system revenues," and "trust agreement" shall have the meanings given such terms in the Act. Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 102 of the Trust's Amended and Restated Resolution Authorizing and Establishing A Water Pollution Abatement and Drinking Water Project Financing Program adopted March 4, 1993, as amended through October 19, 2000 (the "Program Resolution").

(B) In this Bond 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 Program, including without limitation 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 this Bond Resolution; and any other item of expense required or permitted to be paid by the Trust under the provision of the Act, the Program Resolution or this Bond 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;

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

"Allocated Equity" means the amount of Equity, if any, allocated to a Loan or to an issue of Local Governmental Obligations as specified in the 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 purchased price;

"Authenticating Agent" means the Bond Trustee;

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

"Beneficial Owner" means the person or entity that is considered to be the beneficial owner of any Bond pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository;

"Bond" or "Bonds" means any of the $317,175,000 Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 10, dated November 15, 2004 authenticated and delivered under this Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor;

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

"Bond Counsel" means Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, or any other 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 Bond Trustee;

"Bond Depository" means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 211 hereof;

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

"Bond Resolution" means this Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 10, as the same may be amended or supplemented from time to time by a Supplemental Bond Resolution;

"Bond Year" means the twelve (12) month period beginning on the date of original delivery of the Bonds and each successive twelve (12) month period thereafter;

"Bond Trustee" means the trustee appointed by or pursuant to Section 901 hereof, and any successor or successors thereto appointed pursuant to this Bond Resolution;

"Borrower" with respect to a Loan or any Local Governmental Obligation means the local governmental unit or other eligible borrower which is the obligor on such Loan or Local Governmental Obligation, 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;

"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 Debt Service Reserve Account Requirement" means, at any date of calculation, an amount equal to the aggregate Equity Requirement for all Clean Water Obligations outstanding, less (i) the aggregate amount, if any, on deposit in the Clean Water Leveraged Bond Account within the Leveraged Bond Fund that is applicable to such Clean Water Obligations, and (ii) the aggregate amount, if any, thereafter available to be drawn under Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that has been allocated as Equity for such Clean Water Obligations;

"Clean Water Obligations" means a Loan provided by the Trust to, or any Local Governmental Obligations purchased from, a Borrower from the proceeds of the Bonds to finance or refinance all or any part of the Cost of a Clean Water Project;

"Clean Water Program" means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance loans 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 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 1, 2004, between the Commonwealth and the Trust, as hereafter further amended from time to time in accordance therewith;

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

"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, Section 6A or Section 18 of the Act and the Commonwealth Assistance Contract, together with the Net Earnings, if any, upon investment or deposit of such payments as provided in Section 411 hereof, to be applied by the Trust to pay Debt Service on the Bonds as more fully described in the applicable Contract Assistance Determination;

"Cost," when used with reference to a Project, means any "cost" thereof (as defined in the Act) approved by the Department including without limitation all costs, whenever incurred, of carrying out a Project (whether or not eligible for financial assistance pursuant to Section 6, Section 6A or Section 18 of the Act), costs of planning, preparation of studies and surveys, design, construction, expansion, facilities, improvement and rehabilitation, acquisition of real property, personal property, materials, machinery or equipment, start-up costs, demolitions and relocations, reserves and working capital, administrative, legal and financing expenses, and other expenses necessary or incidental to the foregoing;

"Costs of Issuance" means any items of expense directly or indirectly payable by or reimbursable to the Trust and related to the authorization, sale and issuance of Bonds and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds, premiums for insurance insuring the Trust against loss on Loans or Local Governmental Obligations or insuring the receipt by the Trust of Commonwealth Matching Grants, Equity Earnings or Contract Assistance Payments allocable to Loans or Local Governmental Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Local Governmental Obligations, costs and expenses of refunding of Bonds or other obligations, fees and expenses payable in connection with any remarketing agreements, tender agent agreements or interest rate indexing agreements and other costs, charges and fees in connection with the original issuance of Bonds;

"Debt Service" means, with respect to Bonds Outstanding in any particular period, an amount equal to the sum of (1) all interest payable on such Bonds during such period (other than interest, if any, included in the Principal Installments on such Bonds payable in such period) plus (2) the Principal Installment or Installments of such Bonds payable during such period. Unless a notice of redemption of Bonds or a portion thereof shall have been duly given as provided in Article III hereof and amounts sufficient to provide for the payment of the Redemption Price and interest on such Bonds are available therefor in the Redemption Fund and the Debt Service Fund, the Debt Service for any particular period for the Bonds shall be calculated on the assumption that no Bonds Outstanding on the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"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; for purposes only of Title 5 Loans, the term "DEP Regulations" shall include the Department's Community Septic Management Program Description and Requirements, as amended and supplemented from time to time;

"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 Debt Service Reserve Account Requirement" means, at any date of calculation, an amount equal to the aggregate Equity Requirement for all Drinking Water Obligations outstanding, less (i) the aggregate amount, if any, on deposit in the Drinking Water Leveraged Bond Account within the Leveraged Bond Fund that is applicable to such Drinking Water Obligations, and (ii) the aggregate amount, if any, thereafter available to be drawn under

Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that has been allocated as Equity for such Drinking Water Obligations;

"Drinking Water Obligations" means a Loan provided by the Trust to a Borrower from the proceeds of the Bonds to finance or refinance all or any part of the Cost of a Drinking Water Project;

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

"Drinking Water Project" means a "drinking water project" as defined in the Act;

"Drinking Water Revolving Fund" means the Drinking Water Revolving Fund established pursuant to Section 2QQ of Chapter 29 of the General Laws of the Commonwealth;

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

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

"Equity Allocation Certificate," with respect to any Loan, the purchase of any Local Governmental Obligations or the Bonds, means the certificate of an Authorized Officer of the Trust pertaining to such Loan, Local Governmental Obligations and the Bonds delivered to the Program Trustee pursuant to Section 205 of the Program Resolution at or prior to the authentication and delivery of the Bonds, as the same may be amended from time to time in accordance with the Program Resolution;

"Equity Earnings" means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity related to the Loans or the Local Governmental Obligations allocable to the Bonds held in the Leveraged Bond Fund and the Debt Service Reserve Fund, and any other fund or account established under the Program Resolution or under this Bond Resolution, in each case to the extent provided in the Equity Allocation Certificate;

"Equity Requirement," means as of any date of calculation, (A) with respect to any Drinking Water Obligation or Clean Water Obligation, other than a Drinking Water Obligation or Clean Water Obligation described in clause (B) of this definition, (i) with respect to any Clean Water Obligation with a final maturity date less than or equal to twenty (20) years after the date of authentication and delivery of the Bonds, an amount equal to fifty percent (50%) of the principal amount of such Clean Water Obligation outstanding and unpaid under the applicable Financing Agreement, and (ii) with respect to any other Clean Water Obligation and with respect to any Drinking Water Obligation, an amount equal to forty percent (40%) of the principal amount of such Drinking Water Obligation or Clean Water Obligation outstanding and unpaid under the

applicable Financing Agreement and (B) with respect to any Drinking Water Obligation or Clean Water Obligation eligible under the applicable Financing Agreement for a subsidy or other assistance in the payment of debt service thereon such that such Drinking Water Obligation or Clean Water Obligation is the financial equivalent of a loan made at an interest rate of not less than two percent (2%), an amount equal to thirty-three and thirty-three hundredths percent (33.33%) of the principal amount of such Drinking Water Obligation or Clean Water Obligation outstanding and unpaid under the applicable Financing Agreement, in each case as more fully set forth in the Equity Allocation Certificate.

"Event of Default" means an Event of Default as such term is defined in Section 801;

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

"Fiduciary" means the Bond Trustee, any Paying Agent or any Authenticating Agent;

"Financing Agreement" means an agreement between the Trust and a Borrower pertaining to a Loan or any issue of 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 year;

"Funds" and "Accounts" means the funds and accounts established by or pursuant to Article IV of this Bond Resolution;

"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;

"Interest Payment Date" means February 1 and August 1 of each year commencing on the date provided in Section 203(D) hereof, any redemption date of any Bonds and any other date on which interest on the Bonds is required or permitted by this Bond Resolution to be paid;

"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 in anticipation of a Leveraged Loan or the purchase of Local Governmental Obligations and funded by the Trust from amounts held in or for the account of the Interim Loan Fund under the Program Resolution;

"Investment Obligation" means any of the following which at the time are legal investments for moneys of the Trust: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the full and timely payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of a direct ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (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 the highest rating available from each Rating Agency; (3) non-callable notes, bonds, debentures, mortgages and other evidences of indebtedness that, at the time acquired, are either issued or guaranteed by an instrumentality of the United States of America, including but not limited to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Federal Farm Credit System, and rated in the highest rating category of each Rating Agency; (4) 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; (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) obligations of any state of the United States or of any political subdivision or public agency or instrumentality thereof, including the Commonwealth, provided that at the time of their purchase under this Bond Resolution such obligations are rated no lower than the rating assigned to any Bonds Outstanding by each Rating Agency; (7) direct obligations of, or obligations guaranteed by, the Commonwealth, provided that

such obligations are rated by each Rating Agency at a level which will not adversely effect the ratings then assigned by such Rating Agency to any Bonds Outstanding; (8) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having the highest rating available from each Rating Agency; (9) interest bearing time deposits, certificates of deposit, banker's acceptances or other similar banking arrangements with banks (which may include the Program Trustee or the Bond Trustee), provided that such deposits either (a) are made with banks having at the time the deposit is made a rating from each Rating Agency no lower than the rating then assigned to any Bonds Outstanding by such Rating Agency; or (b) are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned to any Bonds Outstanding by any Rating Agency; (10) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, provided that such obligations have been rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding; (11) 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; (12) repurchase agreements for obligations of the type specified in Clauses (1) and (2) above, provided that either (a) the repurchase agreement is an unconditional obligation of the provider thereof and such provider is 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 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 (13) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, whether or not issued or incurred by any of the foregoing, provided that the purchase of 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 time 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 Moody's Investors Service Inc. and Standard & Poor's;

"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 (as defined in the Act) or other security evidencing or securing any such loan which (1) complies, at the time such financial assistance is provided by the Trust from amounts held under this Bond Resolution, with the provisions of the Act, the Program Resolution and this Bond Resolution, (2) is provided or made with proceeds of Bonds or other moneys held under this Bond Resolution, (3) is held under this Bond Resolution and (4) in the case of any such financial assistance bearing interest at other than a fixed rate, the provision or making of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency, all as more fully described in Section 404(A) hereof; except as otherwise expressly provided herein, the term "Loan" as used in this Bond Resolution shall not include an Interim Loan or the purchase by the Trust of Local Governmental Obligations;

"Local Bond Counsel" means an attorney or firm of attorneys (who may also be counsel to the Trust, the Commonwealth or the Bond Trustee) nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions selected by a Borrower and satisfactory to the Trust;

"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 Bonds if earlier (as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project, which (1) comply, at the time such obligations are purchased from amounts held under this Bond Resolution, with the provisions of the Act, the Program Resolution and this Bond Resolution , (2) are purchased with proceeds of Bonds or other moneys held under this Bond Resolution, (3) are held under this Bond Resolution and (4) in the case of any such obligations bearing interest at other than a fixed rate, the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency all as more fully described in Section 404(A) hereof;

"Master Funding Agreement" means the Amended and Restated Master Funding Agreement dated as of October 1, 2000, among the Trust, the Department, the Secretary and the State Treasurer, as hereafter amended from time to time in accordance therewith;

"Net Earnings," with respect to the investment or deposit of moneys held in any Fund or Account hereunder 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;

"Official Statement" means the Official Statement of the Trust describing the Bonds, in preliminary form dated October 21, 2004 and in final form substantially as presented at this meeting and included in the minutes hereof;

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

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

"Outstanding," when used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Bond Trustee, or proven to the satisfaction of the Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in Section 1001 hereof, any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to Section 803(D) hereof), shall have theretofore been deposited with the Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article III, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Article II, Section 304 or Section 706; and (4) any Bond deemed to have been paid as provided in Section 1001;

"Participant" means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository;

"Paying Agent" means any paying agent for Bonds appointed by or pursuant to Section 902, and any successor or successors thereto appointed pursuant to this Bond Resolution;

"Payment Date," with respect to all Loans and Local Governmental Obligations held hereunder, means February 1 and August 1 of each year commencing with the February 1 or August 1 of the year provided in the applicable Financing Agreement;

"Payment Default" means any failure in the payment when due of all or any part of any Payment payable on a Loan or issue of Local Governmental Obligations pursuant to the applicable Financing Agreement;

"Payments," with respect to Loans or Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Loan or Local Governmental Obligations including without limitation (1) scheduled payments of principal and interest on such Loan or Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Local Governmental Obligations, and (3) any amounts paid or received with respect to such Loan or Local Governmental Obligations on account of (i) acceleration of the due date of such Loan or Local Governmental Obligations, (ii) subject to Section 505 hereof, the sale or other disposition of such Loan or Local Governmental Obligations and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Local Governmental Obligations, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Default on such Loan or Local Governmental Obligations; the term "Payments" shall also mean and include any Equity Earnings and Contract Assistance Payments allocable to such Loan or Local Governmental Obligations and, any amounts allocable to such Local Governmental Obligations withdrawn from the Subsidy Fund pursuant to Section 411(A) hereof to the extent provided in the applicable Financing Agreement;

"Principal Amount" means, as of any date of computation and with respect to any Bond, the stated principal amount thereof;

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

"Principal Office," when used with respect to a Fiduciary, means the office where such Fiduciary maintains its principal office or, where different, its principal corporate trust office;

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

"Program Resolution" means the resolution adopted by the Trust on March 4, 1993, as amended through November 3, 2004, entitled "Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program," as the same may be further amended or supplemented from time to time in accordance with its terms;

"Program Trustee" means the trustee appointed by or pursuant to Section 801 of the Program Resolution, and any successor or successors thereto appointed pursuant to the Program Resolution;

"Project" means a Clean Water Project or a Drinking Water Project, as the context requires;

"Purchase Contract" means the Contract of Purchase dated November 3, 2004 by and between the Trust and the Underwriters named therein providing for the terms and conditions of sale of the Bonds in substantially the form presented at this meeting and included in the minutes hereof;

"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 Provision" means Section 148(f) of the Code and, to the extent applicable to the Bonds, Treasury Regulation §1.148-5(c);

"Rebate Requirement" means an amount equal to (i) the cumulative sum calculated and determined from time to time in accordance with the requirements of the Rebate Provision that must be paid to the United States pursuant to Section 410 hereof, less (ii) the aggregate amount of any payments made to the United States pursuant to the Rebate Provision in accordance with Section 410(D) hereof;

"Record Date" means, with respect to the payment of interest on a Bond, the fifteenth day of the month next preceding the date on which interest is to be paid on such Bond or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Bond other than on an Interest Payment Date or interest on any overdue amount, the Bond Trustee may establish a special record date, which date shall be not more than twenty (20) Business Days before the date set for payment; and provided further that the Bond Trustee shall give notice of a special record date by mailing a copy of such notice to the Owners of all Bonds Outstanding to which such special record date is applicable in the manner provided in Section 701 hereof at least ten (10) days before the special record date or in such other time and manner as the Bond Trustee may deem appropriate;

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

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

"Representation Letter" means the letter from the Trust to the Bond Depository dated May 18, 1995;

"Revenues" means (1) all Payments and all other receipts, fees, revenues and other payments, other than Administrative Fees, received or to be received by the Trust on account of Loans and Local Governmental Obligations and the exercise of the Trust's rights and remedies under or pursuant to the Financing Agreements applicable thereto, (2) all Net Earnings, including without limitation Equity Earnings, received on investment or deposit of moneys held pursuant to this Bond Resolution and paid or to be paid into the Revenue Fund or the Subsidy Fund, and (3) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or this Bond Resolution to be deposited in one or more of the Funds and Accounts maintained under or pursuant to this Bond Resolution;

"Scheduled Payments," with respect to any Local Governmental Obligation, shall have the meaning given such term in the applicable Financing Agreement, and with respect to any Loan shall have the meaning given to the term "Scheduled Loan Repayments" in the applicable Financing Agreement;

"Secretary" means the Secretary of the Executive Office for Administration and Finance of the Commonwealth;

"Sinking Fund Installment" means the amount of moneys designated as such to be paid by the Trust toward the retirement of any particular Bonds at or prior to their respective stated maturities in accordance with Section 301(B) hereof;

"State Treasurer" means the Treasurer and Receiver-General of the Commonwealth;

"Subsidy Fund Requirement," as of August 1 and February 1 of each Fiscal Year while any Bonds are Outstanding hereunder, means the applicable amount set forth in the certificate of an Authorized Officer delivered to the Bond Trustee pursuant to Section 411(B) hereof, less the aggregate amount, if any, theretofore withdrawn from the Subsidy Fund pursuant to Section 411(C) hereof on account of a Payment Default on a Local Governmental Obligation held hereunder which has not been redeposited in the Subsidy Fund pursuant to Section 406(B) hereof;

"Supplemental Bond Resolution" means any resolution of the Trust amending or supplementing this Bond Resolution adopted and becoming effective in accordance with the terms of Article VI;

"Title 5 Loan" means any Federal Program Clean Water Loan made to a Borrower all of the proceeds of which are expected on the date of origination thereof to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Title 5 Project;

"Title 5 Project" means a community septic management loan program, constituting a Clean Water Project, to assist eligible homeowners to upgrade failing septic systems and otherwise to comply with the requirements of 310 CMR 15.000 et seq. through underlying betterment agreements with such homeowners;

"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;

"Yield" means the yield on the Bonds or the yield on any investment under this Bond Resolution, as applicable, calculated as required by Section 148(h) of the Code.

