

TERMS AND CONDITIONS
TO THE
MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
FINANCING AGREEMENT

The following Terms and Conditions are a part of and incorporated into each Financing Agreement (“Financing Agreement”) entered into by and between the Massachusetts Water Pollution Abatement Trust (together with its successors and assigns, the “Trust”) and each borrower (“Borrower”) with respect to which the Trust provides financing assistance.

Section 1. Definitions. All capitalized, undefined terms used in these Terms and Conditions and in the Financing Agreement shall have the same meanings given such terms in Section 1 of the Enabling Act. In addition, the following words and phrases shall have the following meanings:

“Additional Security” means any additional or special security for the Loan or Local Governmental Obligations purchased by the Trust, and any moneys, revenues, property, or rights pledged, transferred, or otherwise made available to secure repayment of the Loan or Local Governmental Obligations purchased by the Trust, including any security agreement, resolution, indenture, trust agreement, pledge, deed, mortgage, or other instrument of security, all as described in Schedule B of the Financing Agreement;

“Administrative Fee” means the fee for the administrative expenses of the Trust relating to the Loan or Local Governmental Obligation purchased by the Trust calculated as set forth in Schedule A of the Financing Agreement and payable on the Repayment Dates and in the amounts set forth in Schedule C of the Financing Agreement (as such schedule may be amended from time to time in accordance herewith);

“Applicable Authority” means the general or special laws of the Commonwealth or other governing instrument of the Borrower, identified in Schedule A of the Financing Agreement;

“Application” means an application submitted by the Borrower to the Trust and the Department for financial assistance for all or any part of the Costs of the Project, as more fully described in the related Project Approval Certificate;

“Authorized Officer” means the officer or officers of the Borrower, the Trust or the Department, as the case may be, identified in Schedule A of the Financing Agreement;

“Bond Interest Rate” means an interest rate resulting in the true interest cost to the Trust on the applicable Bonds;

“Bond Purchase Obligation” shall have the meaning set forth in the recitals to the Financing Agreement.

“Bond Resolution” means any trust agreement and any amendments thereof and supplements thereto providing for the issuance of, and security for, the Bonds;

“Bond Trustee” means the bond trustee under the applicable Bond Resolution;

“Bonds” means the bonds, if any, issued by the Trust that fund or are secured, in part, by the Loan or Local Governmental Obligations purchased by the Trust and payments to be made by the Borrower under the Financing Agreement, all as more fully described in the applicable Bond Resolution;

“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;

“Closing Date” shall have the meaning given such term in Section 6 hereof:

“Code” means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations promulgated thereunder to the extent applicable to the Loan, the Bonds or the Local Governmental Obligations;

“Commonwealth Matching Grant” means an amount provided to the Trust in accordance with the Federal Act, the Enabling Act and the Master Funding Agreement as a matching grant to a Federal Capitalization Grant;

“Continuing Disclosure Agreement” means the agreement, if any, between the Borrower and the Trust or, as applicable, the trustee under any Borrower’s bond resolution or trust agreement, as it may be amended from time to time, under which the Borrower agrees for the benefit of the owners of the Bonds to provide annual reports and notices of certain events in order to assist the underwriters of the Bonds to comply with the provisions of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“Department” means the Department of Environmental Protection of the Commonwealth, or any body, agency, officer, or other instrumentality of the Commonwealth that shall hereafter succeed to the powers, duties, and functions of the Department as they relate to the purposes of the Trust under the Enabling Act.

“DEP Regulations” means the regulations of the Department applicable to the Program appearing in 310 CMR 44.00 as such regulations may be amended from time to time;

“Discount Rate” means the “Bond Buyer 20 Bond Index” as of the date of the Financing Agreement.

“Drinking Water Revolving Fund” means the fund established and set up on the books of the Commonwealth in accordance with Section 2QQ of Chapter 29 of the General Laws of the Commonwealth.

“Enabling Act” means Chapter 29C of the General Laws, as amended from time to time, under which the Trust is organized and established for the purpose of assisting Local Governmental Units in the Commonwealth to initiate, acquire, construct, improve, maintain and operate Water Pollution Abatement Projects and Drinking Water Projects;

“Event of Default” means any of the events or circumstances specified in Section 9(a) hereof;

“Federal Act” means, as applicable, (i) 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; or (ii) Title XIV of the Federal Public Health Service Act (commonly known as the Safe Drinking Water Act), as amended by the Safe Drinking Water Act Amendments of 1996 (Pub. L. 104-182), 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;

“Federal Capitalization Grant” means amounts provided to the Trust under one or more agreements between the Trust and the United States of America acting by and through the United States Environmental Protection Agency to be applied in accordance with the Federal Act to fund Loans made, or Local Governmental Obligation purchased, by the Trust.

“Financial Equivalent Interest Rate” means the rate so designated set forth in Schedule A of the Financing Agreement;

“Fiscal Year” means the period beginning on July 1 in any year and ending on June 30 in the next succeeding year;

“Initial Obligation Amount” means the amount set forth as the Initial Obligation Amount in Schedule C to the Financing Agreement.

“Interest Rate” means the rate so designated set forth in Schedule A of the Financing Agreement;

“Interim Loan” shall have the meaning given such term in Section 10 hereof;

“Interim Loan Interest Rate” means the rate so designated set forth in Schedule A of the Financing Agreement;

“Interim Loan Note” shall have the meaning given such term in Section 10 hereof;

“Interim Project Account” means any of the accounts so designated which are allocable to the Project and established under the Program Resolution;

“Local Bond Counsel” means an attorney or firm of attorneys (who may be counsel to any party under the Financing Agreement) of nationally recognized standing in connection with

the issuance of obligations similar to the Local Governmental Obligations, selected by the Borrower and satisfactory to the Trust;

“Origination Fee” means the fee for the expenses of the Trust relating to the origination of the Loan or the purchase of the Local Governmental Obligations payable in the amount and on the Payment Date set forth in Schedule C of the Financing Agreement (as such schedule may be amended from time to time in accordance herewith), but in no event shall such fee be greater than 2.6% of the Initial Obligation Amount;

“Payment Dates” means January 15 and July 15 of each year (commencing on the first such date indicated on Schedule C of the Financing Agreement) or, if any such day is not a Business Day, the next succeeding Business Day;

“Payments” means the payments to be made by the Borrower in repayment of the Loan or the Local Governmental Obligations, as applicable, and the interest, if any, payable thereon, which payments shall be made on the Payment Dates and in the amounts set forth in Schedule C of the Financing Agreement (as such schedule may be amended from time to time in accordance herewith);

“Participating Members” means all cities, towns, districts, commissions or other political subdivisions or instrumentalities of the Commonwealth, if any, which are members of the Borrower or which, by law, contract or otherwise, are service recipients of the System;

“Prepayments” means all payments made by or for the account of the Borrower which reduce or eliminate the principal balance due on the Loan or the Local Governmental Obligations, as applicable, by reason of the prepayment of all or any part of the principal prior to the due date thereof;

“Principal Obligation” means, at any time of calculation, the aggregate unpaid principal amount of the Loan or the Local Governmental Obligations, as applicable, which shall equal the Initial Obligation Amount less all Payments and all Prepayments on account of the principal amount thereof then or theretofore made or provided for by or for the account of the Borrower and received by or for the account of the Trust;

“Program” means the financial assistance program of the Trust established pursuant to the Enabling Act as more fully described in the Program Resolution;

“Program Resolution” means a resolution originally adopted by the Trust on March 4, 1993, as amended from time to time, entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program”;

“Program Trustee” means the program trustee under the Program Resolution;

“Project” means each of the Water Pollution Abatement or Drinking Water Projects of the Borrower identified in Schedule A of the Financing Agreement and more fully described in the applicable Project Approval Certificate, as the same may be amended from time to time as provided in the related Project Regulatory Agreement;

“Project Account” means any of the accounts so designated which are allocable to the Project and established under and pursuant to the Program Resolution or Bond Resolution, as applicable;

“Project Approval Certificate” means a certificate issued by the Department in accordance with the Enabling Act and the DEP Regulations approving a Project and the costs thereof to be financed or refinanced by the Loan or Local Governmental Obligations, as more fully described in Schedule A of the Financing Agreement;

“Project Completion Certificate” means the Project Completion Certificate delivered by the Borrower pursuant to the applicable Project Regulatory Agreement.

