

*In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 15A Bonds and the Series 2010A Bonds will not be included in the gross income of holders of such Series 15A Bonds and Series 2010A Bonds for federal income tax purposes. Interest on the Series 15A Bonds and the Series 2010A Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations. Interest on the Series 2010A Bonds, but not the Series 15A Bonds, will be included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, under existing law, interest on the Series 15B Bonds will not be excluded from the gross income of holders of such Series 15B Bonds for federal income tax purposes. In the opinion of Bond Counsel, under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds and the income therefrom may also be subject to taxation under the laws of states other than The Commonwealth of Massachusetts. See "TAX MATTERS" herein.*

## MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

**\$444,520,000**

### State Revolving Fund Bonds, Series 15

consisting of

**\$191,925,000 Subseries 15A**

and

**\$252,595,000 Subseries 15B**

**(Federally Taxable – Direct Pay To Issuer – Build America Bonds)**

**\$41,990,000**

### State Revolving Fund Refunding Bonds, Series 2010A



**Dated: Date of Delivery**

**Due: As shown on the inside cover hereof**

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 and integral multiples thereof. See "Appendix H – The Depository Trust Company." Interest on the Bonds shall be payable on February 1 and August 1 of each year commencing February 1, 2011. The Bonds will be subject to optional and mandatory redemption as described herein.

The Trust will use the proceeds of the Bonds to (i) finance or refinance costs of certain water pollution abatement and drinking water projects for governmental units or other eligible borrowers and (ii) to refund a portion of certain bonds previously issued by the Trust. The Bonds are payable solely from the funds pledged therefor pursuant to the Trust's Program Resolution and Bond Resolution, including but not limited to (i) loan payments to be made by borrowers, (ii) contract assistance payments made to the Trust by The Commonwealth of Massachusetts, (iii) investment earnings on certain reserve funds and (iv) payments received from the United States Treasury with respect to the Series 15B Bonds pursuant to Sections 54AA and 6431 of the Code. Certain of such borrower payments and contract assistance payments are subject to the prior pledge of such amounts to the payment of debt service on certain other Trust bonds. For additional information about the security for the Bonds, see "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS" and "THE BONDS" herein.

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

*The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the legality of the Bonds by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Trust, and subject to certain other conditions. Certain legal matters will be passed upon for the Trust by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Program Counsel to the Trust. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, Boston, Massachusetts. It is expected that the Bonds will be available for delivery to DTC in New York, New York, or its custodial agent, on or about July 8, 2010.*

## GOLDMAN, SACHS & CO.

**BofA Merrill Lynch  
Morgan Stanley**

**Barclays Capital  
Fidelity Capital Markets  
Jefferies & Company  
Morgan Keegan & Company, Inc.  
RBC Capital Markets  
SBK-Brooks Investment Corp.**

**Citi  
Ramirez & Co., Inc.**

**Cabrera Capital Markets, LLC  
Jackson Securities  
Lebenthal & Co., LLC  
M.R. Beal & Company  
Rice Financial Products Company  
Sterne, Agee & Leach, Inc.**

**J.P. Morgan  
Siebert Brandford Shank & Co. LLC**

**Corby Capital Markets Inc.  
Janney Montgomery Scott, LLC  
Loop Capital Markets LLC  
Raymond James & Associates, Inc.  
Roosevelt & Cross Inc.  
Wells Fargo Bank, National Association**

## MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

**\$191,925,000**

### State Revolving Fund Bonds, Series 15 Subseries 15A

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> <sup>†</sup>	<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> <sup>†</sup>
2011	\$13,315,000	2.00%	0.375%	57604P3N2	2015	\$ 5,495,000	5.00%	1.740%	57604P4E1
2012	1,715,000	2.00	0.580	57604P3P7	2016	5,000,000	3.00	2.130	57604P3T9
2012	5,000,000	4.00	0.580	57604P3V4	2016	7,015,000	4.00	2.130	57604P3Z5
2012	8,825,000	5.00	0.580	57604P4B7	2016	5,620,000	5.00	2.130	57604P4F8
2013	2,195,000	2.50	1.000	57604P3Q5	2017	4,655,000	3.50	2.410	57604P3U6
2013	5,795,000	4.00	1.000	57604P3W2	2017	7,390,000	4.00	2.410	57604P4A9
2013	8,090,000	5.00	1.000	57604P4C5	2017	6,170,000	5.00	2.410	57604P4G6
2014	6,205,000	3.00	1.390	57604P3R3	2018	18,900,000	5.00	2.600	57604P4H4
2014	5,000,000	4.00	1.390	57604P3X0	2019	19,685,000	5.00	2.800	57604P4J0
2014	5,400,000	5.00	1.390	57604P4D3	2020	20,510,000	5.00	2.980	57604P4K7
2015	5,000,000	3.00	1.740	57604P3S1	2021	18,320,000	5.00	3.130*	57604P4L5
2015	6,625,000	4.00	1.740	57604P3Y8					

**\$252,595,000**

### State Revolving Fund Bonds, Series 15 Subseries 15B (Federally Taxable – Direct Pay to Issuer – Build America Bonds)

**\$252,595,000 5.192% Subseries 15B Term Bonds Due August 1, 2040 to yield 5.192%**  
**CUSIP Number<sup>†</sup>: 57604P5P5**

**\$41,990,000**

### State Revolving Fund Refunding Bonds, Series 2010A

<u>Maturity</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> <sup>†</sup>	<u>Maturity</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> <sup>†</sup>
2014	\$ 850,000	3.000%	1.340%	57604P4M3	2020	\$1,290,000	5.000%	2.930%	57604P5G5
2014	3,710,000	5.000	1.340	57604P5A8	2021	1,625,000	3.125	3.130	57604P4U5
2015	1,000,000	3.000	1.690	57604P4N1	2021	1,030,000	5.000	3.130**	57604P5H3
2015	3,905,000	5.000	1.690	57604P5B6	2022	1,235,000	3.250	3.240**	57604P4V3
2016	2,605,000	4.000	2.080	57604P4P6	2022	1,530,000	5.000	3.240**	57604P5J9
2016	2,665,000	5.000	2.080	57604P5C4	2023	420,000	3.300	3.350	57604P4W1
2017	1,045,000	4.000	2.360	57604P4Q4	2023	2,475,000	5.000	3.350**	57604P5K6
2017	1,135,000	5.000	2.360	57604P5D2	2024	260,000	3.375	3.450	57604P4X9
2018	1,105,000	4.000	2.550	57604P4R2	2024	2,780,000	5.000	3.450**	57604P5L4
2018	1,180,000	5.000	2.550	57604P5E0	2025	1,470,000	3.500	3.550	57604P4Y7
2019	1,160,000	4.000	2.750	57604P4S0	2025	1,730,000	5.000	3.550**	57604P5M2
2019	1,235,000	5.000	2.750	57604P5F7	2026	1,315,000	3.625	3.630	57604P4Z4
2020	1,230,000	4.000	2.930	57604P4T8	2026	2,005,000	5.000	3.630**	57604P5N0

\* Priced at the stated yield to the August 1, 2020 optional redemption date at a redemption price of 100%. See “THE BONDS – Terms of Payment and Redemption.”

\*\* Priced at the stated yield to the February 1, 2020 optional redemption date at a redemption price of 100%. See “THE BONDS – Terms of Payment and Redemption.”

<sup>†</sup> Copyright 2005, American Bankers Association. CUSIP data herein are provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the Trust does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

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**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**BOARD OF TRUSTEES**

Timothy P. Cahill, Chairman .....	Treasurer and Receiver-General of The Commonwealth of Massachusetts
James A. MacDonald .....	Designee of the Treasurer and Receiver-General
Jay Gonzalez .....	Secretary of the Executive Office for Administration and Finance of The Commonwealth of Massachusetts
Scott A. Jordan .....	Designee of the Secretary of the Executive Office for Administration and Finance
Laurie Burt. ....	Commissioner of the Department of Environmental Protection of The Commonwealth of Massachusetts
Steven J. McCurdy .....	Designee of the Commissioner of the Department of Environmental Protection

**SENIOR MANAGEMENT**

G. David Riedell.....	Executive Director
Patricia M. Deal .....	Treasurer
Francis G. Hart.....	Controller
Scott A. Jordan .....	Director of Finance and Administration
Steven J. McCurdy .....	Director of Program Development

**ADVISORS**

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.....	Bond Counsel
Edwards Angell Palmer & Dodge LLP .....	Program Counsel
Lamont Financial Services Corporation .....	Financial Advisor
KPMG LLP .....	Auditors
U.S. Bank National Association .....	Program Trustee
U.S. Bank National Association.....	Bond Trustee

## SUMMARY

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

Issuer:	Massachusetts Water Pollution Abatement Trust (the "Trust").
Issue:	\$444,520,000 Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 15, consisting of \$191,925,000 State Revolving Fund Bonds, Subseries 15A (the "Series 15A Bonds") and \$252,595,000 State Revolving Fund Bonds, Subseries 15B (Federally Taxable – Direct Pay to Issuer – Build America Bonds) (the "Series 15B Bonds" and together with the Series 15A Bonds, the "Series 15 Bonds"); and \$41,990,000 State Revolving Fund Refunding Bonds, Series 2010A (the "Series 2010A Bonds" and together with the Series 15 Bonds, the "Bonds").
Dated Date:	Date of Issuance.
Interest Due:	February 1 and August 1, commencing February 1, 2011.
Principal Due:	As shown on the inside cover of this Official Statement.
Redemption:	The Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein under "THE BONDS – Terms of Payment and Redemption."
Authorization:	The Trust is authorized to issue bonds under Chapter 29C of the General Laws of the Commonwealth. The Bonds will be issued pursuant to the Program Resolution and the Bond Resolution.
Security:	The Bonds are special obligations of the Trust, payable solely from the funds pledged therefor pursuant to the Program Resolution and the Bond Resolution. Neither The Commonwealth of Massachusetts nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payments of the Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS," "THE POOL SRF BONDS" and "THE BONDS."
Credit Rating:	The Bonds have been rated "AAA" by Fitch Ratings, Inc., "Aaa" by Moody's Investors Services, Inc. and "AAA" by Standard & Poor's Ratings Group. See "RATINGS."
Program:	The Trust administers the Commonwealth's SRF programs, which were authorized by federal legislation -- the Water Quality Act of 1987 for the clean water SRF and the Safe Drinking Water Act of 1996 for the drinking water SRF -- to provide financial assistance to borrowers for water pollution abatement projects and drinking water projects. The Trust's SRF programs were established to accept federal grants and required Commonwealth matching funds. The Trust applies such grants and state matching funds and other moneys available to the Trust to establish reserve funds to secure the Trust's bonds issued to fund such projects. Investment earnings on such reserve funds, together with contract assistance payments made to the Trust by the Commonwealth, are applied by the Trust to pay a portion of the debt service on the related bonds and thereby reduce the borrowers' loan repayment obligations. See "INTRODUCTORY STATEMENT."
Purpose:	The Series 15 Bonds are being issued to finance or refinance costs of certain water pollution abatement and drinking water projects for 85 governmental units or other eligible borrowers. The Series 2010A Bonds are being issued to refund certain bonds previously issued by the Trust and to finance the costs of issuing the Series 2010A Bonds. See "THE BONDS – Plan of Finance."

- Tax Matters:** In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described in the Official Statement, interest on the Series 15A Bonds and the Series 2010A Bonds will not be included in the gross income of holders of such Series 15A Bonds and Series 2010A Bonds for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code. Interest on the Series 2010A Bonds, but not the Series 15A Bonds, will be included in adjusted current earnings when calculating corporate alternative minimum taxable income under section 56(g) of the Code. Bond Counsel is also of the opinion that, under existing law, interest on the Series 15B Bonds will not be excluded from the gross income of holders of such Series 15B Bonds for federal income tax purposes. Bond Counsel is further of the opinion that, under existing law, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See “TAX MATTERS.”
- Book-Entry Form:** The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds. See “APPENDIX H – THE DEPOSITORY TRUST COMPANY.”
- Additional Information:** Questions regarding this Official Statement or requests for additional information concerning the Trust should be directed to G. David Riedell, Executive Director, Massachusetts Water Pollution Abatement Trust, 3 Center Plaza, Suite 430, Boston, Massachusetts 02108, (617) 367-9333.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## OFFICIAL STATEMENT

Relating to

**\$444,520,000**

**State Revolving Fund Bonds, Series 15**

consisting of

**\$191,925,000 Subseries 15A**

and

**\$252,595,000 Subseries 15B**

**(Federally Taxable – Direct Pay To Issuer – Build America Bonds)**

**\$41,990,000**

**State Revolving Fund Refunding Bonds, Series 2010A**

## INTRODUCTORY STATEMENT

This Official Statement (which includes the cover page and the Appendices hereto) is furnished by the Massachusetts Water Pollution Abatement Trust (the “Trust”) to provide information concerning the Trust’s \$444,520,000 State Revolving Fund Bonds, Series 15, consisting of \$191,925,000 State Revolving Fund Bonds, Subseries 15A (the “Series 15A Bonds”) and \$252,595,000 State Revolving Fund Bonds, Subseries 15B (Federally Taxable – Direct Pay To Issuer – Build America Bonds) (the “Series 15B Bonds” and together with the Series 15A Bonds, the “Series 15 Bonds”), and the Trust’s \$41,990,000 State Revolving Fund Refunding Bonds, Series 2010A (the “Series 2010A Bonds” and together with the Series 15 Bonds, the “Bonds”), together with information about the Trust’s State Revolving Fund (“SRF”) programs. The Series 15A Bonds and the Series 2010A Bonds are sometimes referred to collectively as the “Tax-Exempt Bonds.” Capitalized terms not otherwise defined in this Official Statement shall have the meanings set forth in Appendix A hereto.

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

### Overview of Trust SRF Program

As described more fully herein, since 1993 the Trust has provided loans under its various SRF bond financing programs across the Commonwealth to 288 borrowers in an aggregate amount of approximately \$5.1 billion, including the loans to be funded with the Bonds. Such borrowers include local governments, public authorities and certain private entities throughout the Commonwealth, each of which is referred to as a “borrower.” To date, no borrower has defaulted on any of its loan payments. The borrower loan payments are subsidized by earnings on reserve funds, which are funded in an amount equal to between 33% and 50% of the outstanding principal amount of the loans or related bonds from time to time outstanding, and by Commonwealth assistance payments to the Trust. The Commonwealth’s obligation to make such assistance payments to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged.

### State Revolving Funds

**Purpose of SRFs.** The Trust administers the Commonwealth’s SRF programs, which were authorized by federal legislation -- the Water Quality Act of 1987 for the clean water SRF and the Safe Drinking Water Act of 1996

for the drinking water SRF -- to provide financial assistance to borrowers for water pollution abatement projects and drinking water projects. The Trust's SRF programs were established to accept federal grants and required Commonwealth matching funds in an amount equal to approximately 20% of the federal grants. The Trust applies such grants and state matching funds and other moneys available to the Trust ("SRF program funds") to reduce financing costs for its borrowers by establishing reserve funds to secure the Trust's bonds issued to fund such projects, and by applying investment earnings on such reserve funds to pay a portion of the debt service on the related bonds, and thereby reduce the borrowers' loan repayment obligations.

**Trust SRF Bonds.** The Trust issues revenue bonds ("SRF Bonds") and uses the proceeds to make loans to borrowers to fund water pollution abatement and drinking water projects or to refund bonds previously issued by the Trust. The SRF Bonds issued to fund water pollution abatement and drinking water projects are secured by reserve funds funded by SRF program funds, and are payable from borrower loan repayments, reserve fund earnings and payments made by the Commonwealth to the Trust on behalf of the borrowers, together with earnings thereon. SRF Bonds issued to refund a portion of prior SRF Bonds are payable from, and secured by, excess borrower loan repayments and Commonwealth payments not needed to pay any unrefunded portion of such prior SRF Bonds, subject to the prior pledge of such amounts to such unrefunded portions of prior SRF Bonds and any other SRF Bonds previously issued to refund another portion of such prior SRF Bonds.