(C) As used in this Bond Resolution, unless a different meaning clearly appears from the context, the terms "Administrative Expense Fund," "Clean Water Deficiency Account," "Clean Water Equity Fund," "Clean Water Leveraged Bond Account," "Clean Water Pool Program Reserve Account," "Deficiency Fund," "Drinking Water Deficiency Account," "Drinking Water Equity Fund," "Drinking Water Leveraged Bond Account," "Drinking Water Pool Program Reserve Account," "Federal Program Account," "Federal Program Subaccount," "Leveraged Bond Fund" and "Pool Program Reserve Fund" shall mean the fund or account so designated established under or pursuant to the Program Resolution.

(D) As used in this Bond Resolution, unless a different meaning clearly appears from the context, the terms "Clean Water Debt Service Reserve Account," "Cost of Issuance Account," "Debt Service Fund," "Debt Service Reserve Fund," "Drinking Water Debt Service Reserve Account," "Project Account," "Project Fund," "Rebate Fund," "Redemption Fund," "Revenue Fund" and "Subsidy Fund" shall mean the Fund or Account so designated established under or pursuant to Section 402 of this Bond Resolution.

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

(F) 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.

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

ARTICLE II
AUTHORIZATION OF BONDS

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

Section 202. Bond Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Bond Resolution shall be and shall constitute a contract among the Trust, the Fiduciaries and the Owners from time to time of the Bonds. The pledge made in this Bond 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 said 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 of the Bonds over any other thereof except as expressly provided in or permitted by this Bond Resolution.

Section 203. Authorization of Bonds; Details. (A) The Massachusetts Water Pollution Abatement Trust Pool Program Bonds, Series 10, are hereby authorized to be issued in the aggregate Principal Amount of $317,175,000. The Bonds 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 Program Resolution and payable solely from the funds, accounts and other rights and property available and pledged to such payments pursuant to Section 401 of this Bond Resolution and Section 204 of the Program Resolution. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the Principal Installments, Redemption Price or interest on the Bonds.

(B) The purposes for which the Bonds are being issued are (1) to fund the Loans or to purchase the Local Governmental Obligations by depositing amounts in the Project Accounts to be applied to finance or refinance Costs of the Projects, (2) to provide funds for deposit in the Clean Water Equity Fund and the Drinking Water Equity Fund to repay the principal amount of Interim Loans made to certain Borrowers, and (3) to provide funds for deposit in the Cost of Issuance Account and, in the manner provided in Section 303, Section 304 and Section 305 of the Program Resolution and in the Equity Allocation Certificate, in the Debt Service Reserve Fund, in each case in the amounts and subject to the limitations and provisions provided in Article IV hereof and in the Equity Allocation Certificate.

(C) The Bonds shall be issued only in the form of fully registered bonds each in the denomination of $5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letter "R" and with such further or alternate designation as the Bond Trustee shall determine with the approval of the Trust.

(D) The Bonds shall be dated November 15, 2004. The Bonds shall bear interest from the February 1 or August 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from November 15, 2004 or, if the date of authentication of any Bond is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on each Bond shall be payable on February 1, 2005 and semiannually thereafter on February 1 and August 1 of each year. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds shall mature on August 1 in the years and in the Principal Amounts and shall bear interest at the rates shown below:

Year	Principal Amount	Interest Rate
2005	$10,145,000	2.50%
2006	10,290,000	3.00
2007	10,680,000	5.00
2008	4,470,000	3.00
2008	6,560,000	5.00
2009	6,740,000	3.00
2009	4,585,000	5.00
2010	2,895,000	3.00
2010	8,740,000	5.00
2011	8,930,000	3.00
2011	2,980,000	5.00
2012	3,060,000	3.20
2012	9,165,000	5.00
2013	12,675,000	5.25
2014	4,510,000	3.40
2014	8,590,000	5.25
2015	11,935,000	5.25

2016	12,395,000	5.25
2017	12,880,000	5.25
2018	13,360,000	5.00
2019	13,855,000	5.00
2020	14,430,000	5.00
2021	14,995,000	5.00
2022	15,520,000	5.00
2023	16,360,000	5.00
2024	16,750,000	5.00
2025	5,000,000	5.00
2026	5,185,000	5.00
2027	3,500,000	4.50
2029	13,215,000	5.00
2034	32,780,000	5.00

(E) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The Principal Amount and Redemption Price of the Bonds shall be payable at the Principal Office of the Bond Trustee. Interest on the Bonds shall be payable solely by check or draft drawn upon the Bond Trustee, bearing on its face or by attached notation the CUSIP number of the Bond on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Trust, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by this Bond Resolution. Notwithstanding anything herein to the contrary, if at any time the Bonds are not restricted to being registered in the registry books of the Trust in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 211 hereof, the Principal Amount and Redemption Price of and interest on the Bonds of any registered owner of Bonds of $1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Bond Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Bond Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Bonds on account of which such payment is made.

Section 204. Form of Bonds. All Bonds authenticated and delivered hereunder shall be in such form and shall bear such terms and conditions, not inconsistent with this Bond Resolution or the Program Resolution, as the Authorized Officer of the Trust executing the Bonds shall determine and certify to the Bond Trustee on or prior to the date of original authentication and delivery of any Bonds hereunder.

Section 205. Execution and Authentication. (A) Except as otherwise provided herein, the Bonds shall be executed in the name of the Trust by the manual or facsimile signature of an Authorized Officer and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of an Authorized Officer. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been

actually authenticated and delivered by the Authenticating Agent therefor, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond may be signed and sealed on behalf of the Trust by such persons as at the actual time of execution of such Bond shall be duly authorized or hold the proper office in the Trust, although at the date of the Bonds such persons may not have been so authorized or have held such office.

(B) The Bonds shall bear thereon a certificate of authentication, in substantially the following form, executed manually by the Authenticating Agent. Only such Bonds as bear such certificate of authentication shall be entitled to any right or benefit under this Bond Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Authenticating Agent. Such certificate of the Authenticating Agent upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Bond Resolution and that the owner thereof is entitled to the benefits of this Bond Resolution:

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in the within-mentioned Bond Resolution of the Massachusetts Water Pollution Abatement Trust.

(CORPORATE NAME OF AUTHENTICATING AGENT)

By _____
Authorized Officer

Section 206. Interchangeability of Bonds. Bonds, upon surrender thereof at the Principal Office of the Bond Trustee, Authenticating Agent or Paying Agent, with a written instrument of transfer satisfactory to the Bond Trustee or such Authenticating Agent or Paying Agent, duly executed by the Owner or his duly authorized attorney, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity, interest rate, if any, and tenor of any other authorized denomination.

Section 207. Negotiability, Transfer and Registry. (A) The Bonds shall be negotiable, subject to the provisions for registration and transfer contained in this Bond Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Trust shall maintain and keep, at the Principal Office of the Bond Trustee, who is hereby appointed registrar for the Bonds, books for the registration and transfer of Bonds; and upon presentation thereof for such purpose at said office, the Trust shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Bond Trustee may prescribe, any Bond entitled to registration or transfer.

(B) Each Bond shall be transferable only upon the books of the Trust in the manner provided in the form of such Bonds. As to any Bond, the person in whose name the same shall be registered upon the books of the Trust may be deemed and regarded as the absolute owner thereof,

whether such Bond shall be overdue or not, for all purposes; and payment of, or on account of, the Principal Amount or Redemption Price of, and interest on, such Bond, shall be made only to, or upon the order of, such registered owner. The Trust, the Program Trustee and each Fiduciary may treat the registered owner of any Bond as the absolute owner of such Bond whether such Bond shall be overdue or not, for the purpose of receiving payment of the Principal Amount or Redemption Price of and interest on, such Bond, and for all other purposes whatsoever hereunder and under the Program Resolution, and neither the Trust, the Program Trustee nor any Fiduciary shall be affected by any notice to the contrary. The Trust agrees to indemnify and save the Program Trustee and each Fiduciary harmless from and against any and all loss, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

(C) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be canceled by the Authenticating Agent. For every such exchange or transfer of Bonds, whether temporary or definitive, the Trust, the Bond Trustee or the Authenticating Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer and may additionally charge the Owner requesting such exchange or transfer such fee, if any, as may be specified in the applicable Supplemental Bond Resolution. The Trust shall not be obligated to make any exchange or transfer of Bonds between the record date for the payment of interest on such Bonds and the next succeeding Interest Payment Date therefor or, in the case of any proposed redemption of Bonds, during the 10 days next preceding the date of the mailing of notice of such redemption, and shall not be obligated to make any exchange or transfer of Bonds called for redemption except as provided in Section 304.

Section 208. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Trust shall execute, and the Authenticating Agent shall authenticate and deliver, a new Bond of like maturity, tenor and Principal Amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond (upon surrender and cancellation of such mutilated Bond) or in lieu of and substitution for the Bond destroyed, stolen or lost (upon filing with the Authenticating Agent evidence satisfactory to the Trust and the Authenticating Agent that such Bond has been destroyed, stolen or lost and proof of ownership thereof) and upon furnishing the Trust, the Bond Trustee and the Authenticating Agent with indemnity satisfactory to them and complying with such other reasonable regulations as the Trust, the Bond Trustee or the Authenticating Agent may prescribe and paying such expenses as the Trust, the Bond Trustee and the Authenticating Agent may incur including the expenses, if any, of printing and delivering such new Bond. All Bonds so surrendered to the Authenticating Agent shall be canceled by it. The Authenticating Agent shall advise the Bond Trustee and the Paying Agents of the issuance of substitute Bonds.

Section 209. Preparation of Definitive Bonds; Interim Receipts and Temporary Bonds. Until definitive Bonds are prepared, the Trust may execute and, upon the request of the Trust, the Authenticating Agent shall authenticate and deliver, in lieu of definitive Bonds, one or more interim receipts, or one or more temporary Bonds, substantially of the tenor of such definitive Bonds and with such omissions, insertions and variations as may be appropriate for temporary Bonds. The Trust at its own expense shall prepare and execute and, upon the surrender at the Principal Office of the Authenticating Agent of such interim receipts or temporary Bonds for

exchange and cancellation, the Authenticating Agent shall authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive Bonds of the same aggregate Principal Amount, maturity and tenor as the interim receipts or temporary Bonds surrendered. Until so exchanged, the interim receipts and temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Bond Resolution. All interim receipts and all temporary Bonds surrendered in exchange for a definitive Bond or Bond shall be forthwith canceled by the Authenticating Agent.

Section 210. Cancellation of Bonds. All Bonds redeemed or paid by the Trust or any Fiduciary, or received by any Fiduciary on any transfer or exchange of Bonds, shall be canceled by it and delivered to the Bond Trustee. Except as otherwise provided herein, all Bonds purchased by any Fiduciary shall be canceled by it and delivered to the Bond Trustee. No such Bonds shall be deemed Outstanding under this Bond Resolution and no Bonds shall be issued in lieu thereof.

Section 211. Book Entry System. Notwithstanding the foregoing provisions of Article II hereof to the contrary:

(A) The Bonds shall be initially issued in the form of a single separate fully registered bond for each maturity of the Bonds in the amount of such maturity. Upon initial issuance, the ownership of the Bonds shall be registered in the registry books of the Trust kept by the Bond Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Bonds registered in the registry books kept by the Bond Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Trust and the Bond Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Bonds. Without limiting the immediately preceding sentence, the Trust and the Bond Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Bonds. The Bond Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Bonds only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Trust's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Bond evidencing the obligation of the Trust to make payments of Principal Amount or Redemption Price of, and interest pursuant to this Bond Resolution. Upon delivery by the Bond Depository to the Bond Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Bond Resolution shall refer to such new nominee of the Bond Depository.

(B) Upon receipt by the Trust and the Bond Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and

customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of the Trust kept by the Bond Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Bond Resolution.

(C) In the event the Trust determines that Beneficial Owners should be able to obtain Bond certificates, the Trust shall notify the Bond Depository and the Bond Trustee of the availability of Bond certificates. In such event, the Bond Trustee shall issue, transfer and exchange Bond certificates as requested by the Bond Depository (or, pursuant to Section 211(B) hereof, any other Bondholder) in appropriate amounts, and, whenever the Bond Depository requests the Trust and the Bond Trustee to do so, the Bond Trustee and the Trust will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the Bonds to any Participant having Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(D) Notwithstanding any other provision of this Bond Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

Section 212. Sale of Bonds. (A) The power to fix the date and place for sale of all or any part of the Bonds and to sell and award the Bonds to the underwriters identified in the Purchase Contract (collectively the "Underwriters"), is hereby delegated to the Chairman or Vice Chairman of the Trust (or any designee thereof pursuant to G.L. Ch. 30 §6A) or the Executive Director of the Trust. The Purchase Contract is hereby approved in substantially the form presented at this meeting, subject to such additions, deletions or other changes as may be approved by the signing official, the power to determine and approve such matters being hereby delegated to such signing official, his or her execution thereof conclusively to identify the same as being the Purchase Contract (with approved changes), authorized by this Resolution.

(B) The distribution of the preliminary Official Statement by the Underwriters prior to the date hereof is hereby ratified and confirmed. The final Official Statement is hereby approved and the Chairman, the Vice Chairman and the Executive Director are each hereby authorized to permit the distribution by the Underwriters of the final Official Statement, with such changes, omissions, insertions and revisions as they shall deem advisable and made pursuant to the Purchase Contract, and to sign and deliver such final Official Statement to the Underwriters.