“Project Cost” or “Costs” means any cost of a Project approved by the Department pursuant to the Enabling Act, the Federal Act and the DEP Regulations for payment or reimbursement from proceeds of the Loan or an Interim Loan, as applicable, as more fully described in the applicable Project Regulatory Agreement;

“System” shall mean the water pollution abatement facilities or drinking water facilities under the control of the Borrower, as identified in Schedule A of the Financing Agreement, and all improvements and additions thereto including, without limitation, the Project.

“Water Pollution Abatement Revolving Fund” means the fund established and set up on the books of the Commonwealth in accordance with Section 2L of Chapter 29 of the General Laws of the Commonwealth;

Section 2. Representations. (a) The Borrower represents and warrants to the Trust as follows:

i) The Borrower is a Local Governmental Unit as defined in the Enabling Act with full legal right and authority under the Enabling Act and the Applicable Authority to authorize, execute and deliver the Financing Agreement and each Project Regulatory Agreement, to execute, issue and deliver the Local Governmental Obligations, to undertake each Project, to operate its System, and to carry out and consummate all transactions contemplated by the foregoing;

ii) The Borrower and, to the extent required by the Enabling Act or the Applicable Authority, each Participating Member thereof, if any, has duly and validly authorized the execution and delivery of the Financing Agreement, each Project Regulatory Agreement and the Local Governmental Obligations and all approvals, consents and other governmental proceedings necessary for the execution and delivery of any of the foregoing or required to make them the legally binding obligations of the Borrower that they purport to be in accordance with their terms have been obtained or made;

iii) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, other than as disclosed to the Trust and the Department, is pending or, to the knowledge of the Authorized Officers of the Borrower executing the Financing Agreement, threatened seeking to restrain or enjoin the execution and delivery of the Financing Agreement, any Project Regulatory Agreement, any Additional Security, or the Local

Governmental Obligations or the construction or operation of any Project; or contesting or affecting the validity of the Financing Agreement, any Project Regulatory Agreement, any Additional Security, or the Local Governmental Obligations or the power of the Borrower and, to the extent provided by law, each Participating Member thereof, if any, to pledge and apply any revenues or to assess and collect taxes, rates and charges to pay such Payments and all other costs and expenses of any Project and the System; and neither the corporate existence of the Borrower nor the title to office of any Authorized Officer of the Borrower executing the Financing Agreement, any Project Regulatory Agreement, any Additional Security, or the Local Governmental Obligations is being contested;

iv) The authorization, execution and delivery of the Financing Agreement, each Project Regulatory Agreement, any Additional Security, and the Local Governmental Obligations, and performance of each thereof, will not constitute a breach of, or a default under, any law, ordinance, resolution, agreement, indenture or other instrument to which the Borrower is a party or by which it or any of its properties is bound; and

v) The Financing Agreement, the Loan and any Additional Security are, and when executed and delivered the Local Governmental Obligations, if any, will be, (1) valid general obligations of the Borrower, for the payment of which its full faith and credit are and will be pledged, enforceable in accordance with their terms and the terms of the Enabling Act and the Applicable Authority, and payable as to principal, premium, if any, and interest (to the extent not paid from other sources) from taxes which may be levied upon all taxable property within the territorial boundaries of the Borrower, subject only to the limit imposed by Chapter 59, Section 21C of the General Laws of the Commonwealth to the extent applicable to the Local Governmental Obligations or (2) valid obligations of the Borrower, enforceable in accordance with their terms and the terms of the Enabling Act and the Applicable Authority, payable from any Additional Security and secured by a valid pledge of and lien on and perfected security interest in such Additional Security, all to the extent provided therein and in Schedule B to the Financing Agreement.

(b) The Trust represents and warrants to the Borrower as follows:

i) The Trust has the full legal right and authority under the Enabling Act to authorize, execute and deliver the Financing Agreement;

ii) The Trust has duly and validly authorized the execution of the Financing Agreement; all approvals, consents and other governmental proceedings necessary for the execution and delivery of the Financing Agreement, to make them the legally binding obligations of the Trust at or prior to the Closing Date;

iii) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body is pending or, to the knowledge of the Authorized Officers of the Trust executing the Financing Agreement, threatened seeking to restrain or enjoin the execution and delivery of the Financing Agreement, or contesting or affecting the validity thereof or hereof; and neither the existence of the Trust nor the title to office of any Trustee of the Trust or any Authorized Officer of the Trust executing the Financing Agreement is being contested;

iv) The authorization, execution and delivery of the Financing Agreement, and performance thereof, will not constitute a breach of, or a default under, any law, resolution, agreement, indenture or other instrument to which the Trust is a party or by which it is bound; and

v) The Financing Agreement is a valid obligation of the Trust, enforceable in accordance with its terms and the terms of the Enabling Act.

Section 3. The Loan or Bond Purchase Obligation. (a) On the terms and conditions provided herein, in the Financing Agreement, and in the Project Regulatory Agreement, the Trust hereby agrees (i) to make and disburse the Loan to the Borrower and the Borrower agrees to accept the Loan or (ii) to purchase the Local Governmental Obligations from the Borrower and the Borrower agrees to issue and sell the Local Governmental Obligations to the Trust, in each case in an aggregate amount equal to the Initial Obligation Amount; provided, however, that if the Project Regulatory Agreement is revoked or otherwise terminated by the Department for any reason prior to the disbursement of proceeds of the Loan to the Borrower or the purchase of the Local Governmental Obligations from the Borrower, then the obligation of the Trust to make and disburse the Loan to the Borrower, including without limitation the obligation of the Trust to make and disburse any Interim Loan or to purchase the Local Governmental Obligations from the Borrower, shall be null and void and the Financing Agreement shall terminate. For purposes of compliance with provisions of the Federal Act restricting the use of moneys within the Water Pollution Abatement Revolving Fund and the Drinking Water Revolving Fund, any Local Governmental Obligations purchased pursuant to a Bond Purchase Obligation shall be deemed to be held for the credit of the Water Pollution Abatement Revolving Fund.

(b) In addition to the conditions provided in Section 6 hereof, the Borrower acknowledges that the obligation of the Trust to make the Loan or to purchase the Local Governmental Obligations and to disburse the proceeds thereof to the Borrower in whole or in part as provided in Section 7 hereof is conditional upon the receipt by the Trust on or before such date of moneys available to the Trust for such purpose in amounts sufficient to fund the amount of the Loan to be disbursed on such date. Subject to compliance with the Federal Act, the Enabling Act and the Program Resolution, the Trust shall draw upon and apply such lawfully available funds as promptly as practicable and as lawfully permitted and shall deposit or cause the Program Trustee to deposit the amounts so received or so much thereof as the Trust shall direct in the Project Accounts at the times and in the amounts directed by the Trust until the aggregate amount so deposited equals the Initial Obligation Amount (or such lesser amount). Amounts deposited in the Project Accounts shall be applied as provided herein and in the Program Resolution and the Bond Resolution, if applicable.