**Sizing of Reserves.** The Trust allocates SRF program funds to establish reserve funds in an amount equal to a given percentage of the related SRF Bonds or loans outstanding from time to time. Depending on the type of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled, the Trust initially sizes the reserve funds for its SRF Bonds in an amount equal to between 33% and 50% of the original principal amount of the related loans.

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

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

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

**Revolving Nature of SRF Programs.** The SRF programs are called the State *Revolving* Fund programs because as borrowers pay down the principal balances of their loans or as the Trust pays principal on its SRF Bonds, proportional amounts are released from the reserves pledged to secure the related SRF Bonds and returned to the Trust. The Trust then re-uses that money to establish new reserve funds for new SRF Bonds or for other eligible purposes.



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

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

- **Pool SRF Bonds** issued to provide financial assistance to borrowers, as more fully described below under the heading "The Pool SRF Bonds." As of the date hereof, the Trust has Pool SRF Bonds outstanding under the clean water SRF and the drinking water SRF in the approximate principal amounts of \$2.37 billion and \$683 million, respectively. Approximately \$317.6 million of the Series 15 Bond proceeds will be applied to fund loans under the clean water SRF and approximately \$150.8 million of the Series 15 Bond proceeds will be applied to fund loans under the drinking water SRF.
- **MWRA SRF Bonds** issued to provide financial assistance to the Massachusetts Water Resources Authority ("MWRA"). As of the date hereof, the Trust has MWRA SRF Bonds outstanding under the clean water SRF and the drinking water SRF in the approximate principal amounts of \$106.3 million and \$12 million, respectively. The MWRA also is a borrower under the Trust's Pool Program.
- **SESD SRF Bonds** issued to provide financial assistance to the South Essex Sewerage District ("SESD"). As of the date hereof, the Trust has SESD SRF Bonds outstanding under the clean water SRF in the approximate principal amount of \$6.4 million. SESD also is a borrower under the Trust's Pool Program.
- **New Bedford SRF Bonds** issued to provide financial assistance to the City of New Bedford. As of the date hereof, the Trust has New Bedford SRF Bonds outstanding under the clean water SRF in the approximate principal amount of \$99.5 million. A portion of the proceeds of the Series 2010A Bonds is expected to be applied to refund a portion of outstanding New Bedford SRF Bonds. The City of New Bedford also is a borrower under the Trust's Pool Program.

To date, the Trust has issued SRF Bonds for each of these programs under separate bond resolutions. Each issue of Pool SRF Bonds, including the Bonds, also is issued under a bond resolution separate from other issues of Pool SRF Bonds. The Bonds will be issued under the Trust's Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of \$444,520,000 State Revolving Fund Bonds, Series 15, consisting of \$191,925,000 State Revolving Fund Bonds, Subseries 15A, and \$252,595,000 State Revolving Fund Bonds, Subseries 15B (Federally Taxable – Direct Pay To Issuer – Build America Bonds), and \$41,990,000 State Revolving Fund Refunding Bonds, Series 2010A, adopted by the Trust on June 28, 2010 (the "Bond Resolution").

The Trust also uses its SRF program funds to provide interim loans to borrowers on a temporary basis in anticipation of the issuance of SRF Bonds. As of the date hereof, the Trust has \$174 million of interim loans outstanding, \$156.7 million of which are expected to be refinanced with a portion of the Series 15 Bond proceeds.

## **SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS**

### **Special Obligations**

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

## Sources of Payment

The debt service on the Trust's SRF Bonds issued to fund water pollution abatement and drinking water projects is expected to be paid from a combination of three sources: (i) borrower loan repayments; (ii) earnings on reserve funds, if any, established for such SRF Bonds; and (iii) payments provided by the Commonwealth pursuant to the Act and the Commonwealth Assistance Contract described below and interest earnings, if any, thereon. Debt service on the Bonds is also payable from the Federal Subsidy Payments received with respect to the Series 15B Bonds as described below under "THE BONDS – Designation of Series 15B Bonds as Build America Bonds." Prior to the issuance of a series of SRF Bonds, the Trust must certify that the borrower loan repayments, reserve fund earnings, Commonwealth assistance payments and other moneys expected to be available to pay the debt service on such SRF Bonds are in the aggregate at least sufficient to pay, when due, such debt service.

- **Loan Repayments.** Each borrower is obligated to repay the principal amount of its loan at a subsidized interest rate of 2% or less, depending on the subsidy level to which each borrower is entitled. Certain borrowers with loan terms greater than 20 years may have a subsidized interest rate in excess of 2% in order to provide sufficient cash flow to pay the net additional interest expense on the related SRF Bonds that results from extending the term of the financing beyond 20 years. Payments on borrower loans to be funded with proceeds of the Series 15 Bonds are due to the Trust fifteen (15) days in advance of debt service payments on the Series 15 Bonds. Along with certain other Commonwealth agencies, the Trust has the right to intercept local aid payments made by the Commonwealth to a city or town if such city or town fails to make its payments under its financing agreement as described more fully herein. See "SECURITY FOR THE BORROWER OBLIGATIONS" for a description of the security and sources of payment for the local bonds issued by the borrowers.
- **SRF Reserve Investment Earnings.** The Trust uses SRF program funds to establish reserve funds for each series of SRF Bonds issued to fund water pollution abatement and drinking water projects in an amount initially equal to between 33% and 50% of the original principal amount of the related loans or SRF Bonds, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled. Except as described below, reserve funds are not established for SRF Bonds issued to refund prior SRF Bonds, including the Series 2010A Bonds. Earnings on the reserve funds are applied to pay a portion of the debt service on the related series of SRF Bonds. On each date that the Trust pays down the principal amount of a series of SRF Bonds or borrowers pay down the principal amount of the related loans, the amount held in the related reserve fund is reduced proportionately. See "SRF Reserves" below.

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

The investment agreements for the debt service reserve funds securing all SRF Bonds to date have been with providers (or a guarantor of such providers' obligations) rated at the time of execution of such agreements at least "AA-" by Standard & Poor's Ratings Group ("Standard & Poor's") and "Aa3" by Moody's Investors Services, Inc. ("Moody's"). See Appendix G - "Table of Debt Service Reserve Fund Investment Providers." In addition, each investment agreement to date has required that the obligations of the provider be collateralized either upon execution of such agreement or upon the happening of certain events, and at all times thereafter, by securities or other obligations issued or guaranteed by the United States, by certain federal agencies or corporations or, in some cases, by corporate or municipal issuers rated "AAA" by Standard & Poor's and "Aaa" by Moody's, with a market value sufficient to ensure that there is no adverse effect on the ratings on the related SRF Bonds. The collateral securities, if any, are held by the Bond Trustee or a third-party collateral agent for the account of the Bond Trustee and may be liquidated by the Bond Trustee upon any payment default by a provider under the related investment agreement. Upon

any payment default by a provider, such provider is obligated to reimburse the Trust (either directly or through the sale of collateral) for any unpaid principal and accrued interest on the investment agreement and for any loss realized by the Trust upon reinvestment. Investment agreements entered into in connection with the issuance of SRF Bonds in the future may have different ratings or collateralization requirements than those described above. The debt service reserve fund for the Bonds will be invested in Investment Obligations with terms sufficient to maintain the ratings on the Bonds and to provide investment earnings which, together with other amounts pledged to the Bonds, will be adequate to pay the debt service due on the Bonds.

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

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

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

Payments under the Commonwealth Assistance Contract are made during the first twenty years of the term of the applicable series of SRF Bonds. For certain SRF Bonds with a term greater than twenty years, portions of the Commonwealth’s assistance payments received in the first twenty years are in some cases deposited in a subsidy fund held under the related bond resolution and invested in investment agreements or other instruments with provisions similar to those described above for the investment of reserve funds. The amounts deposited in the subsidy funds and the related investment earnings are used to pay debt service on the related SRF Bonds after the first twenty years. The Trust does not expect to establish a subsidy fund for the Bonds.

## **SRF Reserves**

Each series of SRF Bonds issued to fund water pollution abatement and drinking water projects is secured by a reserve fund held under the applicable bond resolution funded from SRF program funds. Pool SRF Bonds are further secured by the Pool Program Reserve Fund and all SRF Bonds are further secured by the Deficiency Fund, both held under the Program Resolution, all as further described below.

- **Reserve Funds.** The Trust uses SRF program funds to fund a reserve fund for each series of SRF Bonds issued to fund water pollution abatement and drinking water projects in an amount initially equal to between 33% and 50% of the original principal amount of the related loans or SRF Bonds, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled. The reserve funds are available to cure or prevent any default in the payment of debt service on the related series of SRF Bonds, or, if applicable, on any scheduled payments due from the Trust pursuant to an interest rate hedge agreement in accordance with the applicable bond resolution.

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

The reserve funds, if any, securing future series of SRF Bonds may be funded at levels greater than or less than the levels applicable to the outstanding SRF Bonds. If such future reserve funds for a series of Pool SRF Bonds are funded at levels less than the levels applicable to the outstanding Pool SRF Bonds, the Trust is required to obtain a confirmation from each rating agency then rating the outstanding Pool SRF Bonds that such reduction will not by itself cause such rating agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool SRF Bonds. See Appendix B - "Summary of Certain Provisions of the Program Resolution - Conditions Precedent to Securing Program Bonds under Program Resolution."

**2004 Debt Service Reserve Fund.** Unlike other SRF Bonds, the Trust's Pool Program Refunding Bonds, Series 2004A and 2004B (the "2004 Refunding Bonds"), which were issued to refund portions of several series of SRF Bonds, are secured by a reserve fund (the "2004 Debt Service Reserve Fund") which was funded from proceeds of the 2004 Refunding Bonds and will be maintained in an amount equal to 10% of the principal amount of the 2004 Refunding Bonds outstanding from time to time. Amounts in the 2004 Debt Service Reserve Fund are available to pay debt service on the 2004 Refunding Bonds to the extent of any deficiency in the debt service fund for the 2004 Refunding Bonds following application to such purpose of available amounts in the Pool Program Reserve Fund and the Deficiency Fund. Amounts released from the 2004 Debt Service Reserve Fund are applied to the payment of debt service on the 2004 Refunding Bonds, and are not transferred to the Pool Program Reserve Fund.

- **Pool Program Reserve Fund.** The Pool Program Reserve Fund is held by the Program Trustee under the Program Resolution. As amounts are released from each reserve fund securing a series of Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund), together with certain amounts released from the reserve funds securing SESD SRF Bonds, MWRA SRF Bonds and New Bedford SRF Bonds which have been refunded in part by Pool SRF Bonds, such amounts are transferred to the Pool Program Reserve Fund. The Pool Program Reserve Fund is pledged to secure all Pool SRF Bonds on a parity basis, including the Bonds, as well as scheduled payments payable by the Trust pursuant to any interest rate hedge agreement with respect to Pool SRF Bonds, in accordance with the Program Resolution.

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

- **Deficiency Fund.** The Deficiency Fund is held by the Program Trustee under the Program Resolution. As amounts are released from each reserve fund securing the MWRA SRF Bonds, the SESD SRF Bonds and the New Bedford SRF Bonds (other than those amounts from such reserve funds first transferred to the Pool Program Reserve Fund), such amounts are transferred to the Deficiency Fund, together with funds released from the Pool Program Reserve Fund. The Deficiency Fund secures all SRF Bonds issued by the Trust on a parity basis, including the Bonds, as well as scheduled payments payable by the Trust pursuant to any interest rate hedge agreement, in accordance with the Program Resolution.

Amounts in the Deficiency Fund are available to pay debt service on any series of SRF Bonds, or if applicable, scheduled payments payable by the Trust pursuant to any interest rate hedge agreement, to the

extent that there are insufficient funds available in the related reserve fund to make such payment. In addition, amounts necessary to satisfy a deficiency in any reserve fund for a series of SRF Bonds are held in the Deficiency Fund to the extent amounts in the Deficiency Fund are sufficient to satisfy such deficiency. Amounts not required to be used or held in the Deficiency Fund are promptly transferred to the applicable Equity Fund. The Equity Funds are not pledged as security for any SRF Bonds.

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

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

### **Derivative Transactions**

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

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

For further information regarding the 2006 Swap Agreements, reference is made to the audited financial statements of the Trust for the fiscal year ended June 30, 2009 which have been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission.

### **THE POOL SRF BONDS**

The Bonds will be the eighteenth and nineteenth series of SRF Bonds issued by the Trust under its Pool SRF Bond program. The Pool SRF Bonds previously issued by the Trust consist of seventeen series issued in the original aggregate principal amount of \$5.1 billion between 1993 and 2009, of which approximately \$1.47 billion was issued to refund portions of certain series of prior Pool SRF Bonds, together with a portion of the SESD SRF Bonds and MWRA SRF Bonds. Upon the issuance of the Bonds, the aggregate outstanding principal amount of Pool SRF Bonds will be approximately \$3.8 billion. The Trust expects to issue additional SRF Bonds under the Pool SRF Bond program; however, the timing and amounts of such issuances have not been determined.

As described above, Pool SRF Bonds are payable in part from borrower loan repayments made pursuant to financing agreements, and are secured by local bonds issued by each related borrower and by the rights of the Trust in the related financing agreements. See Appendix C - "Pool SRF Bonds - Borrowers" for a description of the Pool Borrowers following issuance of the Bonds. Upon the issuance of the Bonds, approximately 67.8% in aggregate principal amount of the outstanding loans funded by Pool SRF Bonds will be general obligations of the related borrowers under the Pool SRF program, payable from general revenues, including, but not limited to, ad valorem taxes, and approximately 32.2% in aggregate principal amount of the outstanding loans funded by Pool SRF Bonds will be

revenue obligations payable solely from water and wastewater revenues of the related borrowers. See “SECURITY FOR THE BORROWER OBLIGATIONS.”

As further described above, each series of Pool SRF Bonds is also payable in part from investment earnings on the related reserve fund, and Commonwealth assistance payments, together with investment earnings thereon. Upon the issuance of the Bonds, assuming the receipt of all such revenues, approximately 77.4% of the aggregate future debt service on the Pool SRF Bonds is expected to be paid from payments received from borrowers, approximately 11.9% is expected to be paid from Commonwealth assistance payments and investment earnings on certain of such payments and approximately 10.7% is expected to be paid from investment earnings on the reserve funds. See Appendix D -- “Pool SRF Bonds Debt Service and Pool Program Reserve Fund” for a table setting forth the expected sources of payment of debt service on the Pool SRF Bonds.

## **THE BONDS**

### **Special Obligations**

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

### **Plan of Finance**

The Series 15 Bonds are being issued to fund water pollution abatement projects and drinking water projects to the 85 borrowers described in Appendix C hereto. Proceeds of the Series 15 Bonds in the amount of \$317.6 million are expected to be applied to fund loans for projects under the clean water SRF and \$150.8 million of Series 15 Bond proceeds are expected to be applied to fund loans for projects under the drinking water SRF. All of the proceeds of the Series 15 Bonds will be used to fund such loans upon delivery of the Series 15 Bonds. The Trust anticipates expending all of the proceeds of the Series 15 Bonds within two years of such delivery. If there are unexpended funds left in a project account upon completion of the related project, the unexpended funds will be used to prepay a portion of the related loan and applied to fund costs of other eligible projects for the applicable borrower or costs of eligible projects for other borrowers within such two year period. See Appendix B - “Summary of Certain Provisions of the Bond Resolution - Application of Project Fund.”