(C) The Bonds shall be delivered upon compliance with the provisions of Section 205 of the Program Resolution, at the time and place provided by the Purchase Contract.

ARTICLE III
REDEMPTION OF BONDS

Section 301. Redemption Provisions. (A) The Bonds maturing on or prior to August 1, 2014 shall not be subject to redemption prior to maturity. The Bonds maturing after August 1, 2014 shall be subject to redemption prior to maturity on and after August 1, 2014 in whole or in part at any time, from such maturities of Bonds of similar tenor as may be selected by the Trust and by lot if within a maturity of Bonds of similar tenor, at a Redemption Price equal to the Principal Amount of each Bond or portion thereof redeemed, plus accrued interest to the redemption date.

(B) (i) The Bonds maturing on August 1, 2029 and August 1, 2034 shall be subject to redemption prior to maturity in part on August 1 in each of the following years and in the following Principal Amounts through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. Unless none of the Bonds maturing on such dates shall then be Outstanding, there shall be due and the Trust shall in all events pay, as and for Sinking Fund Installments for the retirement of such Bonds the following amounts on August 1 of each of the following years; provided, however, that where there has been optional redemption of such Bonds, or purchase of such Bonds in lieu of redemption as provided herein, the amount of each future Sinking Fund Installment will be reduced as provided in the certificate of an Authorized Officer filed pursuant to Section 408(C) hereof, prior to such optional redemption or purchase:

Bonds due August 1, 2029

Year	Sinking Fund Installment
2027	$1,875,000
2028	5,565,000
2029*	5,775,000

* Stated maturity.

Bonds due August 1, 2034

Year	Sinking Fund Installment
2030	$5,995,000
2031	6,240,000
2032	6,465,000
2033	6,710,000
2034*	7,370,000

* Stated maturity.

Section 302. Selection of Bonds to be Redeemed. If less than all of the Bonds of a particular maturity are redeemed, and so long as the book-entry only system remains in effect for the Bonds, the Bonds of such maturity to be redeemed shall be selected by lot by DTC in such

manner as DTC may determine. If the book-entry only system no longer remains in effect for the Bonds, subject to Section 408 hereof, in the event of redemption of less than all Bonds of like maturity and tenor, the Bond Trustee shall select by lot, using such method of selection as it shall deem proper in its discretion, from all Bonds of such maturity and tenor Outstanding, the Bonds or portions thereof to be redeemed. For the purposes of this Section, Bonds which have theretofore been selected for redemption shall not be deemed Outstanding.

Section 303. Notice of Redemption. (A) When the Bond Trustee shall receive notice from the Trust of its election to redeem Bonds pursuant to Section 301, and when redemption of Bonds is required by this Bond Resolution, the Bond Trustee shall give notice, in the name of the Trust, of the redemption of such Bonds, which notice shall specify the "CUSIP" number of each Bond or portion to be redeemed thereof to be redeemed, the date and interest rate of such Bond or portion to be redeemed and the name and telephone number of a representative of the Bond Trustee from whom information regarding such redemption can be obtained. Such notice shall be mailed not more than sixty (60) days and not less than thirty (30) days prior to the redemption date to the registered owners of all Bonds or portions thereof to be redeemed. Notwithstanding anything herein to the contrary, notice of redemption of any Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of Bonds Outstanding shall, upon the prior written request of such owner to the Bond Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Bond or any defect therein shall not affect the redemption of any other Bonds for which the required notice of redemption shall have been given. Not less than two (2) Business Days prior to the giving of any notice of redemption of Bonds to the registered owners thereof, the Trust shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Bonds on the redemption date therefor). If any Bonds called for redemption as provided herein are not presented for payment within sixty (60) days of the redemption date, the Bond Trustee shall mail an additional notice of the redemption of such Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Bonds on the redemption date therefor.

(B) If, at the time of mailing of the notice of redemption of the Bonds pursuant to Section 301, there shall not have been deposited with the Bond Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, *i.e.*, subject to the deposit of the redemption moneys with the Bond Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 304. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 303, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the Trust shall execute and the Authenticating Agent shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed

balance of the Principal Amount of the Bond so surrendered Bonds of like maturity, interest rate and tenor in any authorized denomination. If, on the redemption date, amounts for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest or the portion of the Principal Amount applicable to interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said amounts shall not be available on the redemption date, interest on such Bonds or the portion of the Principal Amount thereof applicable to interest shall continue to accrue until paid at the same rate or yield, as applicable, and in the same manner as it would have borne had they not been called for redemption.

ARTICLE IV
PLEDGE; ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF

Section 401. Pledge. (A) The Bonds shall be special obligations of the Trust secured solely as provided herein and in the Program Resolution and payable solely from the funds, amounts, rights and other property available and pledged for such payments pursuant to this Section 401 and in Section 204 of the Program Resolution.

(B) As security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds, the Trust hereby pledges and grants a security interest in (1) all Revenues, (2) all rights and interests of the Trust in and to all Loans and all Local Governmental Obligations and all rights and interests of the Trust under the Financing Agreements therefor (other than its rights of indemnification and reimbursement and its right to receive Administrative Fees thereunder) or otherwise incident thereto and the proceeds thereof, (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant Agreement and the Commonwealth Assistance Contract) and all rights and interests of the Trust incident thereto and the proceeds thereof, and (4) all moneys and securities in all Funds and Accounts created by or pursuant to this Bond Resolution (except the Rebate Fund), whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of this Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in this Bond Resolution.

(C) To the extent permitted by law, the foregoing pledge shall be valid and binding from the time of the delivery by the Trust of the Bonds, 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 rights, Revenues, Loans, Local Governmental Obligations, contracts, other property and proceeds 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.

(D) Subject to the limitations provided in Section 407(B) hereof, as provided in and in accordance with Section 204 of the Program Resolution the payment of the Principal Amount and Redemption Price of and interest on the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided herein and in Section 307 of the Program Resolution, (2) the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund and the Drinking Water Deficiency Account in the Deficiency Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided herein and in Section 308 of the Program Resolution, and (3) the Federal Program Subaccount within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund established under or pursuant to Section 305 of the Program Resolution and all amounts from time to time on deposit therein and available for the payment of the Loans or Local Governmental Obligations, but solely to the extent and in the manner provided herein and in Section 305 of the Program Resolution.

Section 402. Establishment of Funds and Accounts. (A) The following Funds and Accounts are hereby created, or authorized to be created as provided herein, to be held by the Bond Trustee separate and apart from all other moneys and funds of the Trust:

(1) Project Fund

Project Accounts
Cost of Issuance Account

(2) Revenue Fund

(3) Debt Service Fund

(4) Redemption Fund

(5) Debt Service Reserve Fund

Clean Water Debt Service Reserve Account
Drinking Water Debt Service Reserve Account

(6) Rebate Fund

(7) Subsidy Fund

(B) In addition to the Funds and Accounts created by Paragraph (A) of this Section 402, the Trust may by Supplemental Bond Resolution or by certificate of an Authorized Officer of the Trust delivered to the Bond Trustee create one or more other funds or accounts, or may create one or more accounts or subaccounts within such Funds and Accounts, to be held and maintained as provided in such Supplemental Bond Resolution.

(C) For purposes of compliance with the 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, all Project Accounts established for Clean Water Projects within the Project Fund, the Clean Water Debt Service Reserve Account, and all moneys in the Revenue Fund, the Debt Service Fund and the Redemption Fund allocable to Clean Water Obligations shall be deemed to be within the Clean Water SRF. For purposes of compliance with the 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, all Project Accounts established for Drinking Water Projects within the Project Fund, the Drinking Water Debt Service Reserve Account and all moneys in the Revenue Fund, the Debt Service Fund and the Redemption Fund allocable to Drinking Water Obligations shall be deemed to be within the Drinking Water SRF. As provided in the Master Funding Agreement, the Bond Trustee shall hold and apply such Funds and Accounts on the terms and conditions provided herein, in trust subject to the 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 Bond 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 Obligation or any Payments thereon or any Interim Loan made in anticipation thereof or any Fund or Account allocable thereto under this Bond Resolution, and (ii) no amount held or deposited hereunder in any Fund or Account within the Drinking Water SRF shall be applied to fund any Clean Water Obligation or any Payments thereon or any Interim Loan made in anticipation thereof or any Fund or Account allocable thereto under this Bond Resolution.

Section 403. Application of Bond Proceeds and Other Moneys.

(A) Upon authentication and delivery of the Bonds the Trust shall pay or cause the Underwriters to pay the net proceeds thereof to the Bond Trustee. The net proceeds of the Bonds shall be an amount equal to the Principal Amount of the Bonds, plus net premium, plus an amount equal to the interest accrued on the Bonds from November 15, 2004 to the date of their delivery, less Underwriters' discount of $1,435,129.50 allocable to the Borrowers, for the Projects and in the amounts as follows:

Clean Water Projects

Borrower	Project No.	Underwriters' Discount
Adams	CW-03-17	$14,777.84
Attleboro	CW-03-28	33,013.60
Brockton	CW-03-32	83,477.23
Douglas	CW-02-27	36,118.23
East Longmeadow	CW-03-18	3,324.95
Hanson	CW-03-26	1,122.47
Haverhill	CW-00-54A	1,712.01
Haverhill	CW-03-34	56,594.73
Hopkinton	CW-03-38	1,179.06
Lowell	CW-03-22	25,210.10
Massachusetts Development Finance Agency	CW-99-20-A	1,650.67
Massachusetts Water Resources Authority	CW-99-24-A	1,886.49
Massachusetts Water Resources Authority	CW-97-66-C	1,414.86
Massachusetts Water Resources Authority	CW-00-07-A	4,244.59
Massachusetts Water Resources Authority	CW-00-08-A	2,829.74
Massachusetts Water Resources Authority	CW-04-04	47,162.28
Massachusetts Water Resources Authority	CW-04-10	105,171.91
Massachusetts Water Resources Authority	CW-04-13-A	156,030.47
Massachusetts Water Resources Authority	CW-98-73-A	2,358.10
Millbury	CW-02-39	25,063.35
Nantucket	CW-02-50	23,669.67
Newbury	CW-01-43	18,864.89
Newburyport	CW-01-11	22,905.64
North Attleborough	CW-03-33	6,457.40
North Attleborough	CW-03-24	396.16
North Reading	CW-03-16	1,886.49
Rockland	CW-04-02	1,179.06
Sutton	CW-03-19	41,397.54
Templeton	CW-04-06	27,965.43
Upper Blackstone Water Pollution Abatement District	CW-03-14	259,404.55
West Boylston	CW-00-44	707.44
Woburn	CW-03-21	1,061.15

Drinking Water Projects

Borrower	Project No.	Underwriters' Discount
Billerica	DW-03-03	$22,242.38
Fall River	DW-02-19	44,804.17
Fall River	DW-03-09	20,848.43
Franklin	DW-02-12	29,561.72
Groton	DW-02-09	22,286.78
Lawrence	DW-03-13	56,594.73
Lowell	DW-03-07	11,762.35
Lowell	DW-99-21	2,593.91
Mansfield	DW-03-16	29,004.81
Massachusetts Water Resources Authority	DW-04-02	9,325.95
Massachusetts Water Resources Authority	DW-04-03	57,792.06
Natick	DW-02-07	27,167.66
New Bedford	DW-02-20	20,903.90
New Bedford	DW-02-13	10,599.49
Newbury	DW-01-26	21,694.65
Newburyport	DW-01-06	15,009.94
Newburyport	DW-02-16	18,175.51
Webster	DW-03-12	4,522.96

(B) Upon authentication and delivery of the Bonds, the net proceeds of sale thereof shall be deposited by the Bond Trustee as follows:

(1) To the Debt Service Fund an amount equal to the interest accrued on the Bonds from November 15, 2004 to the date of delivery thereof;

(2) To the following Project Accounts, the aggregate amount of $284,053,277.84 for application to Costs of the Projects, as more fully described in Section 404 hereof, in the following amounts:

Project Accounts - Clean Water Projects

Borrower	Project Account	Total Amount
Adams	CW-03-17	$3,133,393.00
Agawam	CW-03-15	229,341.78
Attleboro	CW-03-28	7,000,000.00
Brockton	CW-03-32	17,700,000.00
Cambridge	CW-98-84C	141,123.00
Cambridge	CW-98-84B	193,852.00
Cambridge	CW-99-06	2,058,556.00

Cambridge	CW-03-30	2,646,597.00
Charlton	CW-03-29	376,399.94
Chicopee	CW-03-20	406,000.00
Chicopee	CW-03-23	663,167.36
Douglas	CW-02-27	7,658,287.00
East Longmeadow	CW-03-18	705,000.00
Fitchburg	CW-03-12	691,520.00
Haverhill	CW-00-54A	72,255.87
Haverhill	CW-03-34	10,591,411.12
Hopkinton	CW-03-38	250,000.00
Lowell	CW-03-22	5,345,395.00
Massachusetts Development Finance Agency	CW-99-20-A	350,000.00
Massachusetts Water Resources Authority	CW-99-24-A	400,000.00
Massachusetts Water Resources Authority	CW-97-66-C	300,000.00
Massachusetts Water Resources Authority	CW-00-07-A	900,000.00
Massachusetts Water Resources Authority	CW-00-08-A	600,000.00
Massachusetts Water Resources Authority	CW-04-04	10,000,000.00
Massachusetts Water Resources Authority	CW-04-10	22,300,000.00
Massachusetts Water Resources Authority	CW-04-13-A	33,083,738.00
Massachusetts Water Resources Authority	CW-98-73-A	500,000.00
Marion	CW-03-09	1,593,400.00
Millbury	CW-02-39	5,314,276.00
Nantucket	CW-02-50	2,267,033.75
Newbury	CW-01-43	4,000,000.00
Newburyport	CW-01-11	2,579,869.00
North Attleborough	CW-03-33	1,369,190.00
North Attleborough	CW-03-24	84,000.00
North Reading	CW-03-16	400,000.00
Pepperell	CW-03-13	711,618.78
Rockland	CW-04-02	250,000.00
Sutton	CW-03-19	8,777,682.00
Templeton	CW-04-06	5,929,615.00
Upper Blackstone Water Pollution Abatement District	CW-03-14	40,978,377.31
West Boylston	CW-00-44	150,000.00
Woburn	CW-03-21	225,000.00
Title V Loans	Various	2,428,123.00

Project Accounts - Drinking Water Projects

Borrower	Project Account	Total Amount
Billerica	DW-03-03	$4,716,136.00
Fall River	DW-02-19	5,094,726.24
Fall River	DW-03-09	2,996,769.98
Franklin	DW-02-12	4,293,875.00
Gardner	DW-03-10	4,598,700.00
Groton	DW-02-09	2,289,642.90
Lawrence	DW-03-13	12,000,000.00
Lowell	DW-03-07	2,494,015.00
Lowell	DW-99-21	550,000.00
Mansfield	DW-03-16	4,494,410.81
Massachusetts Water Resources Authority	DW-04-02	1,977,417.00
Massachusetts Water Resources Authority	DW-04-03	12,253,874.00
Natick	DW-02-07	1,549,234.59
New Bedford	DW-02-20	4,432,335.00
New Bedford	DW-02-13	2,247,450.00
Newbury	DW-01-26	4,600,000.00
Newburyport	DW-01-06	3,182,615.00
Newburyport	DW-02-16	3,853,825.00
Seekonk Water District	DW-01-19A	68,782.74
Webster	DW-03-12	959,021.00
West Boylston Water District	DW-01-12	46,225.67