(c) The Borrower agrees to issue and deliver the Local Governmental Obligations to the Trust on the Closing Date in aggregate principal amount equal to the Initial Obligation Amount. Subject to Section 11 hereof, the Local Governmental Obligations shall be issued in such form as shall be approved by the Trust and shall be payable on the Payment Dates and in the aggregate amounts as to principal and interest corresponding to the Payments required under the Financing Agreement. Except as otherwise provided in Section 4 hereof, the Principal Obligation, and the corresponding principal amount of the Local Governmental Obligations, shall mature and bear interest in the amounts for each Payment specified in Schedule C of the Financing Agreement.

(d) Each Payment made by or for the account of the Borrower under the Financing Agreement shall satisfy the corresponding obligation of the Borrower to pay the principal and interest, if any, then due on the Local Governmental Obligations as the same becomes due on the applicable payment dates therefor, and each payment of principal and interest made by the Borrower on the Local Governmental Obligations shall satisfy the obligation of the Borrower to pay the corresponding Payment then due under the Financing Agreement.

(e) Unless otherwise provided in the Local Governmental Obligations, the obligation of the Borrower to pay on each Payment Date the Payments then due in accordance with the Financing Agreement and the principal and interest, if any, then due on the Local Governmental Obligations is (i) a general obligation of the Borrower payable, as to principal, premium, if any, and interest (to the extent not paid from other sources) from taxes which may be levied upon all taxable property within the territorial boundaries of the Borrower, subject only to the limit imposed by Chapter 59, Section 21C of the General Laws of the Commonwealth to the extent applicable to the Local Governmental Obligations or (ii) a general or special obligation of the Borrower payable from any Additional Security as set forth therein or in the Financing Agreement and secured by a valid pledge of and lien on and perfected security interest in any Additional Security, all as provided in Schedule B to the Financing Agreement.

Section 4. Payments. (a) Except as otherwise provided in this Section 4, the Principal Obligation shall be repaid by the Borrower, and Payments on account of such Principal Obligation and interest thereon, if any, shall be payable by the Borrower, on the Payment Dates and in the amounts set forth in Schedule C of the Financing Agreement. In addition to such Payments payable under the Financing Agreement, the Borrower shall pay to the Trust the Administrative Fee and the Origination Fee on the Payment Dates and in the amounts set forth in Schedule C of the Financing Agreement, which fees shall be subject to annual appropriation by the Borrower. The Trust and the Borrower acknowledge and agree that the schedule of Payments set forth in Schedule C of the Financing Agreement results in the Loan being the financial equivalent of a loan to the Borrower at the Interest Rate. The Borrower acknowledges that, to the extent it has elected to issue Local Governmental Obligations to the Trust that mature more than twenty (20) years after the earlier of the date the Bonds are issued, if applicable, or the date of completion of the Projects funded thereby, but not more than thirty (30) years after such date, in consideration thereof, and in accordance with Section 420 of Chapter 194 of the Acts of 1998 of the Commonwealth, the Borrower hereby waives any right that it may have under the Enabling Act to a schedule of Payments which would result in the Trust's purchase of the Local Governmental Obligations being the financial equivalent of a loan to the Borrower at the Financial Equivalent Interest Rate.

(b) The Trust shall provide the Borrower with written notice of each Payment, Administrative Fee and the Origination Fee due under the Financing Agreement not less than ten (10) Business Days in advance of the applicable Payment Date (provided failure by the Trust to provide such notice or any defect therein shall not diminish the obligation of the Borrower to pay such Payment, Administrative Fee and the Origination Fee in the amounts and at the time provided herein). On or prior to each Payment Date, the Borrower shall pay to, the Program Trustee or the Bond Trustee, as applicable, for the account of the Trust, by wire transfer to such account or otherwise in such manner as the Trust may from time to time designate to the Borrower, (i) the Payment then due as set forth in Schedule C of the Financing Agreement, as

such schedule may be amended from time to time as provided in this Section 4, and (ii) the Administrative Fee due on such Payment Date set forth in said Schedule C, and (iii) on the first Payment Date, the Origination Fee then due on the Loan or Local Governmental Obligations set forth in said Schedule C. Except as otherwise provided in Section 9(e) hereof, all such payments made by the Borrower under the Financing Agreement shall be applied, first, to the interest, if any, on the Loan or Local Governmental Obligations then due and payable, second, to the principal amount of the Loan then due and payable, third, to the Administrative Fee then due and payable and, fourth, to the Origination Fee then due and payable. Any portion of a Payment or Administrative Fee or Origination Fee not paid in full when due shall bear interest under the Financing Agreement until paid at twelve percent (12%) per annum.

(c) The Borrower acknowledges that the Department, in the exercise of its audit procedures under each Project Regulatory Agreement, may reclassify certain Project Costs paid from amounts deposited in a Project Account as ineligible for financial assistance under the Enabling Act, (i) Section 6 and Section 6A or (ii) Section 18. In such event, unless the Borrower shall elect to repay such amount to the Project Account as hereinafter provided, on and after the date of such determination by the Department, a portion of the Principal Obligation (determined on a Pro-Rata Basis as hereinafter defined) equal to the amount of such ineligible Project Costs shall bear interest at the non-subsidized rate or Discount Rate at time of default. As used in this Paragraph (c), the term "Pro-Rata Basis" means the portion of each Payment allocable to the principal amount of the Loan payable under the Financing Agreement subsequent to the date of a determination by the Department as described in this Paragraph (c) as is equal, as nearly as practicable, to the ratio by which the amount of ineligible Project Costs paid from the applicable Project Account bears to the total Principal Obligation then outstanding. Upon any such occurrence the Trust shall recalculate the Payments thereafter payable with respect to the Loan, shall certify such amounts to the Borrower and shall amend Schedule C of the Financing Agreement to reflect the increased Payments thereafter payable under the Financing Agreement, and shall surrender the Local Governmental Obligations to the Borrower in exchange for an amended or substitute Local Governmental Obligations reflecting such change in Payments. Notwithstanding the foregoing, within thirty (30) Business Days of receipt by the Borrower from the Department or the Trust of written notice that an amount of Project Costs paid from a Project Account has been determined by the Department pursuant to the applicable Project Regulatory Agreement to be ineligible for financial assistance under the Enabling Act, (i) Section 6 and Section 6A or (ii) Section 18, the Borrower may (and shall upon demand of the Department with respect to any such amount determined by the Department to be ineligible for funding under the Federal Act) repay such amount to the Trust for redeposit in the Project Account and the amount so repaid shall be deemed to not have been disbursed from the Project Account for ineligible Project Costs for purposes of this Paragraph (c).

(d) The Borrower further acknowledges that the Department, in the exercise of its rights under the Project Regulatory Agreement, may terminate the Project Regulatory Agreement after disbursement to the Borrower of some or all of the amounts deposited in a Project Account. In such event, the obligation of the Trust to disburse amounts on deposit in a Project Account to the Borrower shall terminate and the Borrower shall repay to the Trust the amount theretofore disbursed from the Project Account within thirty (30) days of receipt by the Borrower from the Trust of written notice that the Project Regulatory Agreement has been terminated by the

Department and, until so repaid, such amount shall bear interest at the Bond Interest Rate, if any, or the Interest Rate.

