



Department Title: The Massachusetts Clean Water Trust

Effective Date: March 9, 2016

Supersedes: Debt Management Policy adopted March 5, 2014

Issuing Authority: The Massachusetts Clean Water Trust

Responsible Officer: Executive Director

Department Policy Training Officer: Executive Director

Policy Title: Debt Management Policy

Policy: It is the policy of the Massachusetts Clean Water Trust that all debt obligations issued by the Trust and any related derivative instruments that it enters into will be in compliance with Applicable Law, as defined herein. Pursuant to the foregoing, the Trust's debt management objectives shall include:

- To make loans to finance water pollution abatement and drinking water projects in the Commonwealth;
- To structure the terms and conditions of its loans to reasonably assure the repayment of the loans and to generate sufficient funds to secure the payment of debt service on any related bonds;
- To manage and maintain federal and Commonwealth grant funds available to the Trust to secure its bonds or to provide for direct loans;
- To maximize the Trust's ability to access the capital markets through a strong credit rating and maintaining investor interest in its bonds; and

This Policy shall be applied in conjunction with and, to the fullest extent possible, consistently with the Post Bond Issuance Policy and the Investment Policy and shall not be deemed to supersede or amend either such policy.

Purpose: The purpose of this Policy is (1) to provide clear guidelines for the planning, issuance, management, and post issuance monitoring of debt issued by the Trust, (2) assist the Trust to

make optimal financial decisions by providing clear guidance to Trust staff on the issuance of debt, (3) clearly identify areas of responsibilities and expectations for Trust staff and outside professional vendors, (4) demonstrate to credit rating agencies, investors, and the public, by this policy and its implementation, the prudent and professional manner by which the Trust carries out its debt issuance practices, and (5) ensure that Trust management and staff are provided clear guidance in their compliance with state debt issuance policies and laws.

Scope: This Policy applies to the Massachusetts Clean Water Trust.

Procedures for Implementation: This Policy shall be implemented in accordance with the associated Procedures under the direction of the Executive Director of the Trust, to whom the Board hereby delegates Policy Implementation.

Definitions:

“Applicable Law” means the Enabling Act, applicable provisions of Chapter 29 of the General Laws, Chapter 6, Sections 97 and 98 of the General Laws, Chapter 203C of the General Laws, the Master Trust Agreement and applicable Supplemental Trust Agreements and other applicable security agreements, the Master Funding Agreement, and the applicable Bond Resolutions under the Program Resolution with respect to the refunding of bonds issued thereunder.

“Board” means the Board of Trustees of the Trust established by Chapter 29C, Section 2 of the General Laws.

“Enabling Act” means Chapter 275 of the Acts of 1989, constituting, in part, Chapter 29C of the General Laws and Chapter 203 of the Acts of 1992 and Chapter 78 of the Acts of 1998, as amended, or as they may be amended from time to time, including by Chapter 259 of the Acts of 2014.

“Finance and Governance Board” means the State Finance and Governance Board, formerly known as the Finance Advisory Board, established by Chapter 6, Section 97 of the General Laws for the purpose of promoting transparency, public accountability and adherence to best practices by all state entities with respect to investments, borrowing, or other financial transactions involving public funds.

“Master Trust Agreement” means the indenture entered into as of January 1, 2015 that provides for the administration of the clean water and drinking water programs of the Trust and under which, together with supplemental trust agreements, the bonds of the Trust are issued.

“Policy” means this Debt Management Policy.

“Policy Implementation” means authority to manage the routine practices of the debt issuance program of the Trust, including, without limitation, (1) the determination of the conditions and timing for the issuance of debt, (2) the structuring of debt, (3) the execution of routine instruments, agreements, and other documents related to the issuance of debt and post-issuance tax and securities compliance, (4) the execution of notices and letters to the Finance and

Governance Board, EPA, IRS, SEC, and legislative bodies related to the issuance of debt, (5) the execution and delivery to the Finance and Governance Board of waiver requests and requests for approval of Derivative Financial Products, (6) the investment, in accordance with the Trust's Investment Policy, of the proceeds of debt issuances and the investment or reinvestment, in accordance with the Trust's Investment Policy, of the proceeds of the termination of investments, transfer or assignments of investments, or other transactions, (7) the selection and engagement of underwriters, including co-managers, and the appointment of the selling group members, for the negotiated sale of debt, provided, however, that the selection of the senior or co-senior managers of a debt issuance shall be subject to the approval of the Board, (8) the selection and engagement of investment brokers, investment advisors, consultants, and other miscellaneous vendors and service providers related to the issuance of debt, and (9) the amendment, editing, or replacement, from time to time, of the Procedures.