(3) To the Program Trustee the aggregate amount of $29,195,140.09 representing the repayment of the principal amount of the Interim Loans previously made by the Trust to certain Borrowers for Clean Water Projects in the following amounts:

Interim Loans - Clean Water Projects

Borrower	Project No.	Amount
Agawam	CW-03-15	$84,658.22
Charlton	CW-03-29	202,062.06
Chicopee	CW-03-23	966,850.64
Hanson	CW-03-26	238,000.00
Haverhill	CW-00-54A	653,749.13
Haverhill	CW-03-34	1,408,588.88
Nantucket	CW-02-50	2,745,452.25
Newburyport	CW-01-11	2,276,901.00
Pepperell	CW-03-13	4,388,381.22

Upper Blackstone Water Pollution Abatement District	CW-03-14	14,021,622.69
Brewster	T5-97-1156-1	200,000.00
Chesterfield	T5-97-1188-2	200,000.00
Dennis	T5-97-1204-2	200,000.00
East Bridgewater	T5-97-1161-4	400,000.00
Falmouth	T5-97-1117-2	200,000.00
Greenfield	T5-97-1104-1	67,134.00
Plymouth	T5-97-1029-2	200,000.00
Provincetown	T5-97-1157-1	200,000.00
Rutland	T5-01-1001	48,577.00
Sandwich	T5-99-1021-1	200,000.00
Southborough	T5-97-1056-2	55,502.00
Walpole	T5-97-1011-1	37,661.00
Wareham	T5-97-1019-2	200,000.00

To the Program Trustee the aggregate amount of $22,731,005.07 representing the repayment of the principal amount of the Interim Loans previously made by the Trust to certain Borrowers for Drinking Water Projects in the following amounts:

Interim Loans - Drinking Water Projects

Borrower	Project No.	Amount
Fall River	DW-02-19	$1,423,804.02
Fall River	DW-03-09	4,405,273.76
Fitchburg	DW-00-10A	6,218,231.00
Franklin	DW-02-12	1,974,209.00
Groton	DW-02-09	2,435,909.10
Mansfield	DW-03-16	1,655,589.19
Natick	DW-02-07	4,211,229.41
Seekonk Water District	DW-01-19A	131,217.26
West Boylston Water District	DW-01-12	275,542.33

(4) To the Cost of Issuance Account, the amount of $596,240.25, representing Origination Fees allocable to the Borrowers, for the Projects and in the amounts as follows:

Clean Water Projects

Borrower	Project No.	Origination Fee
Adams	CW-03-17	$6,006.16
Attleboro	CW-03-28	13,416.40
Brockton	CW-03-32	35,952.77
Douglas	CW-02-27	14,677.77
East Longmeadow	CW-03-18	1,352.05
Hanson	CW-03-26	456.53

Haverhill	CW-00-54A	1,391.99
Haverhill	CW-03-34	22,999.27
Hopkinton	CW-03-38	479.94
Lowell	CW-03-22	10,244.90
Massachusetts Development Finance Agency	CW-99-20-A	671.33
Massachusetts Water Resources Authority	CW-99-24-A	767.51
Massachusetts Water Resources Authority	CW-97-66-C	575.14
Massachusetts Water Resources Authority	CW-00-07-A	1,725.41
Massachusetts Water Resources Authority	CW-00-08-A	1,150.26
Massachusetts Water Resources Authority	CW-04-04	19,165.72
Massachusetts Water Resources Authority	CW-04-10	42,739.09
Massachusetts Water Resources Authority	CW-04-13-A	63,407.53
Massachusetts Water Resources Authority	CW-98-73-A	958.90
Millbury	CW-02-39	10,185.65
Nantucket	CW-02-50	15,904.33
Newbury	CW-01-43	7,667.11
Newburyport	CW-01-11	9,308.36
North Attleborough	CW-03-33	2,624.60
North Attleborough	CW-03-24	161.84
North Reading	CW-03-16	767.51
Rockland	CW-04-02	479.94
Sutton	CW-03-19	16,823.46
Templeton	CW-04-06	11,364.57
Upper Blackstone Water Pollution Abatement District	CW-03-14	106,235.20
West Boylston	CW-00-44	287.56
Woburn	CW-03-21	431.85

Drinking Water Projects

Borrower	Project No.	Origination Fee
Billerica	DW-03-03	$9,039.62
Fall River	DW-02-19	18,207.83
Fall River	DW-03-09	8,472.57
Franklin	DW-02-12	12,013.28
Groton	DW-02-09	9,057.22
Lawrence	DW-03-13	22,999.27
Lowell	DW-03-07	4,780.65

Lowell	DW-99-21	1,055.09
Mansfield	DW-03-16	15,670.19
Massachusetts Water Resources Authority	DW-04-02	3,790.05
Massachusetts Water Resources Authority	DW-04-03	22,789.94
Natick	DW-02-07	11,040.34
New Bedford	DW-02-20	8,495.10
New Bedford	DW-02-13	4,307.51
Newbury	DW-01-26	8,816.35
Newburyport	DW-01-06	6,100.06
Newburyport	DW-02-16	7,386.49
Webster	DW-03-12	1,838.04

Section 404. Application of Project Accounts. (A) Upon the issuance, sale and delivery of the Bonds, the Bond Trustee shall establish a separate Project Account within the Project Fund for each Project the Costs of which are to be financed or refinanced from the Loans or Local Governmental Obligations, provided, however, that the Bond Trustee shall establish a single Title 5 Project Account for any Title 5 Projects the Costs of which are expected to be financed or refinanced from Title 5 Loans to be designated after the issuance of the Bonds. A Project Account shall be used solely for the payment or reimbursement of Costs of the applicable Project (or Projects, in the case of the Title 5 Project Account) to which such Account relates or the refinancing of such Costs as provided in this Section 404 in accordance with the Act, the Clean Water Act or the Drinking Water Act, as applicable, the DEP Regulations and the applicable Financing Agreement and Regulatory Agreement. To the extent provided in the applicable Financing Agreement, Costs of a Project may be paid in part from moneys in one Project Account and in part from moneys in another Project Account. Amounts on deposit from time to time in any Project Account shall be disbursed by the Bond Trustee to or for the account of the applicable Borrower for the payment or reimbursement of Costs of the applicable Project or the refinancing of such Costs upon receipt by the Bond Trustee of one or more written requests therefor (upon which the Bond Trustee may conclusively rely) signed by an Authorized Officer of the Borrower and approved by the Department and an Authorized Officer of the Trust.

Amounts deposited in the Project Accounts in accordance with Section 403(B)(2) hereof shall be applied to the payment or refinancing of or reimbursement for Costs of the Projects as provided above. Subject to the provisions of paragraph (B) of this Section 404, Loans and the Local Governmental Obligations, other than the Title 5 Loans to be designated after the issuance of the Bonds, shall consist of the Leveraged Loans to and the Local Governmental Obligations purchased from the Borrowers, numbered, and in the original principal amounts as indicated below:

Clean Water Obligations

Borrower	Loan/Local Government Obligation No.	Principal Amount
Adams	CW-03-17	$2,922,434

Agawam	CW-03-15	290,953
Attleboro	CW-03-28	6,528,638
Brockton	CW-03-32	16,509,998
Cambridge	CW-98-84C	131,570
Cambridge	CW-98-84B	183,562
Cambridge	CW-99-06	1,919,284
Cambridge	CW-03-30	2,466,360
Charlton	CW-03-29	535,831
Chicopee	CW-03-20	376,069
Chicopee	CW-03-23	1,510,128
Douglas	CW-02-27	7,142,636
East Longmeadow	CW-03-18	657,322
Fitchburg	CW-03-12	640,716
Hanson	CW-03-26	222,184
Haverhill	CW-00-54A	675,579
Haverhill	CW-03-34	11,463,447
Hopkinton	CW-03-38	233,147
Lowell	CW-03-22	4,985,652
Massachusetts Development Finance Agency	CW-99-20-A	326,404
Massachusetts Water Resources Authority	CW-99-24-A	382,316
Massachusetts Water Resources Authority	CW-97-66-C	281,551
Massachusetts Water Resources Authority	CW-00-07-A	859,355
Massachusetts Water Resources Authority	CW-00-08-A	573,366
Massachusetts Water Resources Authority	CW-04-04	9,380,845
Massachusetts Water Resources Authority	CW-04-10	21,302,256
Massachusetts Water Resources Authority	CW-04-13-A	31,675,012
Massachusetts Water Resources Authority	CW-98-73-A	477,312
Marion	CW-03-09	1,512,345
Millbury	CW-02-39	4,957,038
Nantucket	CW-02-50	4,691,586
Newbury	CW-01-43	3,820,831
Newburyport	CW-01-11	4,638,710
North Attleborough	CW-03-33	1,276,777
North Attleborough	CW-03-24	78,174
North Reading	CW-03-16	372,977
Pepperell	CW-03-13	4,724,930
Rockland	CW-04-02	233,147

Sutton	CW-03-19	8,186,343
Templeton	CW-04-06	5,530,147
Upper Blackstone Water Pollution Abatement District	CW-03-14	52,620,050
West Boylston	CW-00-44	140,197
Woburn	CW-03-21	210,033
Brewster	T5-97-1156-1	185,254
Chesterfield	T5-97-1188-2	185,254
Dennis	T5-97-1204-2	185,254
East Bridgewater	T5-97-1161-4	370,609
Falmouth	T5-97-1117-2	185,254
Greenfield	T5-97-1104-1	62,270
Plymouth	T5-97-1029-2	185,254
Provincetown	T5-97-1157-1	185,254
Rutland	T5-01-1001	45,054
Sandwich	T5-99-1021-1	185,254
Southborough	T5-97-1056-2	51,493
Walpole	T5-97-1011-1	34,942
Wareham	T5-97-1019-2	185,254

Drinking Water Obligations

Borrower	Loan/Local Government Obligation No.	Principal Amount
Billerica	DW-03-03	$4,431,397
Fall River	DW-02-19	8,926,597
Fall River	DW-03-09	4,153,656
Fitchburg	DW-00-10A	5,804,788
Franklin	DW-02-12	5,889,794
Gardner	DW-03-10	4,292,736
Groton	DW-02-09	4,440,443
Lawrence	DW-03-13	11,275,577
Lowell	DW-03-07	2,343,263
Lowell	DW-99-21	517,019
Mansfield	DW-03-16	5,782,786
Massachusetts Water Resources Authority	DW-04-02	1,858,090
Massachusetts Water Resources Authority	DW-04-03	11,517,167
Natick	DW-02-07	5,412,817
New Bedford	DW-02-20	4,164,558
New Bedford	DW-02-13	2,111,694
Newbury	DW-01-26	4,322,672
Newburyport	DW-01-06	2,990,773
Newburyport	DW-02-16	3,621,090
Seekonk Water District	DW-01-19A	186,669

Webster	DW-03-12	900,969
West Boylston Water District	DW-01-12	300,445

Subject to the provisions of paragraph (B) of this Section 404, amounts deposited in the Title 5 Project Account shall be applied to fund Title 5 Loans to be designated after the issuance of the Bonds and, if the aggregate amount of Title 5 Project Costs funded by available Title 5 Loans is less than the amount on deposit in the Title 5 Project Account, to fund additional Clean Water Obligations to be designated after the issuance of the Bonds. The Title 5 Loans and other Clean Water Obligations, if any, shall consist of the Leveraged Loans to the Borrowers, numbered, and in the original principal amounts set forth in one or more certificates of an Authorized Officer of the Trust filed with the Bond Trustee at or prior to the disbursement from the Title 5 Project Account of amounts on account of the applicable Title 5 Project or Clean Water Project as provided in this Section 404.

(B) When all Costs of a Project to be paid from a particular Project Account have been so paid, as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Bond Trustee, or when otherwise directed herein, any amount remaining unexpended in the Project Account shall be either (1) applied to the prepayment of the applicable Loan or issue of Local Governmental Obligations (or Loans, in the case of the Title 5 Project Account) and transferred by the Bond Trustee to either (i) the Redemption Fund or (ii) one or more other Project Accounts to be applied to Costs of other Projects in accordance with Paragraph (C) below and to the extent permitted under the Clean Water Act or the Drinking Water Act, as applicable, and the DEP Regulations (upon delivery to the Bond Trustee of an original executed counterpart of an amendment or supplement to the applicable Financing Agreement and Regulatory Agreement), or (2) applied as a credit against any Payments then or thereafter due under the applicable Financing Agreement (or Financing Agreements, in the case of the Title 5 Project Account) and transferred by the Bond Trustee to the Revenue Fund or the Debt Service Fund (as directed by the Trust), or (3) any combination of the foregoing, as directed in a certificate of an Authorized Officer of the Trust delivered to the Bond Trustee. Notwithstanding the foregoing provisions of this Paragraph (B), no moneys remaining in a Project Account upon final disbursement therefrom for Costs of the applicable Project (or Projects, in the case of the Title 5 Project Account) may be transferred by the Bond Trustee to the Revenue Fund or to the Debt Service Fund unless the written direction of an Authorized Officer of the Trust is accompanied by an opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion from gross income of interest on any Bonds Outstanding for federal income tax purposes.

(C) Notwithstanding the provisions of Paragraph (B), no moneys remaining in a Project Account established for a Clean Water Project upon final disbursement therefrom for Costs of the applicable Project (or Projects, in the case of the Title 5 Project Account) shall be transferred by the Bond Trustee to a Project Account established for a Drinking Water Project, and no moneys remaining in a Project Account established for a Drinking Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Clean Water Project, unless in each case, simultaneously with such transfers, the Bond Trustee and the Program Trustee, pursuant to instructions included in the written direction of an Authorized Officer of the Trust required by Paragraph (B) of this Section 404, withdraw Equity from the Clean Water Debt Service Reserve Account or the Drinking Water

Debt Service Reserve Account, as applicable, with respect to the Project for which unexpended moneys are being so transferred and deposit such Equity in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and withdraw Equity from the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and deposit such Equity in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, with respect to the Project to which the unexpended moneys are being transferred, in each case in accordance with Sections 303 and 304 of the Program Resolution and the Equity Allocation Certificate, until the amount on deposit in the Clean Water Debt Service Reserve Account equals the Clean Water Debt Service Reserve Account Requirement and the amount on deposit in the Drinking Water Debt Service Reserve Account equals the Drinking Water Debt Service Reserve Account Requirement after such transfers.

(D) At least monthly (or more frequently as requested by the Trust) the Bond Trustee shall furnish the Trust with a written statement as to the amount remaining in each Project Account and a schedule of investments in each such Account. The Bond Trustee shall retain copies of all written requests delivered pursuant to Section 404(A) hereof and of all such statements while the Bonds applicable to the applicable Project Account remain Outstanding.

(E) Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation the Equity Allocation Certificate), all Net Earnings derived from the investment or deposit of moneys in the Project Accounts shall be transferred by the Bond Trustee to the Revenue Fund.

(F) Notwithstanding anything in this Section to the contrary, upon the written direction of an Authorized Officer of the Trust the Bond Trustee shall transfer from any Project Account designated by the Trust to the Debt Service Fund any amounts necessary for the payment of any Payments due and unpaid on the related Loan or Local Governmental Obligations or any other outstanding Loan or Local Governmental Obligations to the same Borrower to the extent that at such time no moneys are available therefor in any other Funds and Accounts established hereunder or under the applicable Financing Agreement.

Section 405. Application of Cost of Issuance Account.