(e) Notwithstanding any provision of the Financing Agreement to the contrary, the Borrower and the Trust acknowledge and agree that Schedule C of the Financing Agreement incorporates a schedule of Payments calculated based on the assumption that the Closing Date will be the date indicated in Schedule A of the Financing Agreement. If the Closing Date is different from the date indicated in said Schedule A, the Trust will amend Schedule C to the Financing Agreement (and deliver to the Borrower a copy thereof together with the notice of change in the Closing Date the Trust is required to provide to the Borrower pursuant to Section 6(a) hereof) to adjust the Payments to take into account the Actual Closing Date and the accrual of interest on the Loan or Local Governmental Obligations from such date.

Section 5. Prepayments. (a) The Principal Obligation shall not be subject to prepayment at the option of the Borrower prior to maturity without the prior written consent of the Trust.

(b) The Principal Obligation, and the corresponding principal amount of the Local Governmental Obligations, shall be subject to prepayment in part to the extent of any balance remaining in a Project Account upon the receipt by the Trust of the applicable Project Completion Certificate as provided in Section 7(e) hereof at a prepayment price equal to (i) the Principal Obligation so prepaid plus interest, if any, accrued thereon to the prepayment date, plus (ii) an amount equal to all costs of the Trust incurred in connection with such prepayment (including without limitation trustee's fees and expenses, reasonable attorney's fees, and costs, if any, of any corresponding redemption of Bonds, if applicable).

(c) The Principal Obligation, and the corresponding principal amount of the Local Governmental Obligations, shall be subject to prepayment at the request of the Trust in whole or in part upon not less than thirty (30) days notice to the Borrower to the extent of any balance remaining in a Project Account upon a date designated by the Trust, which date shall be not earlier than twenty (20) months or later than twenty-four (24) months following the Closing Date, at a prepayment price equal to the Principal Obligation so prepaid plus interest, if any, accrued thereon to the prepayment date. In the event that the Loan or Local Governmental Obligation is prepaid pursuant to this Section 5(c) and the Project has not been completed, the Trust shall, upon the request of the Borrower and approval of the Department, execute and deliver to the Borrower an additional Financing Agreement providing for a replacement loan, or the purchase by the Trust of a replacement local governmental obligation from the Borrower, in a principal amount not greater than the Principal Obligation of the Loan or Local Governmental Obligation so prepaid and with a schedule of Payments thereon which will result in such replacement loan, in the case of a replacement loan, being the financial equivalent of a loan to the Borrower at the Interest Rate.

Section 6. Closing. (a) In addition to the conditions provided in Section 3 of these Terms and Conditions, the obligation of the Trust to make and fund the Loan is expressly conditional upon the receipt by the Trust on or before the Closing Date (which date shall be the date set forth in Schedule A of the Financing Agreement or such earlier or later date as may be designated by the Trust by written notice delivered to the Borrower not less than twenty (20) days prior to such earlier date or, if the Closing Date is to be a later date, not less than twenty

(20) days prior to the date set forth in Schedule A of the Financing Agreement) of the following, each in form and substance satisfactory to the Trust:

i) Copies, certified by an Authorized Officer of the Borrower, of all governmental proceedings of the Borrower authorizing the Loan or issuance of the Local Governmental Obligations and the execution and delivery of the Financing Agreement, each Project Regulatory Agreement and the Local Governmental Obligations;

ii) A certificate or certificates of Authorized Officers of the Borrower confirming as of the Closing Date the representations and warranties of the Borrower in Section 2 hereof;

iii) A certificate of Authorized Officers of the Borrower as to the due authorization, execution and delivery of the Financing Agreement, each Project Regulatory Agreement, any Additional Security, and the Local Governmental Obligations and to the effect that (x) none of the foregoing instruments have been amended or supplemented since their date (except such amendments or supplements which have been approved by the Trust or the Department, as applicable, or which under the terms of the applicable instrument may be executed and delivered or adopted by the Borrower without the consent of the Trust or the Department) or repealed and that each such instrument remains in full force and effect as of the Closing Date, and (y) as of the Closing Date, no Event of Default or Default, as applicable, and no event which with the passage of time or the giving of notice may become or may be declared to be an Event of Default or a Default, shall have happened and shall be continuing under the Financing Agreement or any Project Regulatory Agreement or any Additional Security;

iv) An opinion of Local Bond Counsel to the effect that the Financing Agreement, each Project Regulatory Agreement, any Additional Security, and the Local Governmental Obligations, and the execution and delivery thereof, as applicable, have been duly authorized by the Borrower in accordance with the Applicable Authority; the Financing Agreement and each Project Regulatory Agreement and any Additional Security have been duly and validly executed and delivered by the Borrower, as applicable, and each constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms; the Local Governmental Obligations and any Additional Security have been duly and validly executed by or on behalf of the Borrower and delivered to or upon the order of the Trust in accordance with the Financing Agreement and the Applicable Authority; and the Local Governmental Obligations and any Additional Security constitute, as applicable, (1) valid and binding general obligations of the Borrower enforceable in accordance with their terms and payable as to principal, premium, if any, and interest (to the extent not paid from other sources) from taxes which may be levied upon all taxable property within the territorial boundaries of the Borrower, subject only to the limit imposed by Chapter 59, Section 21C of the General Laws of the Commonwealth to the extent applicable to the Local Governmental Obligations, or (2) valid and binding obligations of the Borrower enforceable in accordance with their terms and the terms of any Additional Security and entitled to the benefits thereof and the Applicable Authority (in rendering the foregoing opinion, such counsel may take an exception on account of bankruptcy, insolvency and other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles);

v) The Local Governmental Obligations, in such denominations and registered to such registered owners, as the Trust shall designate pursuant to Section 11 hereof;

vi) To the extent required under Section 8(f) hereof, a Continuing Disclosure Agreement, duly executed by the Borrower, in form and substance satisfactory to the Trust; and

vii) Such further instruments, certificates and opinions as the Trust or its counsel may reasonably request to confirm as of the Closing Date the truth and accuracy of the statements made herein and in each Application by the Borrower and compliance as of the Closing Date by the Borrower with the provisions hereof and of each Project Regulatory Agreement, the Enabling Act, the Applicable Authority and the Federal Act.

(b) In addition to any other conditions expressly provided herein, the obligation of the Borrower to accept the Loan and/or issue the Local Governmental Obligations to the Trust on the Closing Date is expressly conditioned upon the delivery to the Borrower or to the Bond Trustee, if applicable, on or before the Closing Date of the following, each to be in form and substance satisfactory to the Borrower and to be made available to the Borrower upon its request:

i) Copies, certified by an Authorized Officer of the Trust, of all governmental proceedings of the Trust authorizing the Loan and the execution and delivery of the Financing Agreement;

ii) A certificate or certificates of an Authorized Officer of the Trust confirming as of the Closing Date the representations and warranties of the Trust in Section 2 hereof; and

iii) An opinion or opinions of counsel to the Trust (who may also be counsel to the Borrower) to the effect that the Trust is duly created and validly existing under the Enabling Act and has the right and power thereunder to execute the Financing Agreement and, if applicable, to make the Loan; the Financing Agreement and the execution and delivery thereof by the Trust have been duly and lawfully authorized by the Trust; and that the Financing Agreement has been duly and lawfully executed and delivered by the Trust, is in full force and effect and is valid and binding on the Trust and enforceable in accordance with its terms (subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles).