The Series 2010A Bonds are being issued (i) to refund on current basis, a portion of the Trust's Subordinate Revenue Refunding Bonds (New Bedford Program), 1998 Series A (the “1998 New Bedford Bonds”) issued pursuant to the Trust's Water Pollution Abatement Project Bond Resolution (New Bedford Program) adopted June 20, 1996 (as amended, the “Prior Bond Resolution”) and (ii) to finance the costs of issuing the Series 2010A Bonds. The 1998 New Bedford Bonds were previously issued to refund a portion of the Trust's Water Pollution Abatement Revenue Bonds (New Bedford Loan Program), 1996 Series A (the “1996 New Bedford Bonds”) which were originally issued to fund two loans (the “1996 New Bedford Loans”) to the City of New Bedford (the “Prior Borrower”) to finance costs of water pollution abatement projects. The 1998 New Bedford Bonds, together with the 1996 New Bedford Bonds are referred to herein as the “Prior Bonds”. The 1996 New Bedford Bonds are secured by and payable from payments by the Prior Borrower under obligations originally funded by the 1996 New Bedford Bonds (the “1996 New Bedford Local Governmental Obligations”), earnings on the debt service reserve fund for the 1996 New Bedford Bonds and certain related payments provided by the Commonwealth, and in some cases, earnings on such Commonwealth payments (collectively, the “New Bedford Bond Revenues”). The 1998 New Bedford Bonds are payable from the New Bedford Bond Revenues, other than earnings on the debt service fund for the 1996 New Bedford Bonds, but only to the extent not needed to pay principal of and interest on the unrefunded portion of the 1996 New Bedford Bonds. The portion of the 1998 New Bedford Bonds that will remain outstanding after issuance of the Series 2010A Bonds, together with the portion of the 1996 New Bedford Bonds that remain outstanding are referred to herein as the “Unrefunded Prior Bonds.” See “Pledge Pursuant to the Bond Resolution” below.

Upon the issuance of the Series 2010A Bonds and the application of the proceeds thereof to refund a portion of the 1998 New Bedford Bonds (the “Refunded 1998 New Bedford Bonds”), the New Bedford Bond Revenues

allocable to the 1996 New Bedford Local Governmental Obligations will be substantially greater than the principal and interest payable on the Unrefunded Prior Bonds. Such Unrefunded Prior Bonds are expected to be paid from earnings on the debt service reserve fund for the 1996 New Bedford Bonds, a portion of the payments by the Prior Borrower, a portion of Commonwealth payments related to the 1996 New Bedford Bonds, and in some cases, earnings on such Commonwealth payments. Payments by the Prior Borrower and the Commonwealth payments not needed to pay debt service on the Unrefunded Prior Bonds will be applied to pay principal of and interest on the Bonds. See Appendix I – “Table of Refunded 1998 New Bedford Bonds” for a description of the Prior Bonds to be refunded.

Upon authentication and delivery of the Bonds, proceeds of the Series 2010A Bonds and other funds available to the Trust in an aggregate amount sufficient to pay the principal of, redemption premium and interest payable on the Refunded 1998 New Bedford Bonds prior to and on the redemption date thereof will be deposited with the trustee for the Refunded 1998 New Bedford Bonds (the “1998 New Bedford Bond Trustee”). Upon deposit of the foregoing amounts with the 1998 New Bedford Bond Trustee, the Refunded 1998 New Bedford Bonds will be defeased under the Prior Bond Resolution and will no longer be outstanding under or secured by the pledge created by the Prior Bond Resolution for the benefit of the Refunded 1998 New Bedford Bonds, but will be payable solely from the amounts held by the 1998 New Bedford Bond Trustee.

The following table sets forth the New Bedford Bond Revenues that are expected to be received by the Trust following the issuance of the Series 2010A Bonds and to be available for application to pay the principal of and interest on all Unrefunded Prior Bonds, and, together with other available revenues, the Bonds.

**DEBT SERVICE PAYMENTS ON THE PRIOR BONDS AND THE BONDS**

Fiscal Year <sup>1</sup>	Prior Bonds		Bonds			
	Revenues allocable to Prior Bonds <sup>2</sup>	Prior Bonds Debt Service <sup>3</sup>	Amounts available to pay debt service on the Bonds transferred to the Bond Trustee <sup>4</sup>	Revenues allocable to the Series 15 Bonds <sup>5</sup>	Total Revenues and Prior Bond Revenues available to pay debt service on the Bonds	Bonds Debt Service
2011	\$9,860,616.25	\$7,609,035.00	\$1,125,790.62 <sup>4</sup>	\$12,099,293.71 <sup>5</sup>	\$13,225,084.33	\$13,155,812.49
2012	9,744,448.75	7,492,867.50	2,251,581.25	34,834,039.33	37,085,620.58	36,512,354.90
2013	9,630,991.25	7,379,410.00	2,251,581.25	36,502,645.24	38,754,226.49	38,266,429.90
2014	9,509,786.25	2,548,205.00	6,961,581.25	36,358,666.35	43,320,247.60	42,683,067.40
2015	9,386,786.78	2,291,595.00	7,095,191.78	36,209,829.90	43,305,021.68	42,668,404.90
2016	9,256,826.50	2,017,240.00	7,239,586.50	36,056,265.49	43,295,851.99	42,650,204.90
2017	9,082,435.87	5,211,850.00	3,870,585.87	35,867,710.30	39,738,296.17	39,137,079.90
2018	9,025,533.80	5,091,550.00	3,933,983.80	35,704,465.79	39,638,449.59	38,984,217.40
2019	8,906,631.35	4,964,112.50	3,942,518.85	35,535,448.42	39,477,967.27	38,820,004.90
2020	8,776,198.98	4,829,775.00	3,946,423.98	35,359,759.63	39,306,183.61	38,657,229.90
2021	8,646,350.00	4,683,775.00	3,962,575.00	35,176,730.13	39,139,305.13	38,498,654.90
2022	8,521,900.00	4,551,587.50	3,970,312.50	34,935,397.19	38,905,709.69	38,267,743.66
2023	8,393,425.00	4,412,500.00	3,980,925.00	34,472,951.64	38,453,876.64	37,844,365.76
2024	8,260,687.50	4,271,750.00	3,988,937.50	33,798,527.76	37,787,465.26	37,182,444.36
2025	8,118,450.00	4,114,337.50	4,004,112.50	33,109,328.91	37,113,441.41	36,505,046.96
2026	7,976,712.50	3,990,975.00	3,985,737.50	32,054,841.10	36,040,578.60	35,431,119.76
2027				31,304,563.43	31,304,563.43	31,221,388.20
2028				30,568,291.46	30,568,291.46	30,484,394.20
2029				29,549,957.61	29,549,957.61	29,468,189.80
2030				28,804,161.41	28,804,161.41	28,721,996.20
2031				28,042,143.33	28,042,143.33	27,958,025.40
2032				5,208,185.19	5,208,185.19	5,152,713.80
2033				5,107,292.78	5,107,292.78	5,058,003.00
2034				5,004,074.72	5,004,074.72	4,954,268.40
2035				4,898,534.63	4,898,534.63	4,851,510.00
2036				4,790,596.99	4,790,596.99	4,744,598.00
2037				4,680,259.08	4,680,259.08	4,633,532.40
2038				4,567,447.03	4,567,447.03	4,523,183.40
2039				4,452,087.69	4,452,087.69	4,408,421.20
2040				4,334,178.63	4,334,178.63	4,289,245.80
2041				4,213,645.21	4,213,645.21	4,170,527.40
<b>Total*</b>	<u>\$143,097,780.78</u>	<u>\$75,460,565.00</u>	<u>\$66,511,425.15</u>	<u>\$733,601,320.08</u>	<u>\$800,112,745.23</u>	<u>\$789,904,179.19</u>

1. The Payment Dates for the Prior Borrower Obligations and the debt service payment dates for the Prior Bonds are August 1 and February 1 of each Fiscal Year. Borrower Payments are due not less than five business days in advance of each Payment Date.
  2. Includes earnings on Debt Service Reserve Fund for the 1998 New Bedford Bonds and takes into account holdback and investment of certain revenues, some of which are only available to pay debt service on the 1998 New Bedford Bonds.
  3. Assumes issuance of the Bonds and application of a portion of the proceeds thereof to refund the Refunded 1998 New Bedford Bonds.
  4. Excludes amounts to be applied to pay a portion of the debt service on the Refunded 1998 New Bedford Bonds on August 1, 2010.
  5. Includes additional Trust funds of \$1,800,000 to be applied to pay a portion of the interest payable on the Bonds on February 1, 2011 pending receipt of payments from borrowers.
- \* Total amounts may not add due to rounding.



**Sources and Uses of Funds**

Series 15 Bonds. It is anticipated that the proceeds of the Series 15 Bonds, and the SRF program funds and Trust funds to be allocated thereto, will be applied as follows:

<b>Sources</b>	<u>Series 15A Bonds</u>	<u>Series 15B Bonds</u>	<u>Total</u>
Par amount of the Series 15 Bonds .....	\$191,925,000	\$252,595,000	\$444,520,000
Net Original Issue Premium .....	23,853,054	0	23,853,054
SRF Program Funds (1) .....	69,177,750	90,677,000	159,854,750
Trust Administrative Funds (2) .....	1,131,961	1,886,590	3,018,551
Additional Trust Funds(3) .....	<u>830,954</u>	<u>969,046</u>	<u>1,800,000</u>
Total Sources .....	<u>\$286,918,719</u>	<u>\$346,127,636</u>	<u>\$633,046,355</u>
<b>Uses</b>			
Project Costs(4) .....	\$215,777,836	\$252,594,731	\$468,372,567
Deposit to Debt Service Reserve Fund(1).....	69,177,750	90,677,000	159,854,750
Deposit to Debt Service Fund (3).....	830,954	969,046	1,800,000
Costs of Issuance .....	277,031	324,313	601,344
Underwriters' compensation .....	<u>855,148</u>	<u>1,562,546</u>	<u>2,417,694</u>
Total Uses .....	<u>\$286,918,719</u>	<u>\$346,127,636</u>	<u>\$633,046,355</u>

- (1) This amount represents the aggregate amount of SRF program funds which are expected to be deposited in the Debt Service Reserve Fund from SRF program funds upon the issuance of the Series 15 Bonds.
- (2) This amount will be applied to pay costs of issuance, including the Underwriters' compensation.
- (3) This amount will be applied to pay a portion of the interest payable on the Bonds on February 1, 2011 pending receipt of payments from borrowers.
- (4) Includes repayment of Interim Loans by certain borrowers with a portion of the proceeds of the Series 15 Bonds.

Series 2010A Bonds. It is anticipated that the proceeds of the Series 2010A Bonds and Trust funds to be allocated thereto, will be applied as follows:

<b>Sources</b>	<u>Series 2010A Bonds</u>
Par amount of the Series 2010A Bonds.....	\$41,990,000
Net Original Issue Premium .....	4,521,021
Additional Trust Funds(5).....	<u>1,125,791</u>
Total Sources.....	<u>\$47,636,812</u>
<b>Uses</b>	
Payment and Redemption of the Refunded 1998 New Bedford Bonds.....	\$47,370,826
Costs of Issuance.....	59,234
Underwriters' compensation.....	<u>206,752</u>
Total Uses.....	<u>\$47,636,812</u>

- (5) This amount will be applied to pay a portion of the debt service on the Refunded 1998 New Bedford Bonds pending receipt of payments from the Prior Borrower and the Commonwealth.

**Designation of Series 15B Bonds as Build America Bonds**

The Trust intends to elect to treat the Series 15B Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and to receive a cash subsidy from the United States Treasury (“Federal Subsidy Payments”) in connection therewith. As a result of such elections, interest on the Series 15B Bonds will be included in the gross income of holders thereof for federal income tax purposes, and the holders will not be entitled to any federal tax credits as to Build America Bonds in connection with their holding of Series 15B Bonds. Pursuant to the Recovery Act, the Trust will be entitled to receive Federal Subsidy Payments equal

to 35% of the interest payable on the Series 15B Bonds, provided the Trust makes certain required filings in accordance with applicable federal rules pertaining to the Federal Subsidy Payments. Federal tax law imposes certain requirements for qualification of the Series 15B Bonds as Build America Bonds, including that interest on such Series 15B Bonds would be, but for the Trust's election, excludable from gross income for federal income tax purposes. There can be no assurance that the Series 15B Bonds will qualify as Build America Bonds nor as to the receipt, or timing of receipt, of Federal Subsidy Payments. Such Federal Subsidy Payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Trust to the federal government and its agencies. The Trust is obligated to make payments of the principal of and interest on the Series 15B Bonds whether or not it receives Federal Subsidy Payments.

### **Pledge Pursuant to the Bond Resolution**

Pursuant to the Bond Resolution, the Trust has assigned and pledged to the Bond Trustee as security for the payment of the Bonds: (1) all Revenues, (2) all rights and interests of the Trust in and to all Loans and Local Governmental Obligations of the borrowers and all rights and interests of the Trust under the financing agreements therefor (other than its rights of indemnification and reimbursement and its right to receive administrative fees and origination fees thereunder), (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement, any other Grant Agreement and, except as otherwise provided in the Bond Resolution, the Commonwealth Assistance Contract) and all rights and interests of the Trust incident thereto and the proceeds thereof, and (4) all amounts held in all funds and accounts under the Bond Resolution (other than the Rebate Fund), whether any of the foregoing is now existing or hereafter acquired, subject only to the provisions of the Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein. Revenues include repayments by the borrowers allocable to the Series 15 Bonds, Commonwealth assistance payments, Federal Subsidy Payments allocable to the Series 15B Bonds, and all earnings on the reserve fund and other funds held under the Bond Resolution. As further security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds, subject to the prior pledge thereof for the benefit of the Owners of the Unrefunded Prior Bonds, the Trust has pledged and granted a security interest, which is subordinate to the security interest held by the owners of the Unrefunded Prior Bonds as described above under "THE BONDS – Plan of Finance", in (1) the Prior Bond Revenues and (2) all rights and interests of the Trust in and to all Prior Loans, Prior Local Governmental Obligations and all rights and interests of the Trust under the Financing Agreements therefor (other than its rights of indemnification and reimbursement and its right to receive Administrative Fees thereunder) or otherwise incident thereto and the proceeds thereof, whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Prior Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein. The Prior Bond Revenues include a portion of the repayments by the Prior Borrower and Commonwealth assistance payments allocable to the Prior Loans. See Appendix A - "Definitions of Certain Terms" and Appendix B - "Summary of Certain Provisions of the Bond Resolution -- Pledge of the Bond Resolution."

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

Subject to the limitations provided in the Bond Resolution and in accordance with the Program Resolution, the payment of the principal of, premium if any, and interest on the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided in the Bond Resolution and the Program Resolution, (2) the Deficiency Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided in the Bond Resolution and the Program Resolution, (3) the Leveraged Bond Fund established under the Program Resolution and all amounts from time to time on deposit therein and available for the payment of the Bonds, but solely to the extent and in the manner provided in the Bond Resolution and in the Program Resolution, and (4) the Commonwealth Assistance Contract, subject to the application of all Contract Assistance Payments thereunder as provided in the Bond Resolution and other bond resolutions for SRF Bonds, and in the related contract assistance determinations and to the lien on and pledge of such Contract Assistance Payments created by and pursuant to the Bond Resolution and other bond resolutions for SRF Bonds. See Appendix A - "Definitions of Certain Terms" and Appendix B - "Summary of Certain Provisions of the Program Resolution -- Pledge of the Program Resolution."

## **Debt Service Reserve Fund**

The Trust will deposit SRF program funds in the reserve fund (the “Debt Service Reserve Fund”) established under the Bond Resolution for the Bonds in an amount initially equal to 35.96% of the original principal amount of the Series 15 Bonds. The amount to be deposited in the Debt Service Reserve Fund will be funded from available amounts under the clean water SRF program and the drinking water SRF program, as applicable.

Amounts in the Debt Service Reserve Fund are available to cure or prevent any default in the payment of debt service on the Bonds. By 1:00 p.m. on any day which is two Business Days prior to any interest or principal payment date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the debt service payments on the Bonds that will not be paid due to a shortfall in revenues for the Bonds or that will be paid from amounts on deposit in the Debt Service Reserve Fund due to such shortfall. To the extent that sufficient amounts are not available in the Debt Service Reserve Fund for such purpose, such notice shall include a request for amounts from the Pool Program Reserve Fund, and, if necessary, the Deficiency Fund, as described under “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS -- SRF Reserves.” See Appendix B - “Summary of Certain Provisions of the Bond Resolution -- Application of the Debt Service Fund; Application of the Debt Service Reserve Fund.”