(A) Upon authentication and delivery of the Bonds an aggregate amount of $773,283.85 shall be deposited to the Cost of Issuance Account, consisting of Bond proceeds in the amount of $596,240.25 and an aggregate amount of $177,043.60 from certain Borrowers, representing (i) Origination Fees in the aggregate amount of $51,156.94 and (ii) a pro-rata portion of additional compensation payable to the Underwriters with respect to the Bonds in the aggregate amount of $125,886.66 allocable to the Borrowers, for the Projects and in the amounts as follows:

Borrower	Project No.	Origination Fee	Underwriters' Compensation
Agawam	CW-03-15	$601.80	$1,480.90
Cambridge	CW-99-06	3,945.32	9,708.63
Cambridge	CW-03-30	5,072.33	12,481.95
Cambridge	CW-98-84C	270.47	665.57
Cambridge	CW-98-84B	371.53	914.24

Charlton	CW-03-29	1,108.65	2,728.16
Chicopee	CW-03-20	778.12	1,914.79
Chicopee	CW-03-21	3,124.01	7,687.54
Fitchburg	CW-03120	1,325.33	3,261.38
Fitchburg	DW-01-10A	11,917.54	29,326.58
Gardner	DW-03-10	8,813.63	21,688.52
Marion	CW-03-09	3,053.83	7,514.84
Pepperell	CW-03-13	9,774.39	24,052.77
Seekonk Water District	DW-01-19A	383.31	943.25
West BoylstonWater District	DW-01-12	616.68	1,517.54

Upon authentication and delivery of the Bonds, and following the deposits provided in Section 403(B)(4) and in this paragraph (A), the Bond Trustee shall withdraw from the Cost of Issuance Account and pay to or upon the order of the Underwriters of the Bonds the aggregate amount of $125,886.66, representing additional compensation to the Underwriters with respect to the Bonds, allocable to and paid by the Borrowers, for the Projects and in the amounts set forth in this paragraph (A). The Bond Trustee shall pay Costs of Issuance from the Cost of Issuance Account upon receipt of a written request therefor signed by an Authorized Officer of the Trust stating the amount and purpose of any such payment. Any amounts remaining in the Cost of Issuance Account upon payment of all Costs of Issuance (as indicated in a certificate of an Authorized Officer of the Trust delivered to the Bond Trustee) shall be withdrawn by the Bond Trustee and paid to the Program Trustee for deposit in the Administrative Expense Fund.

(B) Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation the Equity Allocation Certificate), all Net Earnings derived from the investment or deposit of moneys in the Cost of Issuance Account shall be transferred by the Bond Trustee to the Revenue Fund.

Section 406. Revenues and Revenue Fund. (A) Except as otherwise provided herein, all Revenues, including without limitation all Payments, shall promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of this Bond Resolution, and shall hold for the account of the Revenue Fund all Loans made and Local Governmental Obligations purchased in accordance with this Bond Resolution.

(B) On or before each Interest Payment Date for the Outstanding Bonds, the Bond Trustee shall apply the balance on deposit in the Revenue Fund as follows and in the following order of priority (provided that, if the Trust by Supplemental Bond Resolution shall have created one or more additional funds and accounts or subaccounts within Funds and Accounts in accordance with Section 402(B) hereof, the Trust may by Supplemental Bond Resolution modify the priority set forth in any clause of this Paragraph (B) other than the priority of Clauses (1) through (6) of this Paragraph (B)):

(1) To the Debt Service Fund, if and to the extent required so that the balance therein shall equal the sum of (a) all due and unpaid interest and all interest to become due on such Interest Payment Date on the Bonds Outstanding; and (b) all due and unpaid

Principal Installments and all Principal Installments to become due on such Interest Payment Date on the Bonds Outstanding;

(2) To the Rebate Fund, if and to the extent required so that the amount therein shall equal the Rebate Requirement, if any, as most recently calculated in accordance with Section 410 hereof;

(3) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any draws from either such Account or Subaccount theretofore made as provided in the Program Resolution due to a Payment Default under any Financing Agreement, but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund in satisfaction of such Payment Default;

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

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

(6) To the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, within the Debt Service Reserve Fund (as directed by the Trust), to the extent and in the amount of any draws on the applicable Account theretofore made as provided herein due to a Payment Default under any Financing Agreement, but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund hereunder in satisfaction of such Payment Default;

(7) To the Subsidy Fund, (i) if and to the extent required so that the balance therein shall equal the Subsidy Fund Requirement, and (ii) to the extent and in the amount of any draws thereon theretofore made as provided herein due to a Payment Default under

any Financing Agreement, but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund hereunder in satisfaction of such Payment Default;

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

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

(C) As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the Trust as to the proper amounts to be deposited in the various Funds and Accounts as required by this Section. The Trust agrees to furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to allocate amounts from the Revenue Fund. The Bond Trustee shall retain copies of such certificates while any of such Bonds remain Outstanding and shall also maintain appropriate records of the interest or other income earned on investment or deposit of all such amounts while held hereunder in any Fund or Account.

(D) Notwithstanding anything in this Section to the contrary, so long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including Principal Amount or Redemption Price and interest) no deposits shall be required to be made into the Debt Service Fund.

Section 407. Application of Debt Service Fund. (A) The Bond Trustee shall pay out of the Debt Service Fund to the Paying Agent (1) on or before each Interest Payment Date of the Bonds the amount required for the interest and Principal Installments payable on such date, and (2) on or before each redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. The Paying Agent shall apply such amounts to the payment of interest and Principal Amount on and after the due dates thereof. If on any Interest Payment Date for the Bonds the amount accumulated in the Debt Service Fund for either of the purposes specified above exceeds the amount required therefor, the Trust, by written certificate of an Authorized Officer, may direct the Bond Trustee to deposit such excess in the Revenue Fund. The Bond Trustee shall also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased for retirement under any provision of this Bond Resolution.

(B) Notwithstanding anything in Section 406 or this Section 407 to the contrary, by 1:00 p.m. on any day which is two (2) Business Days prior to any Interest Payment Date for any Bonds Outstanding, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then due that will not be paid or that will be paid from amounts on deposit in the Clean Water Debt Service Reserve Account or

the Drinking Water Debt Service Reserve Account, as applicable, within the Debt Service Reserve Fund in accordance with Section 409 (C)(2) hereof, in either case due to a Payment Default on a Loan or a Local Governmental Obligation. To the extent amounts are not available in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, for such purpose, such notice shall include a request for immediate transfer to the Bond Trustee of all or part of the Allocated Equity attributable to the related Loan or Local Governmental Obligation, including amounts allocable to such Loan or Local Governmental Obligation on deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund, and amounts allocable to such Loan or Local Governmental Obligation available to be drawn from Federal Capitalization Grants and Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that have not yet been deposited in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, or in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, and which will be required to pay the Principal Installments or interest on the Bonds. To the extent that the deficiency resulting from the Payment Default is expected to exceed the full amount of Allocated Equity for the related Loan or Local Governmental Obligation, such notice shall indicate whether the Payment Default is related to a Clean Water Obligation or a Drinking Water Obligation and shall include a request for amounts from the Pool Program Reserve Fund, in accordance with Section 307(C) of the Program Resolution. To the extent that the deficiency resulting from the Payment Default is expected to exceed both the full amount of Allocated Equity for the related Loan or Local Governmental Obligation and the available amounts in the applicable account within the Pool Program Reserve Fund, such notice shall include a request for amounts from the Deficiency Fund, in accordance with Section 308(D) of the Program Resolution. After the giving of notice pursuant to the first sentence of this Section 407(B)(i) and until any deficiency in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, allocable to the related Loan or Local Governmental Obligation shall have been cured, the Bond Trustee shall notify the Program Trustee of any remaining amount due or past due on the applicable Loan or Local Governmental Obligation and of any related deficit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable (1) immediately succeeding the receipt of any Payment applicable to such Loan or Local Governmental Obligation from any source, (2) from time to time when there is a change in the amount due or past due on such Loan or Local Governmental Obligation or in the amount of the related deficit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, and (3) when any such related deficiency in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, shall have been cured in accordance with Section 406(B)(6) hereof.

(C) Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation the Equity Allocation Certificate), all Net Earnings from the investment or deposit of moneys in the Debt Service Fund shall be transferred by the Bond Trustee to the Revenue Fund.

(D) As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the

Trust as to the proper amounts to be deposited in or withdrawn from the Debt Service Fund, the Leveraged Bond Fund, the Pool Program Reserve Fund or the Deficiency Fund as required by this Section. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Debt Service Fund, the Leveraged Bond Fund, the Pool Program Reserve Fund or the Deficiency Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

(E) Amounts in the Debt Service Fund with respect to any Sinking Fund Installment (together with amounts therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) shall, if so directed by the Trust, be applied by the Bond Trustee prior to the 45th day preceding the due date of such Sinking Fund Installment to (1) the purchase of Bonds of the maturity, interest rate and tenor for which such Sinking Fund Installment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Installment due on the maturity date, the Principal Amount thereof plus interest to such date), such purchases to be made in such manner as the Trust shall determine, or (2) the redemption, pursuant to Section 301(A), of such Bonds then redeemable by their terms. The applicable Redemption Price or Principal Amount (in the case of maturing Bonds) of any Bonds purchased or redeemed as provided in this Paragraph shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Installment due date for the purpose of calculating the amount of such Fund. In satisfaction, in whole or in part, of any amount required to be paid into the Debt Service Fund which is attributable to a Sinking Fund Installment, there may be delivered on behalf of the Trust to the Bond Trustee, Bonds of the maturity, interest rate and tenor entitled to such payment. All Bonds so delivered to the Bond Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of the Bonds. Notwithstanding anything to the contrary contained in this Section, the Bond Trustee shall not purchase or accept Bonds in lieu of any Sinking Fund Installment following the giving of notice of redemption of the Bonds on account of which such Sinking Fund Installment was established.

(F) As soon as practicable after the 45th day preceding the due date of any Sinking Fund Installment, the Bond Trustee shall proceed (by giving notice as provided in Section 303) to call for redemption on such due date Bonds of the maturity, interest rate and tenor for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment due date) in such amount, if any, as shall be necessary to complete the retirement of the Principal Amount of the Bonds of such maturity, interest rate and tenor as specified for such Sinking Fund Installment in Section 301 (B) hereof, and whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds. The Bond Trustee shall pay out of the Debt Service Fund to the Paying Agent, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing and such amount shall be applied by the Paying Agent to such redemption or payment.

Section 408. Application of Redemption Fund. (A) If at any time the amount on deposit and available therefor in the Debt Service Fund and the Revenue Fund is insufficient to pay the

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

(B) All moneys transferred to the Redemption Fund shall be applied to the purchase or redemption of Bonds including the payment of any premium payable upon redemption thereof, as provided in this Section. Upon receipt of the certificate of an Authorized Officer referred to in Paragraph (C) of this Section 408, the Bond Trustee, if so directed by the Trust, shall apply moneys in the Redemption Fund to the purchase of Bonds designated in such certificate at such prices and in such manner as may be determined by the Trust, such prices not to exceed the Redemption Price of such Bonds applicable on the next ensuing redemption date for such Bonds. Bonds not so purchased may, and if directed by the Trust, shall be redeemed at a Redemption Price determined at the time and in the manner provided in Article III. Bonds shall not be purchased pursuant to this Paragraph (B) following the giving of notice of redemption of the Bonds to be redeemed.

(C) Any Bonds to be purchased or redeemed by the Bond Trustee from moneys in the Redemption Fund shall be purchased or redeemed by the Bond Trustee only upon receipt by the Bond Trustee of a certificate of an Authorized Officer determining or certifying the following:

(1) The Bonds to be purchased or redeemed;

(2) The maturities from which Bonds of similar tenor are to be purchased or redeemed;

(3) The Principal Amount of Bonds of similar tenor within such maturities to be purchased or redeemed; and

(4) If any of the Bonds to be purchased or redeemed as designated in Clauses (1) through (3) hereinabove are Bonds for which Sinking Fund Installments have been established, the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined are to be reduced, provided that the aggregate of such reductions in Sinking Fund Installments shall equal the aggregate Principal Amount of the Bonds to be purchased or redeemed.

(D) Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation the Equity Allocation Certificate), all Net Earnings from the investment or deposit of moneys in the Redemption Fund shall be transferred by the Bond Trustee to the Revenue Fund.

Section 409. Application of Debt Service Reserve Fund. (A) Following authentication and delivery of the Bonds, the Bond Trustee shall deposit $77,618,599.55 in the Clean Water Debt Service Reserve Account within the Debt Service Reserve Fund and shall deposit $33,750,889.53 in the Drinking Water Debt Service Reserve Account within the Debt Service Reserve Fund, which amounts shall be transferred to the Bond Trustee by the Program Trustee in accordance with

Section 305(B)(1) of the Program Resolution and shall be so deposited in the amounts and at the times provided in the Equity Allocation Certificate.

(B) The Bond Trustee shall promptly deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, the following receipts:

(1) Any amounts transferred to the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, as provided in Section 406(B)(6) hereof in order to reimburse such Clean Water Debt Service Reserve Account or Drinking Water Debt Service Reserve Account for transfers to the Debt Service Fund to provide for payment of Principal Installments of and interest on the Bonds due to a Payment Default on a related Loan or Local Governmental Obligation; and

(2) Upon the written direction of the Trust, any other amounts made available by the Trust for deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable.

(C) The Trustee shall make the following transfers and payments from the Debt Service Reserve Fund:

(1) Except as otherwise provided in the Equity Allocation Certificate, upon receipt thereof by the Bond Trustee all Net Earnings derived from the investment or deposit of moneys in the Debt Service Reserve Fund shall be transferred by the Bond Trustee to the Revenue Fund;

(2) If on any Interest Payment Date for any Bonds Outstanding the amounts on deposit and available in the Debt Service Fund, the Revenue Fund, the Redemption Fund and, to the extent provided in Section 411(C) hereof, the Subsidy Fund are insufficient to pay all Principal Installments and interest on the Bonds then payable due to a Payment Default on a Loan or Local Governmental Obligation, the Bond Trustee, not later than 1:00 p.m. on such Interest Payment Date, shall withdraw the amount of such deficiency from the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, and shall deposit such amount in the Debt Service Fund as provided in Section 407(B) hereof, provided that the amount so withdrawn shall not exceed the amount held in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, that is allocable to such Loan or Local Governmental Obligation as certified by the Trust pursuant to paragraph (E) of this Section 409; and

(3) Upon the written direction of the Trust on the Business Day on which a Principal Installment on the Bonds is due and paid or duly provided for in accordance with the terms of the Bonds, the Bond Trustee shall transfer to the Program Trustee for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, within the Pool Program Reserve Fund from the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account, as applicable, an amount such that the aggregate amount remaining in the Clean

Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account (together with the amounts on deposit in the Clean Water Leveraged Bond Account or the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund and the amount, if any, available to be drawn from Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement and allocated as Equity for the Clean Water Obligations or Drinking Water Obligations held hereunder in accordance with the Equity Allocation Certificate) shall be equal to the Clean Water Debt Service Reserve Account Requirement and the Drinking Water Debt Service Reserve Account Requirement calculated on such Business Day (and after credit for all Payments on the Clean Water Obligations and Drinking Water Obligations paid by or on behalf of the related Borrowers on such day).