Section 7. Disbursement of Proceeds. (a) On or prior to the Closing Date the Trust shall establish or cause the Program Trustee or Bond Trustee, as applicable, to establish a separate account within the Project Fund, for each Project financed or refinanced under the Financing Agreement, each designated "Project Account - (Name of Borrower) Project No. ____" (a "Project Account"), to be held and maintained in accordance herewith, with the Federal Act and with the Program Resolution and the Bond Resolution, as applicable.

(b) On the Closing Date the Trust shall credit to the payment of the principal of the Interim Loan, if any, such portion of the proceeds of the Loan or Local Governmental Obligations as shall be necessary to pay such principal in full after credit for any proceeds of the Interim Loan remaining on deposit on such date in any Interim Loan Project Account maintained for the account of the Borrower. Any proceeds of the Loan or Local Governmental Obligations remaining after payment of the principal of the Interim Loan, if any, shall be deposited in the

Project Account and applied by the Trust to finance or refinance Costs of the applicable Project as provided herein, in the related Project Regulatory Agreement and in the Program Resolution and the Bond Resolution, as applicable. Only amounts on deposit in a Project Account representing moneys of the Trust deposited therein as provided in the Financing Agreement and the Program Resolution or Bond Resolution, as applicable, shall be available to pay Costs of the applicable Project. Amounts in each Project Account shall be invested by the Trust, and all earnings on investment or deposit of amounts in a Project Account shall be applied by the Trust as provided in the Program Resolution and the Bond Resolution, as applicable. The Borrower shall have no interest in such earnings.

(c) So long as no Event of Default shall have happened and be continuing hereunder or under the Financing Agreement, but subject to Section 3(b) and Section 10 of these Terms and Conditions, within a reasonable period of time from receipt by the Trust of one or more requisitions in form satisfactory to the Trust signed by an Authorized Officer of the Borrower and approved by the Department as provided in the applicable Project Regulatory Agreement, the Trust shall disburse or direct the Program Trustee or the Bond Trustee, as applicable, to disburse to or for the account of the Borrower as directed in such requisitions the amount or amounts set forth therein and approved by the Department solely to finance or, to the extent provided in the applicable Project Regulatory Agreement, refinance Costs of the applicable Project.

(d) Notwithstanding anything herein or in any Project Regulatory Agreement to the contrary, if all or any portion of the Project Costs financed under the Financing Agreement shall have been paid by the Borrower from the proceeds of outstanding notes or other temporary indebtedness issued or incurred in anticipation of the Loan or Local Governmental Obligations, any amount paid to the Borrower pursuant to this Section 7 in reimbursement for such Costs shall be held and applied by the Borrower (unless otherwise approved by the Trust) solely to pay or provide for the principal of such notes or other indebtedness when due in accordance with the Enabling Act and the Applicable Authority. The Borrower acknowledges that the Trust shall have no responsibility for the holding, investment or application of any amounts paid to or for the account of the Borrower for such purpose. Notwithstanding anything herein to the contrary if on the Closing Date any Interim Loan shall be outstanding and unpaid under Section 10 of the Financing Agreement, the Trust shall apply to the payment of the principal of the Interim Loan such portion of the proceeds of the Loan or Local Governmental Obligations as shall be necessary to pay such principal in full after credit for any proceeds of the Interim Loan remaining on deposit on such date in any Interim Loan Project Account maintained for the account of the Borrower pursuant to Section 10.

(e) Upon receipt by the Trust of the Project Completion Certificate for a Project described in the related Project Regulatory Agreement, any balance remaining on deposit in the applicable Project Account not then payable to or for the account of the Borrower in accordance with the Project Completion Certificate shall be applied at the direction of the Borrower with the prior approval of the Trust to (i) additional Costs of the applicable Project upon amendment of the definition thereof approved by the Department or (ii) the prepayment of the Principal Obligation as provided in Section 5(b) hereof.

(f) Notwithstanding anything herein or in any Project Regulatory Agreement to the contrary, the Trust shall not be required to deposit in each Project Account established in accordance with the Financing Agreement an amount in the aggregate in excess of the eligible Costs of the applicable Project to be financed or refinanced by the Loan or the Local Governmental Obligations as set forth in the applicable Project Approval Certificate and the related Project Regulatory Agreement. In addition, the Trust shall not be required to make any deposits to a Project Account or to direct the Program Trustee or the Bond Trustee, as applicable, to disburse therefrom any amount to or for the account of the Borrower while an Event of Default shall have occurred and be continuing hereunder or under the Financing Agreement or, if directed by the Department, while a Default (as defined in the related Project Regulatory Agreement) shall have occurred and be continuing under the related Project Regulatory Agreement. If an Event of Default shall have occurred and be continuing hereunder or under the Financing Agreement, the Trust may apply amounts on deposit in any Project Account to remedy such default as provided in Section 9(b) hereof and the amount available under the Financing Agreement for Project Costs will be correspondingly reduced.

Section 8. Particular Covenants of the Borrower. The Borrower covenants and agrees as follows:

(a) The Borrower is duly authorized under the Enabling Act, the Applicable Authority and all other applicable law to authorize the execution and delivery of the Financing Agreement, each Project Regulatory Agreement, any Additional Security, and the Local Governmental Obligations, to accept the Loan, to undertake each Project and to perform and consummate all transactions contemplated by the foregoing. For so long as the Loan or the Local Governmental Obligations shall be outstanding, the Borrower shall comply with the provisions hereof and each Project Regulatory Agreement and any Additional Security and all provisions of law applicable to the Loan, each Project, any Additional Security, and the Local Governmental Obligations, including without limitation the Enabling Act, the Applicable Authority, the Federal Act and the DEP Regulations, and shall take all actions necessary to fulfill its obligations under the Financing Agreement and under any of the foregoing.

(b) At the date hereof and at the Closing Date, no mortgage, pledge, lien, security interest or other encumbrance exists or will exist in or upon, or is or will be otherwise outstanding with respect to (1) any Project or the System, or any part thereof or (2) all or any part of the rates, charges or other revenues derived by the Borrower from its ownership and operation thereof or (3) any Additional Security. For so long as the Loan or the Local Governmental Obligations shall be outstanding, without the prior written consent of the Trust, the Borrower shall not mortgage, pledge, grant any lien on or security interest in or otherwise encumber or permit the encumbrance of, any Project or the System or the rates, charges or other revenues derived by the Borrower from its ownership and operation thereof or any part thereof or any Additional Security unless simultaneously therewith the Borrower shall grant to the Trust to further secure its obligations under the Financing Agreement and the Local Governmental Obligations a mortgage, pledge, lien on or security interest in such property superior to such new encumbrance.

(c) The Borrower shall apply the proceeds of the Loan or the Local Governmental Obligations solely to the payment or reimbursement of Project Costs, or to the refinancing of the

same as provided in each Project Regulatory Agreement, or as otherwise provided herein and in each Project Regulatory Agreement.

(d) The Borrower acknowledges that by accepting the Loan or selling the Local Governmental Obligations it may be a sub-recipient of federal financial assistance under the federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 (the "SAA"). The Borrower further acknowledges that a Project financed or refinanced under the Financing Agreement may be designated by the Trust as a project to which the SAA shall apply. In such event, the Borrower shall conduct a single audit of its use of federal financial assistance for the Project in accordance with the reporting requirements of Office of Management and Budget Circular A-133. Whether or not a Project is so designated, for so long as the Loan or the Local Governmental Obligations shall be outstanding the Borrower shall maintain all records and accounts pertaining to the Loan or the Local Governmental Obligations, each Project and the System for such period and as otherwise required by the Federal Act, the DEP Regulations and each Project Regulatory Agreement and shall furnish to the Trust and the Department all reports thereon at the times and in the form required by the Federal Act, the DEP Regulations and each Project Regulatory Agreement or as otherwise reasonably requested by the Trust or the Department. The Borrower shall permit the Trust or any party designated by it upon reasonable prior notice to the Borrower to examine, visit and inspect each Project and the System and to inspect and make copies of any accounts, books and records of the Borrower pertaining to the Project, the System, the Loan or the Local Governmental Obligations.