As principal on the Bonds is paid, a proportional amount will be released from the Debt Service Reserve Fund and transferred to the Pool Program Reserve Fund. See the definition of “Equity Requirement” in Appendix A for a description of the amounts that the Trust expects to maintain in the Debt Service Reserve Fund from time to time.

## **Investment of Debt Service Reserve Fund**

In order to maintain the ratings on the Bonds and to assure the receipt of investment earnings in amounts and at times sufficient to provide adequate Debt Service Reserve Fund earnings to pay the applicable amount of debt service on the Bonds, the Trust expects to invest all amounts held and to be held in the Debt Service Reserve Fund in Investment Obligations at or prior to the delivery of the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Sources of Payment – *SRF Reserve Investment Earnings – Investment of Reserve Funds.*”

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

**Revenue Fund.** The Bond Trustee shall hold all local bonds issued by borrowers to secure loans funded from proceeds of the Series 15 Bonds for the credit of the Revenue Fund established by the Bond Resolution. The Bond Trustee shall deposit in the Revenue Fund all payments received from the borrowers and the Commonwealth for loans funded with the proceeds of the Series 15 Bonds, all Federal Subsidy Payments allocable to the Series 15B Bonds and all earnings on the Debt Service Reserve Fund and certain other funds held under the Bond Resolution. The Bond Trustee shall also deposit in the Revenue Fund all Prior Bond Revenues and other amounts transferred to the Bond Trustee in accordance with the Bond Resolution. On or before each principal or interest payment date on the Bonds, the Bond Trustee shall withdraw from the Revenue Fund and transfer to the Debt Service Fund the amounts, if any, required to provide for the interest and principal on the Bonds due on such date.

Following the deposit to the Debt Service Fund, the Bond Trustee shall transfer any balance remaining in the Revenue Fund: **first**, to the Program Trustee in an amount sufficient to reimburse either the clean water SRF or the drinking water SRF, as applicable, for any prior draw on any fund or account under the Program Resolution to cure a default in a source of revenues related to the Series 15 Bonds to the extent of revenues received in satisfaction of such default or to cure a default in a source of revenues related to the Prior Bonds, but only to the extent of any payments under any of the prior loans related to the Prior Bonds (or any prior debt service reserve fund earnings or invested Commonwealth payments held for such Prior Bonds, if so directed by the Trust) received in satisfaction of such default; **second**, to the Debt Service Reserve Fund in an amount sufficient to reimburse it for any draw thereon to cure a default in a source of revenues related to the Bonds to the extent of revenues received in satisfaction of such default; and **third**, to the redemption fund, if so directed by the Trust.

The Bond Resolution permits the Trust to direct the Bond Trustee to pay all or any portion of amounts remaining in the Revenue Fund after such applications to the Trust, provided that prior to any such application the

Trust shall have certified that such amounts remaining in the Revenue Fund are not required to make any future payments of interest and principal due or to become due on the Bonds. See Appendix B - "Summary of Certain Provisions of the Bond Resolution - Revenues and Revenue Fund."

### **Additional Bonds**

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

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

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

### **Terms of Payment and Redemption**

The Bonds will be dated their date of delivery, will bear interest therefrom, payable on February 1 and August 1 of each year, commencing February 1, 2011. The Series 15 Bonds will mature on August 1 and the Series 2010A Bonds will mature on February 1 in the years and in the principal amounts set forth on the inside cover page hereof. The Bonds are subject to optional redemption and mandatory sinking fund redemption as described below. The principal of and interest on the Bonds will be payable at the corporate trust office of U.S. Bank National Association, as trustee under the Bond Resolution (the "Bond Trustee"), or at the office designated for such payment by any successor Bond Trustee.

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

## ***Redemption***

### ***Optional Redemption.***

**Series 15A Bonds.** The Series 15A Bonds maturing on or before August 1, 2020 are not subject to redemption prior to maturity. The Series 15A Bonds maturing after August 1, 2020 shall be subject to redemption at any time on and after August 1, 2020, at the option of the Trust, from any moneys available therefor, in whole or in part by lot, at a redemption price equal to the principal amount of the Series 15A Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

**Series 15B Bonds.** The Series 15B Bonds are subject to redemption at the option of the Trust prior to maturity, in whole or in part (on a pro rata basis as described below), on any Business Day, at the “Make-Whole Redemption Price.” The “Make Whole Redemption Price” is equal to the greater of:

- (i) 100% of the principal amount of the Series 15B Bonds to be redeemed; and
- (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 15B Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), exclusive of interest accrued to the redemption date, discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points,

plus accrued and unpaid interest on the Series 15B Bonds being redeemed to the redemption date. For purpose of determining the Treasury Rate, the following definitions will apply:

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 15B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 15B Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 15B Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 15B Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Trust.

“Reference Treasury Dealer” means the each of not less than four firms (including the original underwriter of the Series 15B Bonds) specified by the Trust from time to time, that are primary U.S. Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Trust shall substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 15B Bond, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on any date that is at least two Business Days and no more than 60 calendar days preceding the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 15B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on

the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Extraordinary Optional Redemption of Series 15B Bonds. The Series 15B Bonds will be subject to extraordinary optional redemption prior to maturity at the option of the Trust, in whole or in part (on a pro rata basis as described below), at any time following an occurrence of an Extraordinary Event (defined below), at the “Extraordinary Optional Redemption Price.” The Extraordinary Optional Redemption Price is equal to the greater of:

- (i) 100% of the principal amount of the Series 15B Bonds to be redeemed; and
- (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 15B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 15B Bonds are to be redeemed, discounted to the date on which the Series 15B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus 100 basis points,

plus accrued interest on the Series 15B Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if the Trust determines that a material adverse change has occurred to Section 54AA or Section 6431 of the Internal Revenue Code of 1986 (the “Code”) (as such sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to Build America Bonds) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections of the Code or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the Trust to satisfy the requirements to receive the Federal Subsidy Payments, pursuant to which the Federal Subsidy Payments are reduced or eliminated.

Series 2010A Bonds. The Series 2010A Bonds maturing on or before February 1, 2020 are not subject to redemption prior to maturity. The Series 2010A Bonds maturing after February 1, 2020 shall be subject to redemption at any time on and after February 1, 2020, at the option of the Trust, from any moneys available therefor, in whole or in part in such order of maturities as shall be determined by the Trust, at a redemption price equal to the principal amount of the Series 2010A Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

*Mandatory Sinking Fund Redemption.*

Series 15B Bonds. The Series 15B Bonds maturing on August 1, 2040 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each Series 15B Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>August 1</u>	<u>Amount</u>	<u>August 1</u>	<u>Amount</u>
2021	\$ 3,000,000	2031	\$3,325,000
2022	21,990,000	2032	3,405,000
2023	22,475,000	2033	3,480,000
2024	22,965,000	2034	3,560,000
2025	23,105,000	2035	3,640,000
2026	23,575,000	2036	3,720,000
2027	24,075,000	2037	3,805,000
2028	24,315,000	2038	3,890,000
2029	24,845,000	2039	3,975,000
2030	25,385,000	2040 <sup>†</sup>	4,065,000

<sup>†</sup> Stated maturity.

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

*Selection of Bonds to be Redeemed.*

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

Series 15B Bonds. So long as the Series 15B Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 15B Bonds, partial redemptions of Series 15B Bonds will be treated by DTC as a “pro rata pass-through distribution of principal” in accordance with DTC rules and procedures. It is the Trust’s intent that the redemption allocations made by DTC, the DTC Participants and such other intermediaries that may exist between the Trust and the beneficial owners be made on a pro rata pass-through distribution of principal basis. However, neither the Trust nor the Underwriters can provide any assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 15B Bonds on a pro rata pass-through distribution of principal basis then the Series 15B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the Series 15B Bonds are no longer registered in book-entry-only form, any redemption of less than all of the Series 15B Bonds of any maturity will be allocated among the registered owners of such Series 15B Bonds as nearly as practicable in proportion to the principal amounts of the Series 15B Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the Series 15B Bonds. This will be calculated based on the formula: (principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding). The particular Series 15B Bonds to be redeemed will be determined by the Trust, using such method as it deems fair and appropriate.

*Notice to Bondholders.*

Notice of redemption of Bonds shall be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of redemption, to the registered owners of the Bonds, or portions thereof, so called, but the failure to so mail such notice or any defect therein with respect to any particular Bonds shall not affect the validity of such call for redemption of any Bonds with respect to which no such failure or defect has occurred. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Bond Resolution are on deposit with the Bond Trustee. If such moneys are not available on the redemption date, the Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Bond Trustee in an amount sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, *i.e.*, subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited. So long as the book-entry only system is in effect, redemption notices shall be sent only to the Depository Trust Company or its nominee. See Appendix H -- “The Depository Trust Company -- Book-Entry Only System.”

## **SECURITY FOR THE BORROWER OBLIGATIONS**

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

### **Cities and Towns**

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

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

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

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

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

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

### **Regional Sewer Districts**

Certain regional districts, which include two or more cities or towns, including the SESD, have been established by the Massachusetts legislature to provide wastewater services within the district. Local bonds of such



districts are general obligations of the districts, which have no taxing power and which assess debt service and other costs upon the constituent cities and towns within the district in accordance with the laws under which the districts were organized and with contractual agreements among such cities and towns. The constituent municipalities' obligations to pay such district assessments are general obligations of the municipalities, generally subject to the limitations of Proposition 2½ described above.

### **Water Districts**

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

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

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

### **Private Water Systems**

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

### **Local Aid Intercept**

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

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

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

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

## **THE TRUST**

### **General**

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

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

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

## Organization

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

<u>Trustee</u>	<u>Office</u>
Timothy P. Cahill, Chairman	Treasurer and Receiver-General of the Commonwealth
Jay Gonzalez, Vice Chairman	Secretary of the Executive Office for Administration and Finance of the Commonwealth
Laurie Burt, Trustee	Commissioner of the Department of Environmental Protection of the Commonwealth

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

The Board of Trustees of the Trust has adopted by-laws, dated August 2, 1990 and amended through August 23, 2006 (the “By-Laws”), to govern the Trust. The By-Laws establish seven officer positions, a Chairman, a Vice-Chairman, an Executive Director, a Treasurer, a Controller, a Director of Finance and Administration, and a Director of Program Development. The current officers of the Trust are as follows:

<u>Officer</u>	<u>Trust Office</u>
Timothy P. Cahill	Chairman *
Jay Gonzalez	Vice-Chairman *
G. David Riedell	Executive Director
Patricia M. Deal	Treasurer
Francis G. Hart	Controller
Scott A. Jordan	Director of Finance and Administration *
Steven J. McCurdy	Director of Program Development *

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

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

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

The Director of Finance and Administration is responsible for supervising all financial matters relating to the Trust, and for acting as liaison to the Executive Office for Administration and Finance. The Director of Program Development is responsible for supervising the development and implementation of the Trust’s financing programs as

contemplated by the Act, for coordinating project approvals with MassDEP and for acting as liaison with the federal Environmental Protection Agency (“EPA”), MassDEP and the Executive Office of Environmental Affairs of the Commonwealth.

### **Application and Compliance Process**

MassDEP has promulgated regulations which set forth its regulatory and supervisory powers associated with its approval of projects eligible for assistance from the Trust’s SRF programs. MassDEP determines which projects on its annual priority list are eligible for funding under the Trust’s SRF programs and includes such projects in the Intended Use Plans, which are filed with EPA as part of the Trust’s application for federal grants for its SRF programs.

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

### **Method of Funding**

The Trust, MassDEP and EPA have entered into a Revolving Fund Operating Agreement for each of the clean water SRF and the drinking water SRF which sets forth rules, procedures and activities to be followed by EPA and the Trust in administering the related federal grants and SRF program. To date, the Trust has been awarded a total of approximately \$979.9 million in federal grants and approximately \$196 million in Commonwealth matching funds under the clean water SRF program. The Trust has also received a total of approximately \$334.7 million in federal grants, which includes approximately \$72.6 million in federally mandated set-asides for technical assistance and other matters, and approximately \$66.9 million in Commonwealth matching funds under the drinking water SRF program. In addition, the Commonwealth has appropriated an additional \$30 million which may be drawn by the Trust solely to fund or finance Title 5 Loans.

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

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

In addition to the grants described above, the Trust was awarded federal grants in 2009 of approximately \$133 million for the clean water SRF program and approximately \$52.2 million for the drinking water SRF program under the American Recovery and Reinvestment Act of 2009. Neither of these grants required Commonwealth matching funds. Such grants have been or will be applied by the Trust to reduce the principal amount of loans to borrowers to be financed by SRF Bonds.

## **ABSENCE OF LITIGATION**

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

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

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

## **LEGAL INVESTMENTS**

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

## **TAX MATTERS**

### **Series 15A Bonds and the Series 2010A Bonds**

The Series 15A Bonds and Series 2010A Bonds are treated as a single issue for certain federal tax purposes.

Bond Counsel is of the opinion that, under existing law, interest on the Series 15A Bonds and the Series 2010A Bonds will not be included in the gross income of holders of such Series 15A Bonds and Series 2010A Bonds for federal income tax purposes. Bond Counsel's opinion is expressly conditioned upon continued compliance by the Trust with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Series 15A Bonds and the Series 2010A Bonds in order to ensure that the interest on the Series 15A Bonds and the Series 2010A Bonds is and continues to be excludable from the gross income of the holders of the Series 15A Bonds and the Series 2010A Bonds for federal income tax purposes. In particular, and without limitation, section 148 of the Code requires that certain proceeds of the Bonds be invested at a yield not materially higher than the aggregate yield on the Series 15A Bonds and the Series 2010A Bonds and that certain profits earned from investment of proceeds of the Series 15A Bonds and the Series 2010A Bonds be rebated to the United States. The Trust has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the Series 15A Bonds and the Series 2010A Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Series 15A Bonds and the Series 2010A Bonds.

Bond Counsel is of the opinion that, under existing law, interest on the Series 15A Bonds and the Series 2010A Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code. Interest on the Series 2010A Bonds, but not the Series 15A Bonds, will be included in adjusted current earnings when calculating

corporate alternative minimum taxable income under section 56(g) of the Code. The foregoing opinions reflect the enactment of the Recovery Act, which includes provisions that modify the treatment under the alternative minimum tax of interest on certain bonds, such as the Series 15A Bonds, issued in 2009 and 2010.

Interest on the Series 15A Bonds and the Series 2010A Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 15A Bond or a Series 2010A Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 15A Bond or a Series 2010A Bond over the initial offering price at which price a substantial amount of all Series 15A Bonds or Series 2010A Bonds with the same maturity were sold (other than to underwriters and other intermediaries). Original issue discount accrues actuarially over the term of a Series 15A Bond or a Series 2010A Bond and results in a corresponding increase in the holder's tax basis in such Series 15A Bonds or Series 2010A Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 15A Bond or Series 2010A Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 15A Bond or a Series 2010A Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a Series 15A Bond or a Series 2010A Bond will result in reduction of the holder's tax basis in such Series 15A Bonds or Series 2010A Bond. Such amortization also will result in reduction of the amount of the stated interest on the Series 15A Bond or Series 2010A Bond taken into account as interest for tax purposes. Holders of Series 15A Bonds or Series 2010A Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Bond Counsel has not opined as to other federal tax consequences of holding the Series 15A Bonds and the Series 2010A Bonds. However, prospective purchasers of the Series 15A Bonds and the Series 2010A Bonds should also be aware that (i) section 265 of the Code generally denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 15A Bonds and the Series 2010A Bonds and, in the case of a financial institution, that portion of the holder's interest expense allocated to the Series 15A Bonds and the Series 2010A Bonds; provided, however, that a portion of each Series 15A Bond may be eligible for more favorable treatment under the Recovery Act; (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Series 15A Bonds and the Series 2010A Bonds; (iii) interest on the Series 15A Bonds and the Series 2010A Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Series 15A Bonds and the Series 2010A Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 15A Bonds and the Series 2010A Bonds and (vi) receipt of investment income, including interest on the Series 15A Bonds and the Series 2010A Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient thereof from obtaining the earned income credit provided by section 32(a) of the Code.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 15A Bonds and the Series 2010A Bonds may affect the tax exempt status of interest on the Series 15A Bonds and the Series 2010A Bonds or the tax consequences of ownership of the Series 15A Bonds and the Series 2010A Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 15A Bonds and the Series 2010A Bonds from gross income for federal income tax purposes. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

Interest paid on tax-exempt obligations such as the Series 15A Bonds and the Series 2010A Bonds is now generally required to be reported by payors to the Internal Revenue Service and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, as ordinarily would be provided in connection with the establishment of a brokerage account, or the Internal Revenue Service has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the

excludability of interest on the Series 15A Bonds and the Series 2010A Bonds from gross income for federal tax purposes.