"Post Bond Issuance Policy" means the Trust's Post Bond Issuance Federal Tax Compliance Policy and Procedures, originally adopted by the Board on July 25, 2012, as amended, revised, or replaced from time to time.

"Procedures" means the Debt Management Procedures of the Trust, as amended or revised from time to time.

"Program Resolution" means that resolution entitled "Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program" adopted by the Trust on March 4, 1993, as amended through December 3, 2014, that may be applicable to the refunding of bonds issued thereunder.

"Trust" means the Massachusetts Clean Water Trust established by the Enabling Act and constituting a public instrumentality of the Commonwealth of Massachusetts responsible for administering the Water Pollution Abatement Revolving Fund, established by Chapter 29, Section 2L, the Drinking Water Revolving Fund, established by Chapter 29, Section 2QQ, and the Water Pollution Abatement and Drinking Water Projects Administration Fund, established by Chapter 29, Section 2W.

References and Related Policies: Investment Policy; Post Bond-Issuance Policy.



Department Title: The Trust

Effective Date: March 4, 2015

Supersedes: Investment Policy adopted March 6, 2013

Issuing Authority: The Trust

Responsible Officer: Executive Director

Department Policy Training Officer: Executive Director

Policy Title: Investment Policy

Policy: It is the policy of the Trust to invest its funds in accordance with prudent investment objectives consistent with the purposes of the Trust and in accordance with the Trust's Investment Authority and regulations of the Finance and Governance Board.

Purpose: The purpose of this Investment Policy is to state general guidelines to be used by the Trust, and the Trust's advisors and investment providers, for the investment or deposit of moneys held by the Trust in accordance with the Trust's Investment Authority.

Scope: This Policy applies to the Trust.

Procedures for Implementation: This Policy shall be implemented in accordance with Investment Procedures approved by and under the direction of the Executive Director of the Trust, to whom the Board hereby delegates authority to manage the investment program of the Trust, including the investment of all funds, the amendment of any investment agreements, and the termination of any investments and the re-investment of received funds from such terminations.

Definitions:

"Board" means the Board of Trustee of the Trust established by Chapter 29C, Section 2 of the Massachusetts General Laws.

“Enabling Act” means Chapter 275 of the Acts of 1989, constituting, in part, Chapter 29C of the General Laws of the Commonwealth of Massachusetts and Chapter 203 of the Acts of 1992, Chapter 78 of the Acts of 1998, and Chapter 259 of the Acts of 2014, as amended, or as they may be amended from time to time.

“Finance and Governance Board” means that board in the Executive Office of Administration and Finance under the Governor of the Commonwealth of Massachusetts, formerly known as the Finance Advisory Board, established by Chapter 6, Section 97 for the purpose of promoting transparency, public accountability and adherence to best practices by all state entities with respect to proper governance of state entities and investments, borrowing or other financial transactions made or entered into by state entities and involving public funds, including tax supported debt, and the board to which the Investment Policy shall be submitted by March 31 of each odd-number year, pursuant to regulations at 976 CMR 203.

“Investment Authority” means the authority in Chapter 29C, section 4(b) of the Massachusetts General Laws to invest the moneys of the Trust in such investments as may be legal investments for funds of the Commonwealth, but subject to the requirements of (1) the Enabling Act, (2) applicable provisions of any agreements of the Trust, including the Program Resolution, as amended through December 3, 2014, and any Bond Resolution, as applicable, and the Master Trust Agreement, dated January 1, 2015, and any Supplemental Trust Agreements, (3) federal law requirements with respect to federal capitalization grants, and (4) the Prudent Investor Act. Legal investments of the Commonwealth are listed in Chapter 29, section 38 of the Massachusetts General Laws and the Trust’s permitted Investment Obligations pursuant thereto are listed in Exhibit A to the Master Trust Agreement, as it may be amended from time to time.

“Prudent Investor Act” means the standard of prudence in the investment of funds by fiduciaries that has been articulated over the years by the Massachusetts Supreme Judicial Court and codified in the Massachusetts Prudent Investor Act (Chapter 203C of the Massachusetts General Laws).

“Trust” means the Massachusetts Clean Water Trust established by the Enabling Act and constituting a public instrumentality of the Commonwealth of Massachusetts responsible for administering the Water Pollution Abatement Revolving Fund, established by Chapter 29, Section 2L, the Drinking Water Revolving Fund, established by Chapter 29, Section 2QQ, and the Water Pollution Abatement and Drinking Water Projects Administration Fund, established by Chapter 29, Section 2W.

References and Related Documents: The Enabling Act; the Master Trust Agreement; the Program Resolution; Regulations 976 CMR 203; and Investment Procedures of the Trust.