(e) If any Event of Default described in clause (i) of Paragraph (a) of Section 9 hereof shall occur and be continuing, the Borrower shall promptly upon request of the Trust provide such information to the Trust as shall be necessary for the Trust to exercise the rights provided in Section 11 of the Enabling Act with respect to the Local Aid Distributions of the Borrower and, as applicable, any Participating Member thereof and any parent governmental unit of the Borrower and any such Participating Member.

(f) the Trust shall provide written notice to the Borrower if at any time the Borrower shall constitute an obligated person with respect to the Bonds within the meaning of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Thereafter, for so long as the Borrower shall constitute an obligated person, the Borrower will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it and the Local Governmental Obligations. The Trust shall have no liability to the owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Financing Agreement, failure of the Borrower to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Financing Agreement; provided, however, that the Trust may (and at the request of the owners of at least 25% in aggregate principal amount of the Bonds outstanding shall), or any owner (including a beneficial owner) of the Bonds may, take such actions as may be necessary or appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this clause (f).

(g) For so long as the Loan or Local Governmental Obligations shall be outstanding, the Borrower shall duly observe and comply with each of the additional covenants and conditions set forth in Schedule B of the Financing Agreement.

Section 9. Defaults and Remedies.

(a) The occurrence of any of the following events shall constitute, and is herein defined to be, an Event of Default under the Financing Agreement and the Local Governmental Obligations:

(i) if the Borrower shall fail to pay when due all or any part of any Payment payable under the Financing Agreement or applicable Local Governmental Obligations;

(ii) if the Borrower shall fail to pay when due any installment of the Administrative Fee payable under the Financing Agreement or the Origination Fee or any portion thereof and such failure shall continue for a period of thirty (30) days after written notice thereof shall be given to the Borrower by the Trust;

(iii) if the Borrower shall fail to perform and observe any other covenant, agreement or condition on its part provided in the Financing Agreement or in the Local Governmental Obligations or in any Additional Security and such failure shall continue for a period of thirty (30) days after written notice thereof shall be given to the Borrower by the Trust; provided if such failure cannot be remedied within such thirty (30) day period, it shall not constitute an Event of Default under the Financing Agreement if corrective action satisfactory to the Trust is instituted by the Borrower within such period and diligently pursued until the failure is remedied;

(iv) if any representation or warranty made by or on behalf of the Borrower in the Financing Agreement or in any Application or in any Additional Security shall prove to have been incorrect or to be misleading in any material respect as and when made;

(v) if (x) an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Borrower or the whole or any substantial part of any Project or the System, (b) granting relief in involuntary proceedings with respect to the Borrower under the federal bankruptcy act, or (c) assuming custody or control of the Borrower or of the whole or any substantial part of any Project or the System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree or (y) the Borrower (a) admits in writing its inability to pay its debts 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 any Project or the System, 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 Borrower or of the whole or any substantial part of any Project or the System or (z) legislation shall be enacted by the Commonwealth (a) appointing a receiver or trustee for the Borrower or the whole or any substantial part of any Project or the System, or (b) assuming custody or control of the Borrower or of the whole or any substantial part of any Project or the System, or (c) providing for a moratorium upon the payment of the principal of or interest on the Loan or Local Governmental Obligations;

(vi) if the Borrower shall fail to pay when due (whether at maturity or upon redemption or acceleration or otherwise) any principal of or interest on any indebtedness of the Borrower for borrowed money, other than the Loan, if any, and the Local Governmental Obligations and indebtedness described in Chapter 40D of the General Laws of the Commonwealth; and

(vii) if a Default shall occur under a Project Regulatory Agreement (as defined therein) and the Department shall request that the Trust declare an Event of Default under the Financing Agreement.

(b) In addition to its other remedies provided herein, if an Event of Default specified in clause (i) or clause (v) of Paragraph (a) of this Section 9 shall occur and be continuing, the Trust may proceed to enforce its rights under the Financing Agreement and under the Local Governmental Obligations by exercise of the following remedies in such order of priority as the Trust shall determine in its discretion:

(i) if any Payments shall be due and unpaid under the Financing Agreement, the Trust may exercise the rights provided in Section 11 of the Enabling Act with respect to the Local Aid Distributions of the Borrower and, as applicable, any Participating Member thereof and any parent governmental unit of the Borrower and any such Participating Member;

(ii) if any Payments shall be due and unpaid under the Financing Agreement, the Trust may apply to such default any or all amounts allocable to the Borrower then on deposit in any Project Account; or

(iii) by notice to the Borrower the Trust may declare the Principal Obligation of the Loan and all Payments payable thereon, and the corresponding principal amount of the Local Governmental Obligations, to be immediately due and payable and, upon such declaration, the Principal Obligation and all interest, if any, accrued thereon shall be and become immediately due and payable, anything herein or in the Local Governmental Obligations to the contrary notwithstanding.

(c) If an Event of Default specified in clause (vii) of Paragraph (a) of this Section 9 shall occur and be continuing, the Trust shall, if directed by the Department, exercise on behalf of the Department any and all remedies available to the Department upon a Default under the applicable Project Regulatory Agreement.

(d) Notwithstanding anything herein to the contrary, if any Event of Default under the Financing Agreement or in any Additional Security shall occur and be continuing, the Trust may proceed to protect its rights under the Financing Agreement, and may seek to compel compliance by the Borrower with the terms and provisions hereof and of the Local Governmental Obligations, by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof or of the Local Governmental Obligations, or in aid of the execution of any power herein granted, and, except as herein limited, may exercise any other right or remedy upon such default as may be granted to the Trust under the Enabling Act, the Applicable Authority or under any other applicable provision of law.

(e) During the continuance of an Event of Default, the Trust shall apply all amounts received upon the exercise of its rights and remedies under the Financing Agreement as follows and in the following order:

(i) to the payment of the reasonable and proper charges (including attorneys' fees) of the Trust and the Department incurred in the exercise of any right or remedy under the Financing Agreement or under any Project Regulatory Agreement;

(ii) to the payment and satisfaction of all interest then due and unpaid under the Financing Agreement upon any defaulted Payments as provided in Section 4(b) hereof;

(iii) to the payment and satisfaction of all Payments then due and unpaid under the Financing Agreement, as such Payments may be adjusted as provided in Section 4 hereof, and, if the amount available is not sufficient to pay all Payments then due and payable under the Financing Agreement, first to the payment of the portion of the Payments due and unpaid representing interest on the Loan or Local Governmental Obligations and second to the portion of the Payments due and unpaid representing the principal of the Loan or Local Governmental Obligations and, in either case, ratably in order of the due dates thereof;

(iv) to the reimbursement to a Project Account of any amounts withdrawn therefrom as provided in clause (iii) of Paragraph (b) of this Section 9;

(v) first, to the payment and satisfaction of all interest then due and unpaid under the Financing Agreement upon any due and unpaid Administrative Fees as provided in Section 4(b) hereof, and, second, to the payment and satisfaction of all Administrative Fees then due and unpaid under the Financing Agreement; and

(vi) first, to the payment and satisfaction of all interest then due and unpaid under the Financing Agreement upon any due and unpaid Origination Fee as provided in Section 4(b) hereof, and, second, to the payment and satisfaction of the Origination Fee or the portion thereof then due and unpaid under the Financing Agreement.