### **Series 15B Bonds**

Bond Counsel is of the opinion that, under existing law, interest on the Series 15B Bonds will not be excluded from the gross income of holders of such Series 15B Bonds for federal income tax purposes. The following discussion briefly summarizes the principal U. S. federal tax consequences of the acquisition, ownership, and disposition of the Series 15B Bonds for holders who acquire any Series 15B Bonds in the initial offering and hold such Series 15B Bonds as “capital assets.” It does not discuss all aspects of U. S. federal income taxation which may apply to a particular holder, nor does it discuss U. S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Series 15B Bonds as a position in a “hedge” or “straddle,” or holders whose functional currency is not the U. S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect.

Except as otherwise explicitly noted below, this summary addresses only “U. S. Holders,” that is, individual citizens or residents of the United States, corporations or other business entities organized under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. Except as otherwise explicitly noted in the discussion of Massachusetts taxes below, this discussion relates only to U. S. federal income taxes and not to any state, local or foreign taxes or U. S. federal taxes other than income taxes.

Interest on the Series 15B Bonds that is “qualified stated interest” generally will be taxable to a U. S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting). Generally, “qualified stated interest” means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover hereof.

Because the Trust will elect to receive Federal Subsidy Payments, holders of the Series 15B Bonds will not be entitled to any federal tax credits as to Build America Bonds in connection with their holding of Series 15B Bonds. See “THE BONDS — Designation of Series 15B Bonds as Build America Bonds.”

Interest on the Series 15B Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 15B Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 15B Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 15B Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). A U. S. Holder of a Series 15B Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues, in advance of receipt of the cash payments attributable to such income, regardless of the U. S. Holder’s regular method of tax accounting. Original issue discount accrues actuarially over the term of a Series 15B Bond and results in a corresponding increase in the holder’s tax basis in such Series 15B Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 15B Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 15B Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. A holder of a Series 15B Bond may elect to amortize such premium during the term of such Series 15B Bond by claiming a deduction to offset interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder’s tax basis in such Series 15B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the Internal Revenue Service. Holders of Series 15B

Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Series 15B Bond, a U. S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Series 15B Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 15B Bond was held for more than one year. If the U. S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U. S. Holder of Series 15B Bonds whose income from such Series 15B Bonds is effectively connected with the conduct of a U. S. trade or business generally will be taxed as if the holder were a U. S. Holder. Otherwise: (i) a Non-U. S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Series 15B Bonds on its own behalf generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Series 15B Bond, as long as the Non-U. S. Holder makes an appropriate filing with a U. S. withholding agent; and (ii) a Non-U. S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Series 15B Bond unless such Non-U. S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

Information as to interest on or proceeds from the sale or other disposition of Series 15B Bonds is required to be reported by payors to the Internal Revenue Service and to recipients. In addition, backup withholding may apply unless the holder of a Series 15B Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U. S. federal income tax liability.

**To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers of Series 15B Bonds are hereby informed that (i) any federal tax advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding penalties that may be imposed on the taxpayer, (ii) any such federal tax advice is written to support the promotion or marketing of the Series 15B Bonds, and (iii) each purchaser of a Series 15B Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor.**

#### **State Tax Matters**

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

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

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

Grant Thornton LLP, a firm of independent public accountants, will deliver to the Trust and the Underwriters on or before the date of delivery of the Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of certain computations showing the adequacy of proceeds of the Series 2010A Bonds and other amounts held by the 1998 New Bedford Bond Trustee to provide for the payment of the principal of and interest and redemption premiums on the Refunded 1998 New Bedford Bonds.



The verification report will state that Grant Thornton LLP has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

## **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Trust and to reoffer such Bonds at the public offering prices or yields set forth on the inside cover page hereof, upon receipt of compensation from the Trust in an amount equal to \$2,624,445.88. The Bonds may be offered and sold to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Bonds if any Bonds are purchased. The Underwriters have designated Goldman, Sachs & Co., as their representative.

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

## **RATINGS**

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

The Securities and Exchange Commission (the "SEC") recently amended Rule 17g-5 of the Securities Exchange Act of 1934 ("Rule 17g-5") as it relates to credit rating agencies that are registered with the SEC as Nationally Recognized Statistical Rating Organizations ("NRSROs") and are hired by issuers, sponsors or arrangers (collectively, "Arrangers") to assign credit ratings to structured finance products. Rule 17g-5, as amended, will prohibit an NRSRO from issuing or maintaining a credit rating on certain structured financed products unless the Arranger makes the information that it provides to one NRSRO available on a password-protected website to any other NRSRO that wishes to rate the structured finance product and the NRSRO rating the product discloses to other NRSROs certain information about the structured finance product it was hired to rate. To date, the Trust has not been asked by any NRSRO to take any action pursuant to Rule 17g-5, as amended, and no determination has been made that the Bonds or any other bonds that the Trust may issue constitute structured finance products for purposes of the Rule 17g-5.

## **FINANCIAL ADVISOR**

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

## **CERTAIN LEGAL MATTERS**

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

## **OTHER AVAILABLE INFORMATION**

The Trust prepares an Annual Report with respect to each fiscal year ending June 30 which generally becomes available in November of the following fiscal year. The Annual Report includes information relating to the Trust and its loan programs and operations and audited financial statements for the fiscal year ending June 30. The Department of the State Auditor also audits all agencies, departments and authorities of the Commonwealth, including the Trust, at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133. The audited financial statements of the Trust for the fiscal year ended June 30, 2009 have been filed with the Municipal Securities Rulemaking Board (“MSRB”).

Questions regarding this Official Statement or requests for additional information concerning the Trust, including its most recent audited annual financial statements, should be directed to G. David Riedell, Executive Director, Massachusetts Water Pollution Abatement Trust, 3 Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-9333. Questions regarding legal matters pertaining to the Bonds should be directed to John R. Regier at Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 542-6000. Questions regarding legal matters pertaining to the Trust and its SRF programs in general should be directed to Robert H. Hale, Edwards Angell Palmer & Dodge LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0100.

The Commonwealth prepares its Comprehensive Annual Financial Report (“CAFR”) with respect to each fiscal year ending June 30, which becomes available in January of the following fiscal year. Copies of the CAFR may be obtained by going to the website of the Office of the Comptroller located at <http://www.mass.gov/osc>, and by clicking on “Publications and Reports” and then “Financial Reports.” For further information about the Commonwealth, specific reference is made to the Commonwealth’s Information Statement dated June 8, 2010 (the “Information Statement”). The Information Statement appears as Appendix A in the Commonwealth’s Official Statement dated June 21, 2010 with respect to its General Obligation Bonds, Consolidated Loan of 2010, Series B. Copies of the aforesaid Official Statement and Supplement have been filed with the MSRB. Copies of the Further Supplement will, once issued, be filed with the MSRB. Copies of the aforesaid Official Statement and Supplement may also be obtained from the Trust and the Underwriters. The Information Statement and the Supplement should be read in their entirety in order to obtain appropriate fiscal, financial and economic information concerning the Commonwealth.

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

Pursuant to the Trust’s standards, adopted in accordance with the provisions of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the “Rule”), if the aggregate principal amount of any borrower’s financing agreements under the Pool SRF Program exceeds 20% of the aggregate principal amount of all financing agreements outstanding under the Pool SRF Program, the Trust will require such borrower to provide certain operating and financial information in connection with the issuance of the Trust’s SRF Bonds under its Pool Program. As of the issuance of the Bonds, the MWRA is the only borrower which meets such requirement. For further information about the MWRA, specific reference is made to the MWRA’s Information Statement dated June 18, 2010 (the “MWRA

Information Statement”). Copies of the MWRA Information Statement have been filed with the MSRB. Copies of the MWRA Information Statement may also be obtained from the Trust and the Underwriters. The MWRA Information Statement should be read in its entirety in order to obtain appropriate fiscal and financial information concerning the MWRA.

### **CONTINUING DISCLOSURE**

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

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

In addition, each borrower of financial assistance from the Pool SRF Bonds will agree in its financing agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such borrower, not later than 270 days after the close of each fiscal year during any period during which such borrower is an “obligated person” with respect to the Pool SRF Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a borrower shall be considered an “obligated person” with respect to the Pool SRF Bonds if the aggregate principal amount of all of its financing agreements under the Pool SRF program outstanding as of the end of any fiscal year constitutes 20% or more of the aggregate principal amount of all financing agreements outstanding under the Pool SRF program as of the end of such fiscal year. The Trust will file the annual reports, if any, received from borrowers with the MSRB, at the same time and in the same manner as the Trust Annual Information. As of the date of issuance of the Bonds, the MWRA is the only borrower with loan obligations that exceed 20% of the aggregate principal amount of all financing agreements outstanding under the Pool SRF program. In its financing agreement, the MWRA has agreed to provide certain annual financial and operating data for the benefit of the owners of the Bonds, in accordance with the Continuing Disclosure Agreement dated as of November 21, 1995 between the MWRA and U.S. Bank National Association, as Dissemination Agent. See Appendix F - “Summary of Continuing Disclosure Undertakings” for a summary of such information.

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

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

### **FURTHER INFORMATION**

The references herein to and summaries of federal, Commonwealth and local laws, including but not limited to the Code, the laws of the Commonwealth, the Act, the Clean Water Act and the Drinking Water Act, and to certain documents and agreements pertaining to the Bonds, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents or agreements. Copies of the Program Resolution, the Bond Resolution, the Prior Bonds Resolutions, the Refunding Trust Agreement,



**DEFINITIONS OF CERTAIN TERMS**

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

“1998 Series A Bond Purchase Agreements” means the Bond Purchase Agreement No. 1998 Series A-1 and Bond Purchase Agreement No. 1998 Series A-2 each dated as of December 28, 1998 between the Trust and the Prior Borrower.

“1996 Series A Loan Agreements” means the Loan Agreement No. 1996 Series A-1 and Loan Agreement 1996 Series A-2 each dated as of June 1, 1996 between the Trust and the Prior Borrower.

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

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

“Allocated Equity” means (i) with respect to the Series 15 Bonds, the amount of Equity, if any, allocated to the Series 15 Bonds, as specified in the Equity Allocation Certificate and (ii) with respect to a Prior Loan or Prior Local Governmental Obligations, the amount of Equity, if any, allocated to the Prior Bonds, as specified in the Prior Equity Allocation Certificate.

“Authenticating Agent” means the Bond Trustee.

“Bond” or “Bonds” means any of the Series 15 Bonds and the Series 2010A Refunding Bonds, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

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

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

“Bond Resolution,” as used in the Financing Agreements and the Bond Resolution, means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of the \$444,520,000 State Revolving Fund Bonds, Series 15, consisting of \$191,925,000 State Revolving Fund Bonds, Subseries 15A and \$252,595,000 State Revolving Fund Bonds, Subseries 15B (Federally Taxable – Direct Pay to Issuer – Build America Bonds) and the \$41,990,000 State Revolving Fund Refunding Bonds, Series 2010A, as it may be amended or supplemented from time to time by a Supplemental Bond Resolution; as used in the Program Resolution, the term “bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Program Bonds and the term “pool bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Pool Bonds.

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

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

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

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

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

“Clean Water Bonds” means, at any date of determination, those Series 15 Bonds the proceeds of which have been applied to fund Clean Water Obligations, as set forth in the Equity Allocation Certificate, as it may be amended from time to time.

“Clean Water Debt Service Reserve Account Requirement” means, at any date of calculation, an amount equal to the Equity Requirement for all Clean Water Bonds Outstanding, less (i) the aggregate amount, if any, on deposit in the Clean Water Leveraged Bond Account within the Leveraged Bond Fund that has been allocated to such Clean Water Bonds, 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 Bonds.

“Clean Water Obligation” means a Loan provided by the Trust to, or any Local Governmental Obligations purchased from, a Borrower from the proceeds of the Series 15 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 Department in accordance with the Act and the Program Resolution to finance Loans and Interim Loans to local governmental units, and to purchase Local Governmental Obligations from local governmental units, for Costs of Clean Water Projects.

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

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

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

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

“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.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 15B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 15B Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 15B Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 15B Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations.

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

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

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

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

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

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Trust.

“Direct Loan” means a Loan funded by the Trust solely from amounts held in or for the account of the Direct Loan Fund and not from the proceeds of Bonds.

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

“Drinking Water Bonds” means, at any date of determination, those Series 15 Bonds the proceeds of which have been applied to fund Drinking Water Obligations, as set forth in the Equity Allocation Certificate, as it may be amended from time to time.

“Drinking Water Debt Service Reserve Account Requirement” means, at any date of calculation, an amount equal to the aggregate Equity Requirements for all Drinking Water Bonds outstanding, less (i) the aggregate amount, if any, on deposit in the Drinking Water Leveraged Bond Account within the Leveraged Bond Fund that has been allocated to such Drinking Water Bonds, 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 Bonds.

“Drinking Water Obligation” means a Loan provided by the Trust to a Borrower from the proceeds of the Series 15 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 and Interim Loans to local governmental units and other eligible borrowers for Costs of Drinking Water Projects.

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

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

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

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

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

“Equity Earnings” as used in the Bond Resolution means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity related to the Series 15 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 the Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, and as used in the Program Resolution and any other bond resolution means with respect to any Loan or issue of Local Governmental Obligations all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity held in the Leveraged Bond Fund and a debt service reserve fund, and any other fund or account established under the Program Resolution or under the related bond resolution, in each case to the extent provided in an Equity Allocation Certificate, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or any Investment Obligation upon the occurrence of a default by the Investment Obligor thereunder.

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

“Extraordinary Event” means a determination by the Trust that a material adverse change has occurred to Section 54AA or Section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the Trust to satisfy the requirements to qualify to receive a Federal Subsidy Payment from the United States Treasury, pursuant to which the Trust’s Federal Subsidy Payment is reduced or eliminated.



“Extraordinary Optional Redemption Price” means the greater of (i) 100% of the principal amount of the Series 15B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 15B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 15B Bonds are to be redeemed, discounted to the date on which such Series 15B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points, plus, in each case, accrued and unpaid interest on the Series 15B Bonds to be redeemed to the redemption date.

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

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

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

“Federal Program Loan” means any Loan or Interim Loan, as applicable, made to a Borrower under the Program (1) all of the proceeds of which are expected at the date of origination of such Loan or Interim Loan or the date of purchase of such Local Governmental Obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as set forth in the related bond resolution or as otherwise evidenced by a certificate of an authorized officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Project Costs which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants and (2) which has not been designated by the Trust as a Commonwealth Program Loan.

“Federal Subsidy Payment” means any payments with respect to the Series 15B Bonds received from the United States Treasury pursuant to Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended.

“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 or between the Trust and the Prior Borrower pertaining to a Prior Loan or any issue of Prior 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, Local Governmental Obligations, Prior Loan or Prior Local Governmental Obligations.