(D) Notwithstanding anything in this Bond Resolution to the contrary, except as otherwise provided in the Financing Agreements, or as otherwise prohibited by applicable law, if more than one Loan or Local Governmental Obligation shall be outstanding hereunder for the account of a Borrower and on any Payment Date a Payment Default shall occur with respect to all or any part of the Payments payable on any one or more of such Loans or Local Governmental Obligations, the aggregate amount of such Payment Default shall be allocated to all Loans and Local Governmental Obligations outstanding hereunder to such Borrower, pro rata in proportion to the aggregate amount of Payments payable on such Payment Date on each such Loan or Local Governmental Obligation.

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

Section 410. Rebate Fund. (A) Pursuant to the requirements of Section 148(f) of the Code, the Trust shall pay to the United States at the times and in the manner provided in this Section 410 an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) allocable to the Bonds (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the Yield on the Bonds, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Trust further covenants to pay such amount to the United States whether or not the amount on deposit in the Rebate Fund and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings.

(B) In addition to the payments, if any, to the United States pursuant to Section 148(f) of the Code as provided in Paragraph (A) of this Section 410, pursuant to the requirements of Section 148 of the Code and Treasury Regulation §1.148-5(c) the Trust shall also pay to the United

States at the times and in the manner provided in this Section 410 any amount required to be so paid in accordance with Treasury Regulation §1.148-5(c) in order that the Bonds shall comply with any Yield limitation on proceeds of the Bonds (within the meaning of the Code) provided in Section 148 of the Code. The Trust further covenants to pay such amount to the United States whether or not the amount on deposit in the Rebate Fund and available therefor is sufficient for such payment and to establish such accounting procedures as are required to determine the amount, if any, so payable.

(C) Within sixty (60) days of the end of each Bond Year (or any earlier date that may be necessary to make a required payment to the United States under Paragraph (D) of this Section 410), the Trust shall furnish to the Bond Trustee a certificate of an Authorized Officer, upon which the Bond Trustee may conclusively rely, setting forth the Rebate Requirement for such Bond Year. At any time during a Bond Year, the Trust may in its discretion recalculate the Rebate Requirement and certify to the Bond Trustee the Rebate Requirement as so recalculated.

(D) Within sixty (60) days after the close of the fifth Bond Year following the date of issue of the Bonds and within sixty (60) days after the close of each fifth Bond Year thereafter, the Bond Trustee shall pay from the Rebate Fund to the United States on behalf of the Trust the full amount then required to be paid under the Rebate Provision as certified and directed by the Trust in a certificate of an Authorized Officer delivered to the Bond Trustee not less than ten (10) Business Days prior to the due date of such payment. Within sixty (60) days after the Bonds have been paid in full, the Bond Trustee shall pay to the United States from the Rebate Fund on behalf of the Trust the full amount then required to be paid under the Rebate Provision as certified by the Trust in a certificate of an Authorized Officer delivered to the Bond Trustee not less than ten (10) Business Days prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201 or any successor location specified by the Internal Revenue Service, accompanied by Form 8038-T (or other similar information reporting form).

(E) In the event that, at the time of any required payment from the Rebate Fund, the amount in the Rebate Fund available for such payment shall be insufficient to make such payment (after deposit therein of any amounts provided in Section 303(D)(5) and 304 (C)(5) of the Program Resolution), the Trust shall pay the amount of the deficiency from any moneys available to the Trust not pledged under this Bond Resolution or the Program Resolution to the Bonds.

(F) In the event that on any Interest Payment Date of the Bonds the amount on deposit in the Rebate Fund exceeds the Rebate Requirement (calculated as of such Interest Payment Date), the Bond Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(G) For purposes of this Section 410, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at market for the purposes of this Section 410. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(H) The Trust and the Bond Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and the Rebate Provision and shall retain such records for at least six years following final payment of the Bonds.

(I) Notwithstanding anything in this Bond Resolution to the contrary, the Trust shall not be required to comply with any provision with respect to the Bonds contained in this Section 410 in the event the Trust receives an opinion of Bond Counsel that compliance with such provision is no longer required to satisfy the requirements of the Code such that interest on the Bonds shall be and remain excludable from gross income for federal income tax purposes or that compliance with some other provision in lieu of a provision specified in this Section is required to or will satisfy the requirements of the Code, in which case compliance with such other provisions specified in such opinion shall constitute compliance with the provisions specified in this Section. The Trust shall adopt a Supplemental Resolution reflecting the deletion or substitution of any such provision in this Section in accordance with Section 601 hereof.

Section 411. Application of Subsidy Fund.

(A) On or before each Interest Payment Date for the Bonds, or on such other date or dates as may be directed by certificate of an Authorized Officer delivered to the Bond Trustee not less than one (1) Business Day prior to such date, the Bond Trustee shall withdraw from the Subsidy Fund and deposit in the Debt Service Fund the amount as set forth in the certificate of an Authorized Officer delivered to the Bond Trustee in accordance with Paragraph (B) of this Section 411, as the same may have been amended as provided in such paragraph, or, if less, the balance on deposit in the Subsidy Fund.

(B) On or prior to the delivery of the Bonds, the Trust shall deliver a certificate of an Authorized Officer to the Bond Trustee setting forth (i) a schedule of deposits to the Subsidy Fund pursuant to Section 406(B)(7) hereof and the resulting Subsidy Fund Requirement therefor as of August 1 and February 1 of each Fiscal Year while any Bonds are Outstanding hereunder, and (ii) a schedule of withdrawals from the Subsidy Fund in accordance with Paragraph (A) of this Section 411 while the Bonds are Outstanding, accompanied by the written direction of an Authorized Officer of the Trust in accordance with Section 413(A) hereof regarding the investment of amounts in the Subsidy Fund in such Investment Obligations as shall be designated in such certificate. The written direction and certificate of an Authorized Officer may be amended at any time and from time to time by a subsequent certificate of an Authorized Officer filed with the Bond Trustee. All amounts deposited in the Subsidy Fund shall be invested by the Bond Trustee as directed in such written direction (subject to such amendment, if any) and otherwise in accordance with Section 413 hereof, and all Net Earnings from the investment or deposit of moneys in the Subsidy Fund shall be credited to the Subsidy Fund.

(C) Notwithstanding anything in this Section to the contrary, if on any Interest Payment Date for any Bonds Outstanding the amount on deposit and available in the Debt Service Fund is insufficient to pay all Principal Installments and interest on the Bonds then payable due to a Payment Default on a Local Governmental Obligation held hereunder, or due to a Payment Default on any Loan to a Borrower which has also issued a Local Governmental Obligation to the Trust hereunder, after application to such Payment Default of any amounts available therefor in the

Revenue Fund, the Subsidy Fund pursuant to Paragraph (A) of this Section 411 and the Redemption Fund, the Bond Trustee shall withdraw from the Subsidy Fund and deposit such amount in the Debt Service Fund, or if less, the amount on deposit in the Subsidy Fund allocable to such Local Governmental Obligation, as certified by the Trust in accordance with Paragraph (D) of this Section 411.

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

Section 412. Moneys of the Trust. All amounts paid to the Trust pursuant to Clause (9) of Section 406(B) hereof shall be free and clear of any lien or pledge created by this Bond Resolution and, subject to the requirements of the Act and the Clean Water Act or Drinking Water Act, as applicable, may be used for any lawful purpose of the Trust, including, without limiting the generality of the foregoing, payment of Administrative Expenses and deposits to the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable.

Section 413. Investments and Deposits. (A) Except as otherwise provided in Section 1001, moneys held for the credit of any Fund or Account under this Bond Resolution shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other Fund or Account, other than the Rebate Fund, by the Bond Trustee at the direction of an Authorized Officer 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; provided that if moneys in two or more Funds or Accounts are commingled for purposes of investment, the Bond Trustee shall maintain appropriate records of the Investment Obligations or portions thereof held for the credit of each such Fund or Account. If the Trust shall fail to provide the Bond Trustee with directions of an Authorized Officer for the investment of any moneys held in any Fund or Account hereunder, the Bond Trustee shall invest such moneys in Investment Obligations described in clause (10) 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 on or before the next succeeding Interest Payment Date for the Bonds. Notwithstanding any provision of this Bond Resolution to the contrary, no moneys on deposit in the Debt Service Reserve Fund shall be invested in any Investment Obligation the purchase of which would (at the time of such purchase) adversely affect the ratings then assigned by any Rating Agency to any Bonds Outstanding. Investment Obligations purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account until transferred as provided in this Bond Resolution. In making investments hereunder, the Bond 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 the Equity Allocation Certificate with respect to any particular Fund or Account, Net Earnings derived from the investment or deposit of moneys in any Fund or Account shall be credited to the Revenue Fund.

(C) In computing the amount in any Fund or Account held by the Bond Trustee under the provisions of this Bond Resolution, Investment Obligations shall be valued at par if purchased at par or at Amortized Value if purchased at other than par. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations.

(D) At the direction of the Trust, the Bond 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 for which such investment was made. The Bond 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 Bond 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 in its custody under the provisions of this Bond Resolution as of the end of the preceding month.

ARTICLE V
PARTICULAR COVENANTS OF THE TRUST

The Trust covenants and agrees as follows:

Section 501. Powers as to Bonds and Pledge. The Trust is duly authorized under the Act and all applicable laws to create and issue the Bonds and to adopt this Bond Resolution and to pledge and grant a security interest in the Loans, Local Governmental Obligations, Revenues, and other property purported to be pledged by this Bond Resolution in the manner and to the extent provided in this Bond Resolution. The Loans, Local Governmental Obligations, Revenues, 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 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 Loans, Local Governmental Obligations, Revenues and other property pledged under this Bond Resolution and all the rights of the Bondowners under this Bond 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 Loans, Local Governmental Obligations, Revenues, 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. Extension of Payment of Bonds. The Trust shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest thereon by the purchase or funding of such Bonds or claims for interest or

by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under this Bond Resolution to the benefit of this Bond Resolution or to any payment out of any assets of the Trust or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to this Bond Resolution) held by the Fiduciaries, except subject to the prior payment of the Principal Amount of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

Section 503. Payment of Lawful Charges. The Trust shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon the Trust or in respect of the Program or upon any of the Loans or Local Governmental Obligations and other property held hereunder, or any Revenues therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Program, and shall not create or suffer to be created any lien or charge upon the Loans, Local Governmental Obligations, Revenues or Funds and Accounts, except as provided in or permitted hereby.

Section 504. Issuance of Additional Obligations. (A) Except as permitted by Section 501 hereof, the Trust shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Loans, Local Governmental Obligations and other property pledged hereunder or which will be payable from any of the Funds or Accounts established and created by or pursuant to this Bond Resolution prior to the payment or provision for payment of the Bonds, except that the Bonds may be refunded in whole or in part, and such refunding bonds may be issued on a parity with the Bonds and secured by an equal charge and lien on the Revenues, Loans, Local Governmental Obligations and other property pledged hereunder and shall be payable equally and ratably from the Funds or Accounts established and created pursuant to this Bond Resolution.

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

Section 505. Covenants as to Loans and Local Governmental Obligations. (A) No Loan shall be made by the Trust from the proceeds of Bonds or other moneys available therefor hereunder, and no Local Governmental Obligations shall be acquired hereunder, and no Bonds shall be issued by the Trust for the purpose of providing funds with which to make Loans or to purchase Local Governmental Obligations unless (1) the Loans and Local Governmental Obligations shall comply with the terms, conditions, provisions and limitations of the Act, the Clean Water Act or the Drinking Water Act, as applicable, any applicable Grant Agreement and this Section, (2) the Projects to be financed or refinanced by such Loans or Local Governmental Obligations shall have been approved by the Department in accordance with the DEP Regulations and (3) the Loans or Local Governmental Obligations shall have been approved by the Trust.

(B) Each Loan and Local Governmental Obligation funded by the Trust hereunder from the proceeds of Bonds or other moneys available therefor under this Bond Resolution, shall be secured, shall be in the amounts and shall otherwise have such terms and conditions as specified herein. Except as otherwise permitted by this Bond Resolution, Loans made and Local Governmental Obligations purchased with the proceeds of Bonds and any other moneys available therefor hereunder shall have Scheduled Payments or other legally enforceable payments thereon constituting Revenues hereunder, which Revenues, together with all other moneys reasonably anticipated to be available therefor (including without limitation Equity Earnings and Contract Assistance Payments), shall be at least sufficient in aggregate amount and in time of receipt to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service when due. Without limiting the generality of the foregoing, each Loan and Local Governmental Obligation shall provide for the payment to or for the account of the Trust of the Payments due thereon on each Payment Date thereunder not less than five (5) Business Days prior to such Payment Date.

(C) The Trust shall duly and properly service all Loans and Local Governmental Obligations and enforce the payment and collection of all Payments and all other payments, if any, thereon 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 and Local Governmental Obligations.

(D) The Trust shall do all such acts and things necessary to receive and collect 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, Local Governmental Obligations and the applicable Financing Agreements including the prompt payment of all Payments and all other amounts due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Loan, Local Governmental Obligation and all Financing Agreements 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 default on any Loan or Local Governmental Obligation on such terms as the Trust shall determine to be in the best interests of the Trust and the Bondowners and to forbear from taking action with respect to enforcement of a Loan or Local Governmental Obligation if it determines such forbearance to be in the best interests of the Trust and the Bondowners.

(E) Whenever it shall be necessary in order to protect and enforce the rights of the Trust under a Loan or Local Governmental Obligation and to protect and enforce the rights and interest of Bondowners under this Bond Resolution, the Trust shall take or cause to be taken steps to enforce the applicable Financing Agreement and to enforce any lien or security interest or other right created by such Loan or Local Governmental Obligation or under the applicable Financing Agreement or otherwise available to the Trust under the Act, including without limitation the exercise of the rights provided in Section 11 of the Act with respect to local aid distributions payable by the Commonwealth to a Borrower or any member or other service recipient thereof or any parent governmental unit of any member or other service recipient thereof.

(F) Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may sell, assign, transfer or otherwise dispose of any Loan or Local Governmental Obligation or any participation or other interest therein which is in default or delinquent in the payment of Payments thereon if the Trust determines that such action is in the best interests of the Trust and Bondowners and will result in a greater availability of Revenues to pay Aggregate Debt Service when due and Administrative Expenses than would be the case if such Loan or Local Governmental Obligation is not sold, assigned, transferred or otherwise disposed of, in which case such Loan or Local Governmental Obligation may be so disposed of by the Trust free and clear of the pledge of this Bond Resolution.

(G) Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may sell, assign, transfer or otherwise dispose of any Loan or any Local Governmental Obligation or any participation or other interest therein which is not in default or delinquent in the payment of Payments thereon, or transfer any such Loan or Local Governmental Obligation to itself free and clear of the pledge of this Bond Resolution, in either case at such price as the Trust shall determine, provided that not less than ten (10) Business Days prior to any such disposition or transfer (i) the Trust provides written notice of such disposition or transfer to each Rating Agency then maintaining a rating on any Bonds Outstanding and (ii) the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such disposition or transfer anticipated Revenues, and any other moneys available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues, and other moneys anticipated to be available for such purpose if such Loan or Local Governmental Obligation is not so disposed of or transferred. Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation any Equity Allocation Certificate) the proceeds, if any, of sale, transfer or other disposition of any Loan or Local Governmental Obligation which is not in default or delinquent in the payment of Payments thereon shall be deposited in the Revenue Fund.