(f) No remedy conferred upon or reserved to the Trust is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Financing Agreement or in any Additional Security or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient.

Section 10. Interim Financing.

(a) Subject to the availability to the Trust of moneys for such purpose and the provisions of Section 3(a) hereto, if the date of the Closing set forth in Schedule A of the Financing Agreement is more than forty five (45) days subsequent to the date of execution and delivery of the Financing Agreement by the Trust, the Trust (upon not less than ten (10) Business Days prior notice from the Borrower) agrees to provide interim financing (an "Interim Loan") to the

Borrower to pay or provide for all or any part of the eligible Costs of any Project (i) incurred by the Borrower on and after the date of execution and delivery by the Borrower of the Financing Agreement or (ii) incurred by the Borrower prior to the date of its execution and delivery of the Financing Agreement and either (x) paid by the Borrower from the proceeds of notes or other obligations issued by the Borrower in anticipation of the Loan or of the issuance and sale of the Local Governmental Obligations to the Trust, or (y) paid by the Borrower from other moneys available to the Borrower under a valid declaration of official intent to reimburse such payment from the proceeds of the Loan or the Local Governmental Obligations. The Interim Loan shall be evidenced by a note (the "Interim Loan Note") issued by the Borrower to the Trust pursuant to the Applicable Authority in form and substance satisfactory to the Trust and otherwise as hereinafter provided. The Interim Loan and the Interim Loan Note, when executed and delivered, shall be (1) a general obligation of the Borrower payable as to principal and interest (to the extent not paid from other sources) from taxes which may be levied upon all taxable property within the territorial boundaries of the Borrower, subject only to the limit imposed by Chapter 59, Section 21C of the General Laws of the Commonwealth to the extent applicable to the Loan or the Local Governmental Obligations or (2) a general or special obligation of the Borrower (as provided in the any Additional Security) payable from any Additional Security, if any, and any other moneys, funds, and accounts provided in the Financing Agreement Security and secured by a valid pledge of and lien on and perfected security interest in any such Additional Security, all as provided therein and in Schedule B to the Financing Agreement.

(b) The Interim Loan Note shall be dated the date of its execution and delivery by the Borrower, shall mature and be payable on the Closing Date for the Loan or Local Governmental Obligations (subject to renewal at the option of the Trust to one or more dates not later than three (3) years subsequent to such date of execution and delivery or, if later, the expected completion date of the applicable Projects as determined by the Department), shall be in principal amount equal to the aggregate amount of proceeds thereof from time to time disbursed to or for the account of the Borrower and shall be in such maximum aggregate principal amount as shall be requested by the Borrower not exceeding the lesser of (i) the aggregate eligible Costs of each Project which have been or are expected to be expended at or prior to the maturity date of the Interim Loan Note (as set forth in the applicable Project Regulatory Agreement) and (ii) the Initial Obligation Amount set forth in Schedule C of the Financing Agreement (or such lesser amount as shall equal the total eligible Costs of the Projects approved by the Department at the date of the Interim Loan Note). The principal amount of the Interim Loan Note from time to time outstanding shall bear interest from the date or dates of disbursement thereof to or for the account of the Borrower until repaid at the Interim Loan Interest Rate set forth in Schedule A of the Financing Agreement, calculated on the basis of actual days and a 365/366 day year, payable at maturity.

(c) Upon execution and delivery by the Borrower of the Interim Loan Note, the Trust shall direct the Program Trustee to establish under the Program Resolution a separate account for each Project to be financed or refinanced by the Interim Loan, each designated "Interim Project Account - (Name of Borrower) Project No. ____" (an "Interim Project Account"), to be held and maintained in accordance herewith, with the Federal Act and with the Program Resolution. Subject to the availability to the Trust of moneys for such purpose, the Trust shall deposit from time to time in each Interim Project Account amounts (representing proceeds of the Interim Loan) sufficient in amount and time of deposit to satisfy each requisition for payment or

reimbursement of Costs of the applicable Project submitted to the Trust by the Borrower. For purposes of this Section 10, all provisions of Section 7(a), (b) and (d) hereof applicable to the Project Accounts established under the Program Resolution or Bond Resolution, as applicable, and the requisition and disbursement therefrom of proceeds of the Loan or the Local Governmental Obligations, shall be equally applicable (to the extent not inconsistent herewith) to each Interim Project Account and the requisition and disbursement therefrom of proceeds of the Interim Loan. Notwithstanding the foregoing, the Borrower acknowledges that the Department, in the exercise of its rights under the Project Regulatory Agreement, may terminate the Project Regulatory Agreement after disbursement to the Borrower of some or all of the amounts deposited in an Interim Project Account. In such event, the obligation of the Trust to disburse additional proceeds of the Interim Loan to the Borrower shall terminate and the Borrower shall repay to the Trust the amount theretofore disbursed from the Interim Project Account, together with interest thereon at the Interim Loan Interest Rate, within thirty (30) days of receipt by the Borrower from the Trust of written notice that the Project Regulatory Agreement has been terminated by the Department.

(d) Notwithstanding anything herein to the contrary, the obligation of the Trust to make and fund the Interim Loan is expressly conditional upon the receipt by the Trust of the following, each in form and substance satisfactory to the Trust:

(i) A certificate or certificates of Authorized Officers of the Borrower as to the due authorization, execution and delivery of the Financing Agreement, any Additional Security, the Project Regulatory Agreement and the Interim Loan Note, and confirming as of the date of execution and delivery of the Interim Loan Note the representations and warranties of the Borrower in Section 2 hereof applicable to the Interim Loan, and to the further effect that (x) none of the foregoing instruments have been amended or supplemented since their date (except such amendments or supplements which have been approved by the Trust or the Department, as applicable, or which under the terms of the applicable instrument may be executed and delivered or adopted by the Borrower without the consent of the Trust or the Department) or repealed and that each such instrument remains in full force and effect as of such date, and (y) as of such date, no Event of Default or Default, as applicable, and no event which with the passage of time or the giving of notice may become or may be declared to be an Event of Default or a Default, shall have happened and shall be continuing under the Financing Agreement or any Project Regulatory Agreement;

(ii) The Interim Loan Note duly executed by Authorized Officers of the Borrower;

(iii) An opinion of Local Bond Counsel to the effect that the Financing Agreement, any Additional Security, each Project Regulatory Agreement and the Interim Loan Note have been duly authorized, executed and delivered by the Borrower in accordance with the Applicable Authority and each constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms and the terms of the Enabling Act and the Applicable Authority (in rendering the foregoing opinion, such counsel may take an exception on account of bankruptcy, insolvency and other laws

affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles); and

(iv) An Interim Loan Origination Fee in an amount equal to one-tenth of one percent (.1%) of the maximum aggregate principal amount of the Interim Loan Note, but not less than \$500 or more than \$1,000.

Section 11. Assignment, Transfer and Exchange. (a) The Borrower acknowledges that the Trust may pledge and assign the Financing Agreement or all or part of its rights under the Financing Agreement, and the right, title and interest of the Trust in and to all or part of the Loan, the Local Governmental Obligations and Payments thereunder and under the Financing Agreement or any Additional Security to the Bond Trustee or the Program Trustee in accordance with the Bond Resolution or the Program Resolution and in connection with any such assignment may transfer to the Bond Trustee or the Program Trustee, the Loan, the Local Governmental Obligations and any or all Payments and the Local Governmental Obligations attributable thereto, and the Borrower by its execution and delivery of the Financing Agreement expressly consents to any such assignment and transfer.