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

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

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

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

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

- (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the full and timely payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of a direct ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1) , including without limitation federally guaranteed notes issued by the State of Israel so long as it is assumed, for purposes of assessing the timeliness of the federal guaranty, that the federal guaranty payment will be made on the fourth business day following the nominal due date for principal and interest on the note;
- (2) any bonds or other obligations of any state of the United States of America, of any political subdivision, agency or instrumentality thereof:
  - (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice;
  - (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in Clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates hereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate;
  - (c) as to which the principal of and interest on the bonds and obligations of the character described in Clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this Clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this Clause (2), as appropriate; and
  - (d) which bear ratings at the time of purchase hereunder in one of the two highest rating categories available from each Rating Agency;
- (3) senior bonds, debentures, participation certificates (representing a full and timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
- (4) obligations of, or obligations unconditionally guaranteed by, the World Bank (International Bank for Reconstruction and Development and International Finance Corporation), European Bank for Reconstruction and Development, European Investment Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank and the Nordic Investment Bank, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
- (5) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

- (6) direct obligations of any state of the United States, of any political subdivision, agency or instrumentality thereof, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
- (7) obligations guaranteed by the Commonwealth, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
- (8) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of purchase hereunder the highest rating available from each Rating Agency;
- (9) direct obligations of non-profit entities, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;
- (10) interest bearing time deposits, certificates of deposit, banker's acceptances or other similar banking arrangements with banks (which may include the Program Trustee or the Bond Trustee), provided that such deposits either:
  - (a) are made with banks having at the time the deposit is made a rating from each Rating Agency no lower than the rating then assigned by such Rating Agency to any Bonds Outstanding; or
  - (b) are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned by any Rating Agency to any Bonds Outstanding; or
  - (c) the total amount deposited with an institution does not exceed the applicable FDIC insurance maximum;
- (11) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, provided that such obligations have been rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding;
- (12) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency;
- (13) repurchase agreements for obligations of the type specified in Clauses (1) and (2) above, provided that either (a) the repurchase agreement is an unconditional obligation of the provider thereof and the long-term unsecured debt or claims paying ability of such provider of such investment agreements is rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency or (b) such repurchase agreements are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned by any Rating Agency to any Bonds Outstanding; and
- (14) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, whether or not issued or incurred by any of the foregoing, provided that the long-term unsecured debt or claims paying ability of the provider of such investment agreements is rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;

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

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

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

“Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, purchased by the Trust from a Borrower, all of the proceeds of which are expected at the date of purchase of such local governmental obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants, and which in the case of Borrower Obligations, (1) comply, at the time such obligations are purchased from amounts held under the Bond Resolution, with the provisions of the Act, the Program Resolution and the Bond Resolution, (2) are purchased with proceeds of Bonds or other moneys held under the Bond Resolution, (3) are held under the Bond Resolution and (4) in the case of any such obligations bearing interest at other than a fixed rate, the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

“Make-Whole Redemption Price” means the greater of (i) 100% of the principal amount of the Series 15B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 15B Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 15B Bonds are to be redeemed, discounted to the date on which the Series 15B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 20, basis points, plus, in each case accrued and unpaid interest on the Series 15B Bonds to be redeemed on the redemption date.

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

“Origination Fees” means any fees, other than Administrative Fees, payable by a Borrower 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,” has the following meanings: (i) When used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Bond Trustee, or proven to the satisfaction of the Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in the Bond Resolution, any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Bond Resolution), shall have theretofore been deposited with the Bond Trustee in trust (whether upon or prior to maturity or

the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Bond Resolution; and (4) any Bond deemed to have been paid as provided in the Bond Resolution.

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

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

“Payment Default” as the context requires, means (i) any failure by a Borrower to pay when due all or any part of any Borrower Payment due on a Loan or an issue of Local Governmental Obligations pursuant to the applicable Financing Agreement; or (ii) any failure by the Commonwealth to pay to the Trust when due all or any part of a Contract Assistance Payment pursuant to the Commonwealth Assistance Contract and the applicable Contract Assistance Determination; (iii) any failure by an Investment Obligor to pay to the Trust when due all or any part of the Net Earnings payable under any Investment Obligation; or (iv) any failure by the Trust to pay the principal (including mandatory sinking fund installments) of, and interest and premium, if any, on the Series 15 Bonds when due.

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

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

“Prior Bond Payment Default” as the context requires, means (i) any failure by the Prior Borrower to pay when due all or any part of any Prior Borrower Payment payable on a Prior Loan or issue of Prior Local Governmental Obligations pursuant to the applicable Financing Agreement; (ii) any failure by the Commonwealth to pay to the Trust when due all or any part of a Prior Contract Assistance Payment pursuant to the Commonwealth Assistance Contract and the applicable Contract Assistance Determination; (iii) any failure by an Investment Obligor to pay to the Trust when due all or any part of the Prior Net Earnings payable under any Investment Obligation; (iv) any failure by the Trust to pay the principal (including mandatory sinking fund installments) of, and interest and premium, if any, on the Prior Bonds or the Series 2010A Refunding Bonds when due.

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

“Prior Bond Resolution” means the Trust’s Water Pollution Abatement Project Bond Resolution (New Bedford Program) adopted June 20, 1996, as amended through December 10, 1998 as amended and supplemented.

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

“Prior Bonds” means the Massachusetts Water Pollution Abatement Trust Revenue Bonds (New Bedford Loan Program), 1996 Series A and Massachusetts Water Pollution Abatement Trust Subordinate Revenue Refunding Bonds (New Bedford Program), 1998 Series A.

“Prior Borrower” means the City of New Bedford.

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

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

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

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

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

“Prior Loan” means the loans from the Trust to the Prior Borrower made under and pursuant to the 1996 Series A Loan Agreements and the 1998 Series A Bond Purchase Agreements, including any local governmental obligations (as defined in the Act) or other security evidencing or securing any such loan which (1) complied, at the time such financial assistance was provided by the Trust from amounts held under the Prior Bond Resolution with the provisions of the Act, the Program Resolution, as then in effect, and the Prior Bond Resolution, (2) was provided or made with proceeds of the applicable series of Prior Bonds or other moneys held under the Prior Bond Resolution, (3) is held under the Prior Bond Resolution and (4) is subject to a subordinate lien under the Bond Resolution; except as otherwise expressly provided herein, the term “Prior Loan” as used in the Bond Resolution shall not include the purchase by the Trust of Prior Local Governmental Obligations.

“Prior Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, purchased by the Trust from the Prior Borrower in accordance with the 1996 Series A Loan Agreements and the 1998 Series A Bond Purchase Agreements which (1) complied, at the time such obligations were purchased from amounts held under the Prior Bond Resolution, with the provisions of the Act, the Program Resolution, as then in effect, and the Prior Bond Resolution, (2) were purchased with proceeds of the applicable series of Prior Bonds or other moneys held under the Prior Bond Resolution, (3) are held under the Prior Bond Resolution and (4) are subject to a subordinate lien under the Bond Resolution.

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

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

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

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

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

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

“Record Date” means, with respect to the payment of interest on a Bond, the 15th day of the month next preceding the date on which interest is to be paid on such Bond or, if such 15th day is not a Business Day, the next preceding Business Day.

“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.

“Reference Treasury Dealer” means each of not less than four firms (including the original underwriter of the Series 15B Bonds), specified by the Trust from time to time, that are primary United States Government securities dealers in the City of New York (each, a “Primary Treasury Dealer”); provided, that if any of them ceases to be a Primary Treasury Dealer, the Trust will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 15B Bond, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30p.m., New York City time, on any date that is at least two Business Days and no more than 60 calendar days preceding the redemption date.

“Refunded Prior Bonds” means the portion of the Prior Bonds which are being refunded with the Series 2010A Refunding Bonds as set forth in Schedule A hereto.

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

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

“Revenues” means (1) all Borrower Payments, (2) all Net Earnings, including without limitation Equity Earnings, received or to be received on investment or deposit of moneys in the Funds and Accounts held pursuant to

the Bond Resolution and paid or to be paid into the Revenue Fund, (3) all Contract Assistance Payments paid to the Trust by the Commonwealth which are allocable to the Loans and Local Governmental Obligations financed or refinanced with the proceeds of the Series 15 Bonds, (4) all Federal Subsidy Payments, and (5) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or the Bond Resolution to be deposited in one or more of the Funds and Accounts maintained under or pursuant to the Bond Resolution.

“Series 2010A Refunding Bond” or “Series 2010A Refunding Bonds” means any of the \$41,990,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2010A, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 15 Bond” or “Series 15 Bonds” means any of the \$444,520,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Series 15, consisting of the Series 15A Bonds and the Series 15B Bonds, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 15A Bonds” means the \$191,925,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Subseries 15A, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

“Series 15B Bonds” means the \$252,595,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Subseries 15B (Federally Taxable - Direct Pay to Issuer - Build America Bonds), dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor.

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

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

“Tax Exempt Bonds” means the Series 15A Bonds and the Series 2010A Refunding Bonds.

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

“Treasury Rate” means, with respect to any redemption date for a particular Series 15B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Yield” means the yield on the Bonds or the yield on any investment under the Bond Resolution, as applicable, calculated as required by Treasury Regulations §§1.148 and 1.148.5, provided that with respect to the Series 15B Bonds, the yield shall be adjusted downward pursuant to Section 6431(c) of the Code by reducing the amount of each interest payment on the Series 15B Bonds by the amount of the Federal Subsidy Payment.



**SUMMARY OF CERTAIN BASIC DOCUMENTS**

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

**SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION****Purpose For Program Resolution**

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

**Pledge**

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

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

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

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

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

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

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

### **Qualified Hedge Agreements**

To the extent permitted by the applicable bond resolution, the Trust may from time to time enter into Qualified Hedge Agreements with a Hedge Provider with respect to all or a portion of the SRF Bonds of any series Outstanding. An Authorized Officer of the Trust shall provide the Program Trustee, the applicable bond trustee and each Rating Agency then maintaining a rating on any SRF Bonds Outstanding with at least ten (10) Business Days prior written notice of the Trust's intention to enter into a Qualified Hedge Agreement. Prior to the effective date of any Qualified Hedge Agreement, the Trust shall deliver to the Program Trustee and to the applicable bond trustee (1) a fully executed copy of the Qualified Hedge

Agreement, together with a certificate of an Authorized Officer stating that such agreement constitutes a Qualified Hedge Agreement hereunder and any supporting evidence required in connection therewith; and (2) a certificate of an Authorized Officer designating the series of SRF Bonds or portions thereof subject to the Qualified Hedge Agreement.

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

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

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

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

### **Allocation of Equity**

The Trust shall allocate Equity to each series of SRF Bonds, or to each Loan or issue of Local Governmental Obligations funded thereby, in the amount or amounts set forth in the related Equity Allocation Certificate, provided that the Allocated Equity for each series of SRF Bonds or each Loan or

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

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

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

### **Equity Funds**

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

from the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund or to the Federal Program Account in the Drinking Water Equity Fund from the Drinking Water Deficiency Account in the Deficiency Fund, as applicable, in accordance with the Program Resolution.

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

### **Leveraged Bond Fund**

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

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

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

Account are so applied and, in making any such transfers due to a deficiency attributable to a Payment Default allocable to any Drinking Water Loan, amounts in the Drinking Water Leveraged Bond Account shall be applied to such purpose before any amounts in the Clean Water Leveraged Bond Account are so applied.

### **Pool Program Reserve Fund**

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

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

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

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

SECOND, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in an account in a debt

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

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

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

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

### **Deficiency Fund**

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund, among other amounts, (a) any amounts allocable to Loans and Local Governmental Obligations (other than Loans or Local Governmental Obligations funded by Pool SRF Bonds), or allocable to SRF Bonds issued to fund such Loans and Local Governmental Obligations (other than Pool SRF Bonds), that have been transferred to the Program Trustee by a bond trustee, which amounts have been released from the lien of the related bond resolution; (b) amounts transferred from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, for deposit in the Federal Program

Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund pursuant to the Program Resolution; (c) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all borrower Payments and other amounts allocable to all Direct Loans funded under the applicable Federal Program received by the Program Trustee; and (d), except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of amounts held in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable.

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

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

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

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



of the deficiencies so certified in all debt service reserve funds (or the balance in the Deficiency Fund if the amount therein is less than such aggregate deficiency);

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

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

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

### **Investments and Deposits**

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

## **Tax Covenants**

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

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

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

At any time or from time to time a resolution of the Trust supplementing the Program Resolution may be adopted by the Trust without the prior approval of the owners of any SRF Bonds to, among other purposes, add to the covenants or agreements of the Trust in the Program Resolution or add to the limitations or restrictions to be observed by the Trust; surrender any right, power or privilege reserved to or conferred upon the Trust by the Program Resolution; confirm any pledge created by the Program Resolution of the moneys, funds and other property pledged thereby; establish one or more additional funds, accounts or subaccounts or to subject additional moneys, rights or property to the provisions of the Program Resolution; cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Program Resolution; insert any provisions, not contrary to or inconsistent with the Program Resolution, clarifying matters or questions arising under the Program Resolution; and insert, repeal or amend any provision in the Program Resolution, provided such insertion, deletion or amendment is permitted by the applicable Federal Act and the Act and will not adversely affect the ratings then assigned to any SRF Bonds outstanding by any Rating Agency.

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

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

## **Remedies**

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

## **Termination**

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

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

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

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

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

The Bonds are special obligations of the Trust. As security for the payment of the Bonds, the Trust pledges and grants a security interest in (1) all Revenues, (2) all rights and interests of the Trust in and to all Loans and all Local Governmental Obligations held under the Bond Resolution and all rights and interests of the Trust under the Financing Agreements therefor (with the exception of its rights of indemnification and reimbursement payments or administrative fees and origination fees) and the proceeds thereof, (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant Agreement and except as provided in the following paragraph, the Commonwealth Assistance Contract) and the proceeds thereof, and (4) all moneys and securities in all funds and accounts created by or pursuant to the Bond Resolution (except the Rebate Fund), whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Bond Resolution.

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

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

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

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

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

**Application of Project Fund**

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

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

Notwithstanding the provisions of the preceding paragraph, no moneys remaining in a Project Account established for a Clean Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Drinking Water Project, and no moneys remaining in a Project Account established for a Drinking Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Clean Water Project, unless in each case, simultaneously with such transfers: (i) the Trust amends the Equity Allocation Certificate to reflect such transfers, including but not limited to, amendments to reflect the resulting changes to the portions of the Bonds that constitute Clean Water Bonds and Drinking Water Bonds; and (ii) the Bond Trustee and the Program Trustee, pursuant to instructions included in the written direction of an authorized officer of the Trust required by the Bond Resolution, 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 the Program Resolution and the amended 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.

**Revenues and Revenue Fund**

Except as otherwise provided in the Bond Resolution, all Revenues, including without limitation all Borrower Payments, Equity Earnings, Contract Assistance Payments, and Federal Subsidy Payments will promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also

deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of the Bond Resolution, including all Prior Bond Revenues and other amounts transferred to the Bond Trustee, and shall hold for the account of the Revenue Fund all Loans made and Local Governmental Obligations purchased in accordance with the Bond Resolution.

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

(1) To the Debt Service Fund, the amount necessary so that the balance therein equals the sum of (a) all interest due or to become due on such Interest Payment Date on the Bonds outstanding; and (b) all Principal Installments due or to become due on such Interest Payment Date on the Bonds outstanding;

(2) To the Rebate Fund, the amount necessary so that the amount therein equals the Rebate Requirement, if any, as most recently calculated in accordance with the Bond Resolution;

(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, but only to the extent of Revenues received 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 (i) to a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default or (ii) to a Prior Bond Payment Default but only to the extent of any Prior Bond Revenues received and deposited in the Revenue Fund in satisfaction of such Prior Bond Payment Default;

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

(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, to the extent and in the amount of any draws on the applicable Account theretofore made as provided in the Bond Resolution due to a Payment Default or Prior Bond Payment Default;

(7) 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

(8) 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 Trust certificate 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 under the Bond Resolution.