(H) The Trust may consent or agree to or permit amendment or modification of any Financing Agreement including amendments and modifications made in connection with settlement of any delinquency or default on any Loan or Local Governmental Obligation which settlement the Trust determines to be in the best interests of the Trust; provided, however, that any amendment or modification shall be permitted only if the amended Financing Agreement and the Loan or Local Governmental Obligation thereunder satisfies the requirements of this Bond Resolution for a Loan or Local Governmental Obligation which the Trust may make or purchase and hold hereunder and the Trust determines that such modification will not have a material adverse impact, taking into account the reasonable expectations with respect to the Loan or Local Governmental Obligation in question immediately prior to such modification, on the Trust's ability to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due.

Section 506. Tax Covenants. (A) The Trust shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Fiduciaries with respect to the Revenues, Loans, or Local Governmental Obligations in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the

extent applicable, which would cause any Bond to violate any of the restrictions contained in Section 141 through Section 150 the Code.

(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 proceeds of Bonds or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

(C) The covenants and agreements contained in this Section 506 shall survive the payment of a Bond or the making of provision for the payment thereof as provided in Section 1001 hereof. Notwithstanding anything in this Bond Resolution to the contrary, the covenants and agreements contained in this Section 506 shall not apply to any Bond bearing at the time of original issuance under this 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 the opinion of Bond Counsel delivered to the Bond Trustee and the Authenticating Agent upon original issuance of such Bond states, in effect, that under then existing laws the interest payable on such Bond is so includable. Notwithstanding the foregoing, unless a different meaning clearly appears from the context, any reference herein to the exclusion of interest on any Bonds from gross income for federal income tax purposes shall not include reference to inclusion of interest on any Bond in any computation of the alternative minimum tax imposed on individuals or corporations by the Code.

Section 507. Additional Tax Covenants. In addition to the requirements of Section 506 hereof, so long as any Bonds shall be Outstanding and unpaid (unless the Trust shall file an opinion of Bond Counsel with the Bond Trustee to the effect that compliance with all or part of the provisions of this Section 507 is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds) the Trust covenants that:

(a) Notwithstanding the definition of Equity Requirement, but subject to Section 410(B) hereof, at no time shall the amount, if any, in the Debt Service Reserve Fund, the Federal Program Subaccount within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund, the Subsidy Fund, the Pool Program Reserve Fund, the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund and the Drinking Water Deficiency Account in the Deficiency Fund allocable to the Bonds invested at a Yield higher than the Yield on the Bonds exceed an amount equal to ten percent (10%) of the proceeds of the Bonds;

(b) At no time shall the amount, if any, of proceeds from the sale of the Bonds on deposit in the Debt Service Reserve Fund, the Federal Program Subaccount within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund, the Subsidy Fund, the Pool Program Reserve Fund, the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency

Fund and the Drinking Water Deficiency Account in the Deficiency Fund exceed an amount equal to ten percent (10%) of the proceeds of the Bonds;

(c) Not less than ninety-five percent of those Costs of Issuance constituting legal and underwriting costs associated with the issuance of the Bonds (as determined under the Code) shall be paid not later than the 180th day after the date of authentication and delivery of the Bonds; and

(d) The Trust shall not make any arrangement, formal or informal, pursuant to which any Borrower or any other person (including any related person as defined in Section 144(a)(3) of the Code) to whom the Trust may make a Loan or from whom the Trust may purchase Local Governmental Obligations under the Program, shall purchase Bonds in an amount related to the amount of such Loan or Local Governmental Obligations.

Section 508. Accounts and Reports. (A) The Trust shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all Funds and Accounts established by or pursuant to this Bond Resolution, including in particular, and without limitation, amounts allocable to Loans and Local Governmental Obligations in the Subsidy Fund and in the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account within the Debt Service Reserve Fund, which shall at all reasonable times be subject to the inspection of the Bond Trustee, any Borrower and the Owners of not less than 5% in aggregate Principal Amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) The Trust shall annually file with the Bond Trustee, and otherwise as provided by law, a copy of an annual report for such year (the "Annual Report"), and shall annually, within 120 days after the close of each Fiscal Year, file with the Bond Trustee, and otherwise as provided by law, financial statements relating to the Program containing the report thereon of an independent public accountant or firm of accountants acceptable to the Bond Trustee (the "Annual Program Audit"). The Annual Report shall include statements and reports regarding the Trust's operations and accomplishments and shall include the Annual Program Audit, or a summary thereof, and such other information as the Trust in its discretion shall determine or as may be required by the Act or the Clean Water Act or Drinking Water Act, as applicable. The Annual Program Audit shall include the following statements relating to the Bonds in reasonable detail: (a) the receipts and expenditures for the Program during such Fiscal Year in accordance with the categories or classifications established by the Trust for its operating and capital outlay purposes; (b) assets and liabilities at the end of such Fiscal Year, including a schedule of Loans, Local Governmental Obligations, and the status of reserve, special or other funds and the Funds and Accounts established by this Bond Resolution; and (c) a schedule of Bonds Outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. The Annual Report and Annual Program Audit may be included with any other annual report and accountant's report relating to other programs and operations of the Trust. A copy of each Annual Report shall be mailed by the Trust to each Bondowner who shall have filed his name and address with the Trust for such purpose.

Section 509. 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 rights, Revenues, Loans, Local Governmental Obligations and other moneys, securities and 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 BOND RESOLUTIONS

Section 601. Supplemental Bond 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 Bond Resolution may be adopted, which resolution, upon the filing with the Bond Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in Section 605 hereof, shall be fully effective in accordance with its terms:

(1) To add to the covenants or agreements of the Trust in this Bond Resolution contained other covenants or agreements to be observed by the Trust which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;

(2) To add to the limitations or restrictions to be observed by the Trust which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;

(3) To surrender any right, power or privilege reserved to or conferred upon the Trust by this Bond Resolution;

(4) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Bond Resolution, of the Revenues, Loans, Local Governmental Obligations or of any other moneys, securities and property; and

(5) To specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds thereof which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect.

Section 602. Supplemental Bond Resolutions Effective Upon Consent of Bond 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 Bond Resolution may be adopted, which resolution upon the (a) filing with the Bond Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in Section 605 hereof, and (b) filing with the Bond Trustee and the Trust of an instrument in writing made by the Bond 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 Bond Resolution;

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

(3) To insert or amend any provision in this Bond Resolution required to comply with the Clean Water Act or the Drinking Water Act, as applicable or necessary to maintain the exclusion from federal income taxes of interest on any Bonds Outstanding to which such exclusion applies and which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency (as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the adoption of such Supplemental Bond Resolution will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding); and

(4) To insert, repeal or amend any provision in this Bond Resolution, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable and the Act and will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency (as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the adoption of such Supplemental Bond Resolution will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding).

Section 603. Supplemental Bond Resolutions Effective With Consent of Bondowners. (A) At any time or from time to time, a resolution of the Trust amending or supplementing this Bond Resolution may be adopted modifying any of the provisions of this Bond Resolution or releasing the Trust from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, but no such resolution shall be effective until after the filing with the Bond Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in Section 605 hereof, and unless (1) no Bonds delivered by the Trust prior to the adoption of such resolution remain Outstanding at the time it becomes effective, or (2) such resolution is consented to by or on behalf of Bondowners in accordance with and subject to the provisions of Article VII.

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

Section 604. Restriction on Amendments. This Bond Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article VII. The provisions of Paragraph (A) of Section 603 are in all respects subject and subordinate to the provisions, restrictions, exceptions and limitations set forth in Article VII.

Section 605. Adoption and Filing of Supplemental Bond 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 Bond Resolution. The copy of every such resolution when filed with the Bond 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 Bond Resolution, is authorized or permitted by the provisions of this Bond Resolution and, when effective, will be valid and binding upon the Trust and enforceable in accordance with its terms. A copy of any such Supplemental Bond Resolution (and Opinion of Counsel) shall also be delivered by the Trust to each Rating Agency then maintaining a rating on any Bonds Outstanding at the time it is filed with the Bond Trustee.

Section 606. Authorization to Bond Trustee. The Bond 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 Bond Trustee, in taking such action, shall be fully protected in relying on an Opinion of Counsel that such resolution is authorized or permitted by the provisions of this Bond Resolution.

ARTICLE VII
AMENDMENTS

Section 701. Mailing of Notices. Except as otherwise provided in any Supplemental Bond Resolution theretofore in full force and effect, any provision in this Article 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 his last address, if any, appearing upon the registry books and (2) to the Bond Trustee.

Section 702. Powers of Amendment. Any modification or amendment of this Bond Resolution and the rights and obligations of the Trust and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Bond Resolution with the written consent, given as hereinafter provided in Section 703, of the Owners of at least sixty percent (60%) in aggregate Principal Amount of the Bonds Outstanding at the time such consent is given; 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 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 permit a change in the terms of redemption or

maturity of any Outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of its written assent thereto.

Section 703. Consent of Bondowners. The Trust may at any time adopt and file in accordance with the provisions of Section 603 a resolution of the Trust making a modification or amendment permitted by the provisions of Section 702, to take effect when and as provided in this Section. A copy of such resolution (or brief summary thereof or reference thereto in form approved by the Bond Trustee), together with a request to Bondowners for their consent thereto in form satisfactory to the Bond 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 Bond Trustee (a) the written consents of Owners of the percentage of Outstanding Bonds specified in Section 702, and (b) an Opinion of Counsel to the effect required by Section 605 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, notwithstanding the provisions of Section 1101, 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 Bond Trustee prior to but not later than the time the written statement of the Bond 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 Bond Trustee filed with the Bond Trustee to the effect that no revocation thereof is on file with the Bond Trustee. When the Owners of the required percentage of Bonds shall have filed their consents to such resolution, the Bond 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 Bond 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 Bond 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 Bond 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 Bond 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 Fiduciaries and the Owners of all Bonds upon the mailing of such last-mentioned notice.

Section 704. Modifications by Unanimous Consent. Notwithstanding anything contained in Article VI or in the foregoing provisions of this Article VII, the terms and provisions of this Bond Resolution and the rights and obligations of the Trust and the Owners of the Bonds, in any

particular, may be modified or amended in any respect upon the adoption by the Trust and filing in accordance with the provisions of Article VI of a resolution of the Trust making such modification or amendment and the consent to such resolution of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in Section 703 except that no notice to Bondowners shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of its written assent thereto in addition to the said consent of Bondowners.

Section 705. 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 VII. At the time of any consent or other action under this Article VII, the Trust shall furnish the Bond Trustee a certificate of an Authorized Officer, upon which the Bond Trustee may rely, describing all Bonds so to be excluded.

Section 706. Notation on Bonds. Bonds delivered after the effective date of any action taken as in Article VI or this Article VII provided may, and if the Bond Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Trust and the Bond Trustee as to such action and in that case, upon demand of the Owner of any Bond Outstanding and presentation of such Bond at the Principal Office of the Bond Trustee, suitable notation shall be made on such Bond by the Bond Trustee as to any such action. If the Trust or the Bond Trustee shall so determine, new Bonds so modified as in the opinion of the Bond Trustee and the Trust to conform to such action shall be prepared, authenticated and delivered and, upon demand of the Owner of any Bond then Outstanding, shall be exchanged, without cost to such Bondowner, for Bonds of the maturity, tenor and interest rate then Outstanding, in the manner provided in Section 206 hereof.

Section 707. Amendments to Financing Agreements, Loans and Local Governmental Obligations. (A) Without notice to or the consent of any of the Bondowners, the Trust may, with prior written notice to the Bond Trustee, execute and deliver one or more amendments to or supplements to the Financing Agreements pertaining to any of the Loans or Local Governmental Obligations held hereunder for any of the following purposes:

(1) To cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provisions in such Financing Agreement, Loan or Local Governmental Obligation;

(2) To insert any provisions therein, not contrary to or inconsistent with the instrument as theretofore in effect, clarifying matters or questions arising under the instrument or to effect any amendment thereof permitted by the terms of such instrument as theretofore in effect; and

(3) To insert, repeal or amend any provision in such instruments, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable, (to the extent applicable to such amendment) and the Act and will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating

Agency, as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the execution and delivery of such amendment or supplement will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding.

(B) Except as provided in paragraph (A) of this Section 707, the Trust shall not execute and deliver any amendment to or supplement of a Financing Agreement pertaining to any Loan or Local Governmental Obligation held hereunder unless such amendment or supplement shall have been consented to by or on behalf of the Bondholders to the same extent and in the same manner as if such amendment or supplement were a Supplemental Bond Resolution to which the provisions of Section 603 hereof apply.

ARTICLE VIII
DEFAULTS AND REMEDIES

Section 801. Events of Default. Each of the following shall constitute an "Event of Default" under this Bond Resolution:

(1) Default in the payment of the Principal Amount or Redemption Price of any Bond when due, whether at maturity or by call for redemption, or otherwise or in the payment of any Sinking Fund Installment when due;

(2) Default in the payment of any installment of interest on any Bond when due;

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

(4) 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

(5) 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 802. Remedies. (A) Upon the happening and continuance of any Event of Default, then, and in each such case, the Bond Trustee may proceed, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate Principal Amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) By suit, action or proceeding, to enforce all rights of the Bondowners, including the right to require the Trust to carry out the covenants and agreements as to the Revenues, Loans and Local Governmental Obligations and to require the Trust to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(2) By bringing suit upon the Bonds;

(3) By action or suit, to require the Trust to account as if it were the trustee of an express trust for the Owners of the Bonds;

(4) By action or suit, to enjoin any acts or things which may be unlawful or in violation of this Bond Resolution or of the rights of the Owners of the Bonds;

(5) By exercising any and all rights of the Trust with respect to the Revenues, Loans and Local Governmental Obligations; and

(6) For Events of Default other than as described in Clause (3) of Section 801 hereof, by declaring the Principal Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Bond Resolution or in any of the Bonds contained to the contrary notwithstanding; provided that the Principal Amount of the Bonds shall not be declared due and payable as aforesaid unless simultaneously with such declaration the unpaid principal amount of all Loans and Local Governmental Obligations outstanding, and the interest thereon, is similarly declared due and payable, and provided further that the right to make such declaration as aforesaid is subject to the condition that if, at any time after such declaration as aforesaid, all outstanding Events of Default (other than the payment of Principal Amount and interest due and payable solely by reason of such declaration) shall have been cured or provision deemed by the Bond Trustee to be adequate shall be made therefor, then and in every such case, unless a final judgment has been obtained for any Principal Amount or interest coming due and payable solely by reason of such declaration, the Owners of not less than

twenty-five percent (25%) in aggregate Principal Amount of the Bonds Outstanding, by written notice to the Trust and to the Bond Trustee, may annul such declaration, or, if the Bond Trustee shall have acted without a direction from Bondowners and if there shall not have been theretofore delivered to the Bond Trustee written direction to the contrary by the Owners of not less than twenty-five percent (25%) in aggregate Principal Amount of the Bonds then Outstanding, then any such declaration shall be deemed to be annulled.

(B) Upon the occurrence of an Event of Default, other than an Event of Default described in Clause (3) of Section 801, the Trust, at the request of the Bond Trustee or the Owners of not less than twenty-five percent (25%) in aggregate Principal Amount of the Outstanding Bonds, shall assign, endorse and convey to the Bond Trustee any and all interests and rights held by the Trust in the Loans and Local Governmental Obligations pledged hereunder and shall take any other steps requested by the Bond Trustee or Bondowners to further effectuate the rights of the Bond Trustee under this Bond Resolution to such Loans and Local Governmental Obligations.