(b) In connection with any assignment by the Trust provided herein, the Borrower further agrees to deliver the Local Governmental Obligations to the Trust on the Closing Date, or on any date thereafter when the Local Governmental Obligations may be assigned, exchanged or transferred in accordance with its terms and the terms of the Financing Agreement, in such denominations, registered to such owners, in one or more series, and otherwise in such form and tenor as the Trust may request to evidence the Loan, if any, made, and the Payments payable, under the Financing Agreement, separately or as a whole, or in part one or in part the other, or in any combination thereof, provided that the aggregate principal amount payable on the Local Governmental Obligations shall not exceed the Principal Obligation payable under the Financing Agreement on the Loan plus interest, if any, accrued and to accrue thereon as provided therein and herein.

(c) Except as hereinabove provided, so long as any Event of Default shall not have occurred under the Financing Agreement and be continuing, the Trust shall not assign the Financing Agreement or the Loan, if any, made hereby, or transfer or sell the Local Governmental Obligations, without the prior written approval of the Borrower.

(d) The Borrower may not assign the Financing Agreement or the Loan, if any, or the Local Governmental Obligations, or any of its rights or obligations under the Financing Agreement or hereunder, without the express prior written consent of the Trust.

Section 12. Action by Parties. Where the Financing Agreement shall provide for any direction, consent, approval or other action to be taken or made by the Borrower, the Trust or the Department hereunder or under the Financing Agreement, such direction, consent, approval or other action shall be sufficiently taken or made for all purposes of the Financing Agreement if taken or made by Authorized Officers of the Borrower, the Trust or the Department, as the case may be.

Section 13. Notices. All notices, consents, certificates and other communications under the Financing Agreement shall be sufficiently given when delivered by hand or courier or sent by telecopy or mailed by registered or certified mail, postage prepaid, addressed to the Addresses for Notice set forth in Schedule A of the Financing Agreement or to such further or different address as any of the parties to the Financing Agreement or the Department may designate in writing to the other notice parties indicated in said Schedule A.

Section 14. Severability. In the event any provision of the Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 15. No Right of Set-Off. By their execution and delivery of the Financing Agreement, the Trust and the Borrower agree that, except as otherwise provided in the Financing Agreement, neither the Trust nor the Borrower shall have any right to set-off and apply any amount at any time held, and other indebtedness at any time owing, by the Trust to or for the account of the Borrower, or by the Borrower to or for the account of the Trust, as applicable, against any and all of the obligations of the Borrower or the Trust, as applicable, now or hereinafter existing on the Local Governmental Obligations or otherwise under the Financing Agreement.

Section 16. Amendment of Financing Agreement and Other Instruments. Except as expressly provided herein or in the Financing Agreement with respect to the amendment of Schedule A, Schedule B and Schedule C of the Financing Agreement, the Financing Agreement and the Local Governmental Obligations may not be amended, modified or changed in any respect except in writing signed by the parties to the Financing Agreement. No such amendment, modification or change of the Financing Agreement which, in the reasonable opinion of the Department (expressed in a certificate of an Authorized Officer of the Department delivered to the Trust prior to the execution and delivery of such amendment, modification and change by the Trust), materially and adversely affects the rights and obligations of the Department under any Project Regulatory Agreement, shall be effective until the Department shall have consented in writing thereto. The Trust shall deliver a copy of any such proposed amendment, modification or change of the Financing Agreement to the Department at least ten (10) days prior to the execution and delivery thereof by the Trust.

Section 17. Term. (a) The term of the Financing Agreement shall be from the date of execution and delivery thereof by the parties to the Financing Agreement until all Payments, all Administrative Fees and the Origination Fee payable under the Financing Agreement shall have been paid in full or provision for the payment thereof shall have been duly provided for in accordance with this Section 17.

(b) Notwithstanding anything in Paragraph (a) of this Section 17 to the contrary, prior to the payment of all Payments payable under the Financing Agreement at the times and in the manner provided herein, the Borrower may defease its obligations under the Financing Agreement and under the Local Governmental Obligations, and upon such defeasance shall be discharged from its obligations, covenants and agreements under the Financing Agreement and under the Local Governmental Obligations, if the Borrower shall deposit with the Program Trustee or the Bond Trustee, as applicable, for the account of the Trust either moneys in an

amount sufficient, or Defeasance Obligations (as defined in the Bond Resolution), the principal installments of and/or interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Program Trustee or the Bond Trustee, as applicable, at the same time, will be sufficient, to pay (i) all Payments payable under the Financing Agreement at the times and in the amounts provided herein on the scheduled Payment Dates therefore with respect to the portion of the Principal Obligation that is not subject to prepayment with the consent of the Trust hereof, (ii) the prepayment price on the first prepayment date with respect to the portion of the Principal Obligation that is subject to prepayment with the consent of the Trust, (iii) all Administrative Fees payable to the Trust under the Financing Agreement accrued to such date of deposit, (iv) the Origination Fee or any portion thereof that has not previously been paid to the Trust and (v) any and all other amounts incurred or reasonably expected to be incurred by the Trust in effecting such defeasance.

Section 18. Pledge of Loans or Local Governmental Obligations to Secure Bonds; Additional Borrower Requirements. Notwithstanding anything in Section 10 hereto to the contrary, at the sole option of the Trust, upon not less than ten days prior notice to the Borrower, the Trust may pledge any Loan or Local Governmental Obligations to the Program Trustee or any Bond Trustee as security for Bonds issued by the Trust, provided that no such pledge shall increase or otherwise adversely affect the obligations of the Borrower by changing the payment terms of the Loan or Local Governmental Obligations or the interest thereon or the security therefor, without the prior written consent of the Borrower. Upon such a pledge of a Loan or Local Governmental Obligations by the Trust a Borrower may have to comply with certain additional requirements, including, without limitation:

(i) to update its Loan Questionnaire by completing and signing a Verification Form;

(ii) to sign such other documents as determined by bond counsel for such Bonds to be necessary and appropriate;

(iii) to make such certifications as determined by bond counsel for such Bonds to be necessary and appropriate, including: (1) that it will not take, or permit to be taken, any action or actions that would cause any Bond, to which a Loan or a Local Governmental Obligation is pledged, to be an “arbitrage bond” within the meaning of Section 148 of the Code or a “private activity bond” within the meaning of Section 141(a) of the Code or that would cause any such Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code, or that would otherwise cause any amounts payable with respect to such Bonds to become included in the gross income of a holder of such Bonds for federal income tax purposes; and (2) that it will take all actions, maintain all records and accounts, and make all reports requested by the Trust or required by any provision of applicable law or the Project Regulatory Agreement, necessary to comply with, or necessary to permit the Trust to comply with, the provisions of Section 148(f) of the Code.

Section 19. Execution in Counterparts. The Financing Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 20. Applicable Law. The Financing Agreement, including these Terms and Conditions and all schedules to the Financing Agreement, shall be governed by and construed in accordance with the laws of the Commonwealth.

Section 21. Further Assurances. The Borrower shall, at the request of the Trust, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, covenants and agreements granted or made or intended to be granted or made by the Financing Agreement and the Local Governmental Obligations.

Section 22. Prior Financing Agreements. Except as otherwise provided herein, the Financing Agreement merges and supersedes all prior negotiations, representations, and agreements between the parties relating to the subject matter of the financing of the Project and the Financing Agreement, including these Terms and Conditions and constitutes the entire agreement between the parties in respect to the Financing Agreement and hereof.

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