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

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

Notwithstanding anything in the Bond Resolution to the contrary, by 1:00 p.m. on any day which is two Business Days prior to any Interest Payment Date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then due that will not be paid or that will be paid from amounts on deposit in the Debt Service Reserve Fund in accordance with the Bond Resolution, in either case due to a Payment Default or a Prior Bond Payment Default. To the extent amounts are not available in the Debt Service Reserve Fund, 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 Clean Water Bonds or Drinking Water Bonds on deposit in the Leveraged Bond Fund in accordance with the Program Resolution, and amounts allocable to such Clean Water Bonds or Drinking Water Bonds 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 or the Prior Bond Payment Default is expected to exceed the full amount of Allocated Equity for the Bonds, such notice shall indicate whether the deficiency is related to the Clean Water Bonds or the Drinking Water Bonds and shall include a request for amounts from the Pool Program Reserve Fund. To the extent that the deficiency resulting from the Payment Default or the Prior Bond Payment Default is expected to exceed both the full amount of Allocated Equity for the Series 15 Bonds and the available amounts in the Pool Program Reserve Fund, such notice shall include a request for amounts from the Deficiency Fund. After the giving of such notice and until any deficiency in the Debt Service Reserve Fund shall have been cured, the Bond Trustee shall notify the Program Trustee of any remaining deficit in the Debt Service Reserve Fund (i) immediately succeeding the receipt and deposit of any Revenues in the Debt Service Reserve Fund in satisfaction of all or a portion of the Payment Default or the Prior Bond Payment Default, (ii) from time to time when there is a change in the amount of the deficit in the Debt Service Reserve Fund, and (iii) when any such related deficiency in the Debt Service Reserve Fund shall have been cured.

### **Application of Redemption Fund**

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

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

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

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: (i) all Allocated Equity attributable to the Loans and the Local Governmental Obligations; (ii) any amounts transferred to the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as

applicable, 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 or a Prior Bond Payment Default; and (iii) 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.

The Bond Trustee shall make the following transfers and payments from the Debt Service Reserve Fund:

(1) Except as otherwise provided in the Equity Allocation Certificate, 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 and the Redemption Fund are insufficient to pay all Principal Installments and interest on the Bonds then payable due to a Payment Default or Prior Bond Payment Default, the Bond Trustee, not later than 1:00 p.m. on such Interest Payment Date, shall withdraw from the Debt Service Reserve Fund (or the balance in the Debt Service Reserve Fund if the aggregate amount therein is less than such deficiency) as directed by the Trust pursuant to the Bond Resolution and deposit in the Debt Service Fund the amount of such deficiency. Notwithstanding anything in the Bond Resolution to the contrary, in making any such transfers due to a deficiency resulting from a Payment Default attributable to the Clean Water Bonds or a Prior Bond Payment Default, amounts, if any, in the Clean Water Debt Service Reserve Account in the Debt Service Reserve Fund shall be applied to such purpose before any amounts in the Drinking Water Debt Service Reserve Account are so applied and, in making any such transfers or retentions due to a deficiency resulting from a Payment Default attributable to the Drinking Water Bonds, amounts in the Drinking Water Debt Service Reserve Account in the Debt Service Reserve Fund shall be applied to such purpose before any amounts in the Clean Water Debt Service Reserve Account are so applied; and

(3) Upon the written direction of the Trust on the Business Day on which a Principal Installment on the Series 15 Bonds is due and paid or duly provided for in accordance with the terms of the Series 15 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, Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement and allocated as Equity for the Clean Water Bonds or the Drinking Water Bonds held under the Bond Resolution in accordance with the applicable 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.

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 the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the 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.

## **Rebate Fund**

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

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

## **Investments and Deposits**

Except as otherwise provided in the Bond Resolution, moneys held for the credit of any Fund or Account under the Bond Resolution will be invested by the Bond Trustee at the direction of an authorized officer in Investment Obligations which mature or are redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts. Notwithstanding any provision of the Bond Resolution to the contrary, no moneys on deposit in the Debt Service Reserve Fund will 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.

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

## **Covenant as to Pledge**

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

## **Issuance of Additional Obligations**

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



and lien on the Revenues, Prior Bond Revenues, Loans, Local Governmental Obligations, and other property pledged under the Bond Resolution and shall be payable equally and ratably from the Funds or Accounts established and created pursuant to the Bond Resolution.

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

**Covenants as to Loans and Local Governmental Obligations, Contract Assistance Payments and Equity Earnings**

No Loan will be made by the Trust from the proceeds of Series 15 Bonds or other moneys available therefor under the Bond Resolution, and no Local Governmental Obligations shall be acquired under the Bond Resolution, and no Series 15 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 the provisions set forth under this heading, (2) the Projects to be financed or refinanced by such Loans or Local Governmental Obligations shall have been approved by DEP in accordance with the Act and DEP's regulations and (3) the Loans or Local Governmental Obligations shall have been approved by the Trust.

Each Prior Loan and Prior Local Governmental Obligation funded by the Trust from the proceeds of the Prior Bonds or other moneys available therefor under the Prior Bond Resolution shall be secured, shall be in the amounts and shall otherwise have such terms and conditions as specified in the Prior Bond Resolution. Except as otherwise permitted by the Prior Bond Resolution, Prior Loans and Prior Local Governmental Obligations funded with the proceeds of the related Prior Bonds and any other moneys available therefor under the Prior Bond Resolution shall have Prior Borrower Payments, or other legally enforceable payments thereon, constituting Prior Bond Revenues, together with Prior Contract Assistance Payments and amounts on deposit in the Prior Subsidy Funds and Prior Equity Earnings, after application of a portion thereof in accordance with the Prior Bond Resolution to pay debt service due on the Outstanding Prior Bonds, at least sufficient in aggregate amount and in time of receipt, together with all other moneys reasonably anticipated to be available therefore, including without limitation Revenues, to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service on the Series 2010A Refunding Bonds payable by the Trust when due. Without limiting the generality of the foregoing, each Prior Loan and Prior Local Governmental Obligation shall provide for the payment to or for the account of the Trust of the Prior Borrower Payments due thereon on each Payment Date thereunder on or prior to such Payment Date.

Except as otherwise permitted by the Bond Resolution, the Loans made and Local Governmental Obligations purchased with the proceeds of the Series 15 Bonds shall have scheduled Borrower Payments thereon which, together with Contract Assistance Payments and Equity Earnings shall result in aggregate Revenues hereunder, under the Bond Resolution which Revenues, together with all other moneys and other Revenues reasonably anticipated to be available therefor to pay the Principal Installments of and interest on the Series 15 Bonds, shall be at least sufficient in aggregate amount and in time of receipt to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service when due with respect to the Series 15 Bonds.

The Trust shall do all such acts and things necessary to receive and collect Borrower Payments, Prior Borrower Payments and other Revenues and Prior Bond Revenues as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust for the enforcement of all terms, covenants and conditions of all Loans and Local Governmental Obligations, the applicable Financing Agreements therefor, the Commonwealth Assistance Contract and all Investment Obligations including the prompt payment of all Borrower Payments and Prior Bond Payments and all other Revenues and Prior Bond Revenues due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend,

enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Loan, Local Governmental Obligation and all Financing Agreements therefor, the Commonwealth Assistance Contract and all Investment Obligations, provided that, subject to the terms of the applicable Financing Agreement and the rights of DEP thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a Payment Default on any Loan or Local Governmental Obligation or under the Commonwealth Assistance Contract or any Investment Obligation on such terms as the Trust shall determine to be in the best interests of the Trust and the Bondowners and to forbear from taking action with respect to enforcement of a Loan or Local Governmental Obligation or any Financing Agreement therefor, or under the Commonwealth Assistance Contract or any Investment Obligation if it determines such forbearance to be in the best interests of the Trust and the Bondowners.

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

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and with respect to the Prior Loans and Prior Local Governmental Obligations, the prior pledge to the Owners of the applicable Prior Bonds Outstanding, the 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 Borrower Payments or Prior Borrower Payments, as applicable, thereon if the Trust determines that such action is in the best interests of the Trust and Bondowners and will result in a greater availability of Revenues or Prior Bond Revenues, as applicable, to pay Aggregate Debt Service when due and administrative expenses than would be the case if such Loan 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 the Bond Resolution.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Prior Bonds, 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 not in default or delinquent in the payment of Borrower Payments or Prior Borrower Payments, as applicable, thereon, or transfer any such Loan or Local Governmental Obligation to itself free and clear of the pledge of the Bond Resolution, in either case at such price as the Trust shall determine, provided that not less than ten Business Days prior to any such disposition or transfer the Trust files with the Bond Trustee a certificate of an authorized officer showing that following such disposition or transfer anticipated Revenues and Prior Bond Revenues, as applicable, available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues and Prior Bonds Revenues, as applicable, and other moneys anticipated to be available for such purpose if such Loan 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 Borrower Payments or Prior Borrower Payments, as applicable, thereon shall be deposited in the Revenue Fund.

The Trust may consent or agree to or permit amendment or modification of any Loan or Local Governmental Obligation, and the related Financing Agreement therefor, including amendments and modifications made in connection with settlement of any delinquency or Payment Default or Prior Bond Payment Default thereon, which the Trust determines to be in the best interests of the Trust and the

Bondholders; provided, (i) such Loan or Local Governmental Obligation, as so amended or modified, continues to satisfy the requirements of this Bond Resolution or the Prior Bond Resolution, as applicable, for a Loan or Local Governmental Obligation which the Trust may make or purchase and hold hereunder or under such Prior Bond Resolution thereunder and (ii) the Trust determines that such amendment or modification will not have a material adverse impact, taking into account the reasonable expectations with respect to such Loan or Local Governmental Obligation immediately prior to such amendment or modification, on the Trust's ability to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due.

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

### **Tax Covenants**

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

The Trust shall take all lawful action necessary to ensure that interest on the Tax-Exempt Bonds will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of Tax-Exempt 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 Tax-Exempt Bonds to become includable in gross income for federal income tax purposes.

### **Accounts and Reports**

The Trust shall take, or require to be taken, such action as may from time to time be required to maintain the Series 15B Bonds as "build America bonds" under Section 54AA(d) and "qualified bonds" under Section 54AA(g) of the Code, including without limitation compliance with the applicable provisions of Section 141 through Section 150 of the Code. The Trust shall irrevocably elect to treat the Series 15B Bonds as "build America bonds" under Section 54AA(d) and to receive a subsidy payment under Section 6431 of the Code in lieu of the Registered Owners of the Series 15B Bonds earning a tax credit. The Trust shall transfer, or cause to be transferred, any Federal Subsidy Payments with respect to the Series 15B Bonds received from the United States Treasury to the Bond Trustee upon receipt thereof for deposit in the Revenue Fund in accordance with Section 406(A) hereof.

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

The Trust shall annually file with the Bond Trustee, and otherwise as provided by law, a copy of an annual report for such year (the "Annual Report"), and shall annually, within 120 days after the close of each Fiscal Year, file with the Bond Trustee, and otherwise as provided by law, financial statements relating to the Program containing the report thereon of an independent public accountant or firm of

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

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

### **Supplemental Bond Resolutions**

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

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

Without limiting the generality of the foregoing provisions of this Section 707, subsequent to the issuance of the Bonds the Trust, with prior written notice to the Bond Trustee, may amend or otherwise modify the schedule of Prior Borrower Payments, Prior Contract Assistance Payments and Prior Equity Earnings allocable to any Prior Loans and any Prior Local Governmental Obligations funded by the Trust from the proceeds of the Prior Bonds to reflect the final allocation of debt service savings resulting from the issuance of the Bonds and the refunding of the Refunded Prior Bonds, provided that (i) such Prior Borrower Payments, Prior Contract Assistance Payments and Prior Equity Earnings, as so modified, shall be at least sufficient in aggregate amount and in time of receipt, together with all other amounts expected to be available therefor under the Prior Bond Resolution and hereunder, including amounts held in any Prior Subsidy Funds and investment earnings on the Prior Subsidy Funds, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due on the Outstanding Prior Bonds and Outstanding Series 2010A Refunding Bonds; (ii) such amendment or other modification will not adversely affect the ratings then assigned to any Prior Bonds or the Bond by any Rating Agency; and (iii) such amendment or

other modification will not adversely affect the exclusion of interest on any Prior Bonds or the Bonds from gross income for federal income tax purposes, all as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee and upon which the Bond Trustee may conclusively rely.

### **Events of Default**

Events of Default specified in the Bond Resolution include:

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

### **Remedies**

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

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

If an Event of Default, subject to the prior pledge to the Owners of the related Prior Bonds Outstanding with respect to the Prior Loans and Prior Local Governmental Obligations (other than a covenant default) happens and is not remedied, the Trust upon demand of the Bond Trustee will pay over to the Bond Trustee upon receipt thereof all Revenues, Prior Bond Revenues and other moneys pledged under

the Bond Resolution. Unless otherwise directed by a court, all such Revenues, Prior Bond Revenues and other moneys and any other moneys received or collected by the Bond Trustee will be applied as provided in the Bond Resolution.

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

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

### **Removal of Bond Trustee**

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

### **Defeasance**

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

## **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS APPLICABLE TO POOL SRF BONDS**

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

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

### **Payments**

All borrower Payments under the Financing Agreement shall be applied, first, to the interest, if any, on the Loan or Local Governmental Obligations then due and payable, and second, to the principal amount of the Loans or Local Governmental Obligations then due and payable. On or prior to each Payment Date, the borrower will pay to the Bond Trustee for the account of the Trust, by wire transfer to such account or

otherwise in such manner as the Trust may from time to time designate to the borrower, the borrower Payments then due on the Loans or Local Governmental Obligations.

Under the Financing Agreements for Loans and Local Governmental Obligations, the borrowers are required to make borrower Payments which are net of Equity Earnings and net of Contract Assistance Payments that the Trust expects to receive and to apply to pay a portion of its debt service on the Bonds. In the event of a deficiency in the related Equity Earnings or Contract Assistance Payments, the Payments of such borrowers are not increased to cover the shortfall under such Financing Agreements.

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

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

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

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

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

### **Tax Covenants**

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

### **Defaults and Remedies**

Failure of the borrower to pay when due all or any part of any borrower Payment payable under the Financing Agreement shall be and shall constitute an immediate Event of Default under the Financing Agreement and the related Loans or Local Governmental Obligations. Failure of the borrower to perform and

observe any other covenant, agreement or condition on its part provided in the Financing Agreement or in the related Loans or Local Governmental Obligations shall constitute an Event of Default if not cured within a period of thirty days after written notice thereof.

Upon the occurrence of any Event of Default under the Financing Agreement, the Trust shall have, in addition to the remedies set forth in the Financing Agreement, all other remedies permitted by law including the right to seek compliance by the borrower with the terms and provisions of the Financing Agreement and the related Loans or Local Governmental Obligations by suit or suits in equity or at law, for the specific performance of any covenant, term or condition of the Financing Agreement, or in the aid of the execution of any power granted in the Financing Agreement, and may exercise any other right or remedy upon such default as may be granted to the Trust under the Act, the applicable Bond Act or under any other applicable provision of law.

## **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS APPLICABLE TO THE PRIOR BONDS**

### **The Prior Local Government Obligations**

The Trust has purchased the Prior Local Governmental Obligations issued by the City of New Bedford (the "City") with proceeds of the Prior Bonds from the City and the City has agreed to make Payments on the Prior Local Government Obligations on the Payment Dates and in the amounts set forth in the Financing Agreements related to the Prior Local Government Obligations (the "Prior New Bedford Financing Agreements").

### **Payments**

All Payments made by the City on the Prior Local Government Obligations and all Equity Earnings and Contract Assistance Payments and other amounts applied on account of such Payments, shall be applied, first, to the interest, if any, then due and payable on the Prior Local Government Obligations and, second, to the principal amount of the Prior Local Government Obligations then due and payable. On each Payment Date the Trust shall apply, and the City shall receive, as a credit against the scheduled Payments then payable on the Prior Local Government Obligations, the Equity Earnings and Contract Assistance Payments ("Subsidy Amounts") allocable to such Payment Date provided in the Prior New Bedford Financing Agreements. Not less than five (5) business days prior to each Payment Date, the City shall pay to the Prior Bond Trustee for the account of the Trust the amount of the Scheduled Payment less the Subsidy Amount (the "Net Payment") then due on the Prior Local Government Obligations.