Section 803. Application of Revenues, and Other Moneys After Default. (A) The Trust covenants that if an Event of Default shall occur and shall not have been remedied, other than an Event of Default described in Clause (3) of Section 801, the Trust, upon demand of the Bond Trustee, shall pay over or cause to be paid over to the Bond Trustee upon receipt thereof all Revenues, and other moneys pledged hereunder. Unless otherwise directed by a court, all such Revenues and other moneys, and any other moneys received or collected by the Bond Trustee acting pursuant to the Act or this Article VIII, shall, except as provided below, be held, transferred and applied as provided in Article IV.

(B) In the event that, upon the happening and continuance of an Event of Default, other than an Event of Default described in Clause (3) of Section 801, the funds held by the Fiduciaries shall be insufficient for the payment of interest and Principal Installments then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Fiduciaries acting pursuant to the Act and this Article VIII, after making provision for the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Owners of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under this Bond Resolution, shall be applied as follows:

(1) Unless the Principal Amount of all the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installments, to the persons entitled, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of all unpaid Principal Installments of any Bonds which shall have become due, whether at maturity or by call for

redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all Principal Installments due on any date, then to the payment thereof ratably, according to the amounts of Principal Installments due on such date, to the persons entitled thereto, without any discrimination or preference.

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

(C) Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Bond Trustee at such times, and from time to time, as the Bond Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Bond Trustee; and the Bond Trustee shall incur no liability whatsoever to the Trust, to any Bondowner or to any other person for any delay in applying any such moneys, so long as the Bond Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Bond Resolution as may be applicable at the time of application by the Bond Trustee. Whenever the Bond Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Bond Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the Principal Amount to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate for the fixing of any such date.

(D) If and whenever all overdue installments of interest on all Bonds together with the reasonable and proper charges and expenses of the Fiduciaries, and all other sums payable by the Trust under this Bond Resolution, including the Principal Amount and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Trust, or provision satisfactory to the Bond Trustee shall be made for such payment, and all Events of Default under this Bond Resolution shall have been cured, the Bond Trustee shall reassign and endorse the Loans and the Local Governmental Obligations to the Trust, and thereupon the Trust and the Bond Trustee shall be restored, respectively, to their former positions and rights under this Bond Resolution and all Revenues, and other moneys shall thereafter be applied as provided in Article IV. No such reassignment to the Trust by the Bond Trustee or resumption of the application of Revenues as provided in Article IV shall extend to or affect any subsequent default under this Bond Resolution or impair any right consequent thereon.

Section 804. Limitation on Powers of Bond Trustee. Nothing in this Bond Resolution contained shall be deemed to give power to the Bond Trustee either as such or as attorney-in-fact of the 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 Bond Resolution requiring such consent or to any resolution requiring such consent pursuant to the provisions of Article VI or Article VII.

Section 805. Enabling Action by Bond Trustee. (A) All rights of action under this Bond Resolution or upon any of the Bonds, enforceable by the Bond Trustee, may be enforced by the Bond 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 Bond Trustee may be brought in its name for the ratable benefit of the Owners of said Bonds, subject to the provisions of this Bond Resolution.

(B) In the enforcement of any rights under this Bond Resolution, the Bond Trustee shall be entitled to sue for, enforce payment of and to receive any and all amounts then or during any default becoming, and at any time remaining, due for Principal Amount, interest or otherwise under any of the provisions of the Act or this Bond Resolution or of the Bonds and unpaid, with interest on overdue payments, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Bond Trustee or of the Bondowners, and to recover and enforce any judgment or decree against the Trust for any portion of such amounts remaining unpaid, with interest, costs and expenses as aforesaid, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

Section 806. Accounting and Examination of Records after Default. The Trust covenants with the Bond Trustee that, if an Event of Default shall have happened 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 Bond Trustee and of its agents and attorneys, and (2) the Trust, whenever the Bond Trustee shall demand, will account, as if it were the trustee of an express trust, for all Revenues, Loans, Local Governmental Obligations and other property pledged or held under this Bond Resolution for such period as shall be stated in such demand.

Section 807. 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 Bond Resolution or for the execution of any trust hereunder or for any other remedy hereunder, unless (1) (a) such Owner previously shall have given to the Trust and the Bond Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) after the occurrence of such Event of Default, written request shall have been made of the Bond 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 then Outstanding and there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Bond Trustee shall have refused or

neglected to comply with such request within a reasonable time, and (d) such suit, action or proceeding is brought for the ratable benefit of all Owners of all Bonds subject to the provisions of this Bond Resolution.

Section 808. Remedies Not Exclusive. No remedy by the terms of this Bond Resolution conferred upon or reserved to the Bond Trustee (or to Bondowners) 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 804 and Section 807.

Section 809. Control of Proceedings. The Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding shall have the right, subject to the provisions of Section 807, by an instrument in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee; provided, however, that the Bond Trustee shall have the right to decline to follow any such direction if the Bond Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Bond Trustee in good faith shall determine that the action or proceeding so directed would involve the Bond Trustee in personal liability or be unjustly prejudicial to Bondowners not parties to such direction.

Section 810. Effect of Waiver and Other Circumstances. No delay or omission of the Bond Trustee or of any Owner of Bonds to exercise any right or power accruing upon any Event of 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 Bond Resolution to them or any of them may be exercised from time to time and as often as may be deemed expedient by the Bond Trustee or, in an appropriate case, by the Bondowners. In case the Bond Trustee shall have proceeded to enforce any right under this Bond Resolution, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trust and the Bond Trustee will be restored to their former positions and rights hereunder as if no such proceedings had been taken.

Section 811. Right to Enforce Payment of Bonds 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 expressed.

ARTICLE IX
THE FIDUCIARIES

Section 901. Bond Trustee. Wells Fargo Bank, N.A. is hereby appointed as Bond Trustee hereunder, and the property, rights, powers and duties of the Bond Trustee under this Bond Resolution are hereby vested in said Bond Trustee in trust for the Bondowners.

Section 902. Paying Agents. The Bond Trustee shall act as a Paying Agent for the Bonds. The Trust may at any time or from time to time by Supplemental Bond Resolution appoint one or more other Paying Agents for the Bonds. Each Paying Agent shall be a bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least $25,000,000, 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 Bond Resolution. Each Paying Agent (other than the Bond Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Bond Resolution by executing and delivering to the Trust a written acceptance thereof.

Section 903. Responsibilities of Fiduciaries. The recitals of fact contained herein and in the Bonds shall be taken as the statements of the Trust and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Bond Resolution or of any Bonds issued thereunder or in respect of the security afforded by this Bond Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof except the Bond Trustee to the extent such proceeds are paid to the Bond Trustee in its capacity as Bond Trustee, or the application of any moneys paid to the Trust or others in accordance with this Bond Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any 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 Bond Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. The Authenticating Agent shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds to the extent provided in Article 8, Section 208, as amended, of the Massachusetts Uniform Commercial Code. The Bond Trustee prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties as are specifically set forth in this Bond Resolution. In case an Event of Default has occurred (which has not been cured) the Bond Trustee shall exercise such of the rights and powers vested in it by this Bond 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 Bond Resolution relating to action taken or to be taken by the Bond Trustee or the evidence upon which the Bond Trustee may rely shall be subject to the provisions of this Section 903.

Section 904. Funds Held in Trust. All moneys held by any Fiduciary, as such, at any time pursuant to the terms of this Bond Resolution shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of this Bond Resolution.

Section 905. Evidence On Which Fiduciaries May Act. Each Fiduciary 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 Bond Resolution.

Each Fiduciary 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 any Fiduciary 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 Bond Resolution upon the faith thereof, but in its discretion the Fiduciary 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 request, direction, order, notice or other instruction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Trust to any Fiduciary shall be sufficiently executed if executed by an Authorized Officer.

Section 906. Compensation and Expenses; Indemnity. Unless otherwise provided by contract with the Fiduciary, the Trust shall pay to each Fiduciary from time to time reasonable compensation for all services rendered by the Fiduciary 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 each Fiduciary 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 907. Certain Permitted Acts. Any Fiduciary may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary 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 Bond Resolution, whether or not any such committee shall represent the Owners of a majority in aggregate Principal Amount of the Bonds Outstanding.

Section 908. Resignation. The Bond Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by this Bond 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. A Paying Agent (other than the Bond Trustee) may at any time resign and be discharged of its duties and obligations created by this Bond Resolution according to the terms of the Paying Agent's agreement with the Trust and otherwise by giving thirty (30) days' written notice to the Trust.

Section 909. Removal. The Bond Trustee, or any successor thereof, may be removed at any time by the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Trust, by an instrument or

concurrent instruments in writing signed and duly acknowledged by such Bondowners or by their attorneys duly authorized in writing and delivered to the Trust. The Trust may remove the Bond Trustee at any time, except during the existence of an Event of Default, upon filing with the Bond Trustee a copy of the resolution of the Trust, certified by an Authorized Officer, providing for the removal of such Bond Trustee. Copies of each such instrument shall be delivered by the Trust to the Bond Trustee and any successors thereof. A Paying Agent (other than the Bond Trustee) may be removed at any time by the Trust, upon filing with the Bond Trustee and with such Paying Agent a copy of the resolution of the Trust, certified by an Authorized Officer, providing for the removal of such Paying Agent.

Section 910. Appointment of Successor Fiduciary. In case at any time a Fiduciary, 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 such Fiduciary or of its property shall be appointed, or if any public officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed (1) in the case of the Bond Trustee, 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 Bond Trustee, notification thereof being given to the Trust and the predecessor Bond Trustee and any other Fiduciaries, and (2) in the case of a Paying Agent, by the Trust, notification thereof being given to the predecessor Paying Agent and any other Fiduciaries. Pending appointment of a successor Bond Trustee by Bondowners, the Trust shall forthwith appoint a Bond Trustee to fill such vacancy until a successor Bond 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 Bond Trustee appointed by the Trust shall, immediately and without further act, be superseded by a Bond Trustee appointed by Bondowners. If in a proper case no appointment of a successor Bond Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Bond Trustee shall have given to the Trust written notice as provided in Section 908 or after the occurrence of any other event requiring or authorizing such appointment, the Bond Trustee or any other Fiduciary 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 Bond Trustee. Any successor Bond Trustee appointed under the provisions of this Section shall be a trust company or a bank having the powers of a trust company authorized to do business 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 Bond Resolution.

Section 911. Transfer of Rights and Property to Successor Fiduciary. Any successor Fiduciary appointed hereunder shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Trust, an instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if originally named herein or pursuant hereto as such Fiduciary, but the Fiduciary ceasing

to act shall nevertheless, on the written request of the Trust or of the successor Fiduciary, 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 Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under this Bond Resolution, and shall pay over, assign and deliver to the successor Fiduciary 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 Fiduciary for more fully and certainly vesting in and confirming to such successor Fiduciary 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 912. Merger or Consolidation. Any company into which any Fiduciary may 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 such Fiduciary 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 such Fiduciary under Section 902 or 910, as applicable, and shall be authorized by law to perform all the duties imposed upon it by this Bond Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

ARTICLE X
DEFEASANCE

Section 1001. Defeasance. (A) If the Trust shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of the Bonds then Outstanding, the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Bond Resolution, and the Trust shall pay or provide for the payment of all fees and expenses of the Fiduciaries, then the pledge of any Revenues, Loans, Local Governmental Obligations or other property pledged by this Bond Resolution and, except as otherwise expressly provided herein, all other rights granted by this Bond Resolution shall be discharged and satisfied. In such event, the Bond Trustee shall, upon request of the Trust, execute and deliver to the Trust all such instruments as may be desirable to evidence such release and discharge and the Fiduciaries shall pay over or deliver to the Trust all moneys or securities held by them pursuant to this Bond Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(B) Bonds or portions thereof or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries (through deposit by the Trust of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 1001. All Outstanding Bonds or any portion of the Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 1001 if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Trust shall have given to the Bond Trustee, in form satisfactory to it, irrevocable instructions to give notice of redemption of such Bonds as

provided in Article III, (2) there shall have been deposited with the Bond Trustee either moneys in an amount which shall be sufficient, or Investment Obligations as defined in clauses (1), (2) or (3) of the definition of Investment Obligations hereunder and not subject to redemption at the option of the issuer thereof prior to the due date thereof, or as to which irrevocable notice has been given by the obligor to call such Investment Obligations on a date specified in such notice, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Bond Trustee at the time of deposit of such Investment Obligations, shall be sufficient, to pay when due the Principal Amount or Redemption Price, as applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Trust shall have given the Bond Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (2) above has been made with the Bond Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (A) of this Section 1001 and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal Amount or Redemption Price, as applicable, on said Bonds. Neither Investment Obligations nor moneys deposited with the Bond Trustee pursuant to this Section nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount, or Redemption Price, as applicable, and interest on said Bonds; provided that any cash received from the principal or interest payments on such Investment Obligations deposited with the Bond Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Investment Obligations as defined in clauses (1), (2) or (3) of the definition of Investment Obligations hereunder maturing at times and in principal amounts sufficient to pay when due the Principal Amount or Redemption Price, as applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. After the making of the payments for which such Investment Obligations or moneys were held, any surplus shall be paid over to the Trust as received by the Bond Trustee, free and clear of any trust, lien or pledge.

(C) Anything in this Bond Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates, by acceleration not annulled or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Trust, be repaid by the Fiduciary to the Trust, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Trust for the payment of such Bonds; provided, however, that before being required to make any such payment to the Trust the Fiduciary shall, at the expense of the Trust, cause to be mailed to the Owners of all Bonds Outstanding a notice that said moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Trust.

ARTICLE XI
MISCELLANEOUS

Section 1101. Evidence of Signatures of Bondowners and Ownership of Bonds. (A) Any request, consent or other instrument which this Bond 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.

(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 any Fiduciary in accordance therewith.

Section 1102. Preservation and Inspection of Documents. All reports, certificates, statements, and other documents received by any Fiduciary under the provisions of this Bond Resolution shall be retained in its possession and shall be available at all reasonable times to the inspection of the Trust, any other Fiduciary or any Bondowner, 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 such Fiduciary, be destroyed or otherwise disposed of at any time six years after such date as the pledge created by this Bond Resolution shall be discharged as provided in Section 1001.

Section 1103. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, Principal Amount or Redemption Price due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the Owners of the Bonds entitled thereto, and for the purposes of this Bond Resolution such interest, Principal Amount or Redemption Price, after the due date thereof, shall no longer be considered to be unpaid.

Section 1104. Actions By Trust or Borrowers. Whenever any provision of this Bond Resolution requires or permits any action to be taken by the Trust or a Borrower, such action shall be deemed sufficiently taken for all purposes of this Bond Resolution if taken by an Authorized Officer of the Trust or such Borrower, as the case may be.

Section 1105. Parties Interested Herein. Nothing in this Bond Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Trust, the Fiduciaries and the Owners of the Bonds, any right, remedy or claim under or by reason of this Bond Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Bond Resolution contained by and on behalf of the Trust shall be for the sole and exclusive benefit of the Trust, the Fiduciaries and the Owners of the Bonds.

Section 1106. Partial Invalidity. If any provision of this Bond Resolution or any Supplemental Bond Resolution is held invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 1107. Law and Place of Enforcement of this Bond Resolution. This Bond Resolution shall be construed and governed in accordance with the laws of the Commonwealth and all suits and actions arising out of this Bond Resolution shall be instituted in a court of competent jurisdiction in the Commonwealth.

Section 1108. No Recourse on Bonds. No recourse shall be had for the payment of the Principal Amount or Redemption Price of, or the interest on, the Bonds or for any claim based thereon or on this Bond Resolution against any trustee or officer of the Trust or any person executing the Bonds.

Section 1109. Effective Date. This Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 10, shall be effective immediately.

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