The City expressly acknowledges that the obligation of the Trust to apply Subsidy Amounts as provided in the Prior New Bedford Financing Agreements and in the Prior Bond Resolution is limited solely to the Equity Earnings and Contract Assistance Payments received by the Trust. Any reduction in Equity Earnings caused by a default by the obligor on any Investment Obligation or any failure by the Commonwealth to provide Contract Assistance Payments in the amounts and at the time contemplated by the Prior New Bedford Financing Agreements and the Commonwealth Assistance Contract shall not diminish the obligation of the City to pay the Prior Local Government Obligations and the interest, if any, thereon in the amounts and at the times provided in the Prior New Bedford Financing Agreements and in the Prior Local Government Obligations.

If at any time the Trust shall determine that a deficiency will exist in the amount available to pay debt service on the Prior Bonds due to a reduction in Subsidy Amounts available to the Trust, the Trust shall promptly furnish the City with written notice of such deficiency and the resulting increase in the Net Payments payable on the Prior Local Government Obligations, and the amount of any increase in any Net Payment shall be paid by the City on the scheduled Payment Date therefor or, if later, within five (5) business days of receipt by the City of notice of such increase.



## **Prepayment of Prior Local Government Obligations**

The Prior Local Government Obligations shall be subject to prepayment by the City prior to maturity on terms substantially similar to the redemption provisions applicable to the Prior Bonds. Whenever the Prior Local Government Obligations are permitted to be prepaid, the City shall promptly pay over to the Trust amounts sufficient to pay a prepayment price equal to (i) the principal amount so prepaid, plus (ii) an amount equal to all costs of the Trust (including without limitation redemption premium, if any, trustee's fees and expenses and reasonable attorneys' fees) incurred in connection with any corresponding redemption of Prior Bonds allocable to the principal amount of the Prior Local Government Obligations so prepaid plus (iii) an amount equal to any interest payable on such Prior Bonds to the date of such redemption that is not provided for by earnings on investment or deposit of the amount prepaid.

## **Tax Covenants**

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

## **Defaults and Remedies**

Failure of the City to pay when due all or any part of any Payment payable on the Prior Local Government Obligations shall be and shall constitute an immediate event of default on the related Prior New Bedford Financing Agreements. Failure of the City to perform and observe any other covenant, agreement or condition on its part provided in the Prior New Bedford Financing Agreements or in the related Prior Local Government Obligations shall constitute an event of default if not cured within a period of thirty days after written notice thereof.

Upon the occurrence of any event of default under the Prior New Bedford Financing Agreements, the Trust shall have, in addition to the remedies set forth in the Prior New Bedford Financing Agreements, all other remedies permitted by law including the right to seek compliance by the City with the terms and provisions of the Prior New Bedford Financing Agreements and the Prior Local Government Obligations, by suit or suits in equity or at law, for the specific performance of any covenant, term or condition of the Prior New Bedford Financing Agreements, or in the aid of the execution of any power granted in the Prior New Bedford Financing Agreements, and may exercise any other right or remedy upon such default as may be granted to the Trust under the Enabling Act, the Prior Bond Resolution, the Applicable Bond Act, or under any other applicable provision of law, including the right to intercept state financial assistance that would otherwise be transferred by the State Treasurer to the City to satisfy any Payment Default.

### SRF Bonds Program – Borrowers

The following table sets forth the borrowers under the Trust's SRF Bonds program, the amounts of loans outstanding as of February 1, 2010, the loans to be funded with the Series 15 Bonds, the total amount of loans that will be outstanding with respect to each borrower upon the issuance of the Series 15 Bonds and the percentage that the loans to each borrower will represent of the total loans outstanding. Upon the issuance of the Series 15 Bonds, approximately \$2.94 billion of the total loans will be allocable to the Clean Water Federal Program and approximately \$849 million of the total loans will be allocable to the Drinking Water Federal Program.

<u>Borrower Name</u>	<u>Loans Outstanding as of February 1, 2010</u>	<u>Series 15 Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
Abington	\$ 2,211,631	\$ 2,266,894	\$ 4,478,525	0.12%
Acton	19,726,549	0	19,726,549	0.52%
Acushnet	3,938,038	0	3,938,038	0.10%
Adams	2,382,642	0	2,382,642	0.06%
Adams Fire District	2,355,584	0	2,355,584	0.06%
Agawam	2,271,009	79,836	2,350,845	0.06%
Amesbury	9,669,612	3,579,052	13,248,664	0.35%
Amherst	52,575	0	52,575	0.00%
Andover	4,693,402	0	4,693,402	0.12%
Aquarion Water Company of Massachusetts	2,529,831	0	2,529,831	0.07%
Ashburnham	5,019,072	0	5,019,072	0.13%
Ashfield Water District	375,000	0	375,000	0.01%
Ashland	6,932,948	0	6,932,948	0.18%
Athol	7,901,622	0	7,901,622	0.21%
Attleboro	38,803,775	0	38,803,775	1.02%
Auburn	330,845	0	330,845	0.01%
Auburn Water District	2,147,388	0	2,147,388	0.06%
Avon	1,416,655	0	1,416,655	0.04%
Ayer	190,451	0	190,451	0.01%
Barnstable County	2,700,000	3,000,000	5,700,000	0.15%
Barnstable	16,625,091	7,753,805	24,378,896	0.64%
Barre	88,505	0	88,505	0.00%
Belchertown	11,581,233	537,149	12,118,382	0.32%
Bellingham	544,591	0	544,591	0.01%
Belmont	31,625	7,226,667	7,258,292	0.19%
Berlin	102,286	0	102,286	0.00%
Bernardston	55,083	0	55,083	0.00%
Beverly	544,832	0	544,832	0.01%
Billerica	23,523,970	9,527,457	33,051,427	0.87%
Blackstone	41,850	0	41,850	0.00%

<u>Borrower Name</u>	<u>Loans Outstanding as of February 1, 2010</u>	<u>Series 15 Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
Boston	\$ 7,575,000	\$ 0	\$ 7,575,000	0.20%
Bourne	739,204	0	739,204	0.02%
Boxford	127,458	0	127,458	0.00%
Boylston	87,015	0	87,015	0.00%
Brewster	251,825	0	251,825	0.01%
Bridgewater	973,843	604,523	1,578,366	0.04%
Brockton	95,148,549	9,882,664	105,031,213	2.77%
Brockton Sewer Enterprise System	1,481,464	0	1,481,464	0.04%
Brookfield	79,000	0	79,000	0.00%
Buckland	456,200	0	456,200	0.01%
Burlington	7,104,259	0	7,104,259	0.19%
Boston Water Sewer Commision	10,883,260	0	10,883,260	0.29%
Cambridge	5,597,663	0	5,597,663	0.15%
Canton	0	3,745,695	3,745,695	0.10%
Carver	77,703	0	77,703	0.00%
Centerville/Osterville Fire District	0	2,625,377	2,625,377	0.07%
Charlton	11,861,875	3,745,236	15,607,111	0.41%
Chatham	205,180	3,289,537	3,494,717	0.09%
Chelmsford	35,437,397	11,902,436	47,339,833	1.25%
Chelmsford Water District	4,117,368	0	4,117,368	0.11%
Chelsea	0	245,000	245,000	0.01%
Cherry Valley Water District	886,190	0	886,190	0.02%
Chesterfield	354,576	0	354,576	0.01%
Chicopee	41,941,303	13,305,321	55,246,624	1.46%
Clarksburg	219,300	0	219,300	0.01%
Clinton	8,988,162	0	8,988,162	0.24%
Cohasset	14,410,172	0	14,410,172	0.38%
Colrain	34,856	0	34,856	0.00%
Concord	13,749,887	0	13,749,887	0.36%
Conway	22,161	0	22,161	0.00%
Charles River Pollution Control District	7,885,377	0	7,885,377	0.21%
Danvers	320,847	0	320,847	0.01%
Dartmouth	19,587,602	367,800	19,955,402	0.53%
Dedham	1,838,103	0	1,838,103	0.05%
Deerfield Fire District	1,070,018	0	1,070,018	0.03%
Dennis	525,401	0	525,401	0.01%
Dennis Water District	8,170,000	0	8,170,000	0.22%
Dighton	70,980	0	70,980	0.00%
Dighton Rehoboth Regional School District	0	573,816	573,816	0.02%
Dighton Water District	6,308,174	0	6,308,174	0.17%

<u>Borrower Name</u>	<u>Loans Outstanding as of February 1, 2010</u>	<u>Series 15 Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
Douglas	\$ 5,210,063	\$ 0	\$5,210,063	0.14%
Dover	114,200	0	114,200	0.00%
Dracut	9,447,688	16,593,287	26,040,975	0.69%
Dracut Water Supply District	586,050	0	586,050	0.02%
Dudley	435,971	0	435,971	0.01%
Duxbury	3,494,617	0	3,494,617	0.09%
Eastham	619,975	0	619,975	0.02%
Easthampton	5,032,545	1,017,163	6,049,708	0.16%
Easton	179,293	0	179,293	0.00%
East Bridgewater	12,438,271	3,937,892	16,376,163	0.43%
East Longmeadow	555,857	0	555,857	0.01%
Erving	4,311,125	0	4,311,125	0.11%
Essex	19,210,115	0	19,210,115	0.51%
Everett	324,874	250,000	574,874	0.02%
Fairhaven	332,259	0	332,259	0.01%
Fall River	145,141,329	4,707,851	149,849,180	3.95%
Falmouth	20,164,651	0	20,164,651	0.53%
Fitchburg	39,082,383	1,494,996	40,577,379	1.07%
Foxborough	5,584,117	0	5,584,117	0.15%
Framingham	11,921,794	20,456,626	32,378,420	0.85%
Franklin	4,568,405	0	4,568,405	0.12%
Gardner	8,355,965	0	8,355,965	0.22%
Georgetown	1,639,079	0	1,639,079	0.04%
Gill	22,865	0	22,865	0.00%
Gloucester	35,224,302	17,708,346	52,932,648	1.39%
Greater Lawrence Sewer District	18,507,973	0	18,507,973	0.49%
Grafton	42,030	0	42,030	0.00%
Granby	273,246	0	273,246	0.01%
Great Barrington	195,000	0	195,000	0.01%
Greenfield	4,559,651	0	4,559,651	0.12%
Groton	5,015,671	0	5,015,671	0.13%
Hadley	4,726,895	0	4,726,895	0.12%
Halifax	274,200	0	274,200	0.01%
Hanover	230,205	0	230,205	0.01%
Hanson	1,039,560	0	1,039,560	0.03%
Hardwick	16,656	0	16,656	0.00%
Harwich	208,003	0	208,003	0.01%
Hatfield	697,200	0	697,200	0.02%
Haverhill	23,395,043	2,499,918	25,894,961	0.68%
Hillcrest Sewer District	2,504,833	0	2,504,833	0.07%

<u>Borrower Name</u>	<u>Loans</u>		<u>Total</u>	<u>% of Total Loans Outstanding</u>
	<u>Outstanding as of February 1, 2010</u>	<u>Series 15 Loans</u>		
Hingham	\$ 2,133,730	\$ 0	\$ 2,133,730	0.06%
Hinsdale	2,170,000	0	2,170,000	0.06%
Holbrook	8,639,564	5,080,800	13,720,364	0.36%
Holden	10,809,933	1,923,826	12,733,759	0.34%
Holland	100,000	0	100,000	0.00%
Holliston	158,886	0	158,886	0.00%
Holyoke	16,655,180	0	16,655,180	0.44%
Hopedale	1,041,359	0	1,041,359	0.03%
Hopkinton	5,634,770	5,840,426	11,475,196	0.30%
Hubbardston	7,337	0	7,337	0.00%
Hudson	16,740,795	0	16,740,795	0.44%
Hull	4,533,547	0	4,533,547	0.12%
Hoosac Water Quality District	6,692,364	0	6,692,364	0.18%
Ipswich	930,200	0	930,200	0.02%
Kingston	31,631,135	0	31,631,135	0.83%
Lakeville	259,041	3,628,398	3,887,439	0.10%
Lancaster	104,331	0	104,331	0.00%
Lanesborough Village Fire & Water District	2,331,898	0	2,331,898	0.06%
Lawrence	33,843,843	1,887,908	35,731,751	0.94%
Lee	18,403,044	0	18,403,044	0.48%
Leicester	256,867	0	256,867	0.01%
Leicester Water Supply District	327,796	0	327,796	0.01%
Lenox	1,285,535	0	1,285,535	0.03%
Leominster	6,158,707	20,513,790	26,672,497	0.70%
Lexington	25,232	0	25,232	0.00%
Lincoln	2,853,915	0	2,853,915	0.08%
Littleton	192,963	0	192,963	0.01%
Longmeadow	3,445,081	0	3,445,081	0.09%
Lowell	59,969,795	25,485,692	85,455,487	2.25%
Ludlow	885,386	3,480,685	4,366,071	0.11%
Lunenburg Water District	1,455,063	2,894,404	4,349,467	0.11%
Lunenburg	7,593,657	0	7,593,657	0.20%
Lynn Water and Sewer Commission	61,075,225	0	61,075,225	1.61%
Lynnfield	90,876	0	90,876	0.00%
Manchester	3,520,727	0	3,520,727	0.09%
Mansfield	17,688,237	0	17,688,237	0.47%
Marion	17,752,099	900,450	18,652,549	0.49%
Marlborough	1,329,138	1,200,037	2,529,175	0.07%
Marshfield	8,788,930	0	8,788,930	0.23%
Mashpee	1,026,554	190,225	1,216,779	0.03%

<u>Borrower Name</u>	<u>Loans Outstanding as of February 1, 2010</u>	<u>Series 15 Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
Mattapoisett	\$ 7,132,702	\$ 0	\$ 7,132,702	0.19%
Mattapoisett River Valley Water District	13,340,469	61,960	13,402,429	0.35%
Maynard	3,838,404	5,172,957	9,011,361	0.24%
Massachusetts Development Finance Agency	12,230,458	0	12,230,458	0.32%
Medfield	1,297,702	0	1,297,702	0.03%
Medway	112,167	0	112,167	0.00%
Melrose	3,385,231	0	3,385,231	0.09%
Mendon	77,703	0	77,703	0.00%
Merrimac	167,703	0	167,703	0.00%
Methuen	24,467,869	662,243	25,130,112	0.66%
Middleborough	1,147,025	300,000	1,447,025	0.04%
Middleton	86,586	0	86,586	0.00%
Millbury	25,034,192	828,194	25,862,386	0.68%
Millville	407,526	0	407,526	0.01%
Milton	433,300	0	433,300	0.01%
Monson	1,456,694	250,395	1,707,089	0.04%
Montague	3,299,283	0	3,299,283	0.09%
Monterey	49,425	0	49,425	0.00%
Massachusetts Water Resources Authority	1,055,425,362*	49,420,599	1,104,845,961	29.10%
North Adams	1,629,576	0	1,629,576	0.04%
North Andover	9,556,348	0	9,556,348	0.25%
Nantucket	57,672,358	4,006,000	61,678,358	1.62%
Natick	4,634,786	0	4,634,786	0.12%
North Attleboro	10,945,216	1,268,780	12,213,996	0.32%
North Brookfield	3,180,000	0	3,180,000	0.08%
Needham	1,387,551	849,815	2,237,366	0.06%
New Bedford	130,038,342*	6,628,741	136,667,083	3.60%
Newbury	9,454,547	0	9,454,547	0.25%
Newburyport	11,786,299	4,125,375	15,911,674	0.42%
Newton	9,835,066	0	9,835,066	0.26%
Norfolk	588,980	0	588,980	0.02%
Northampton	23,872,201	459,416	24,331,617	0.64%
Northborough	704,346	0	704,346	0.02%
Northbridge	5,851,389	0	5,851,389	0.15%
Norton	2,565,723	0	2,565,723	0.07%
Norwell	339,397	0	339,397	0.01%
Norwood	640,000	0	640,000	0.02%
North Raynham Water District	4,131,072	0	4,131,072	0.11%
North Reading	620,319	0	620,319	0.02%

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

<u>Borrower Name</u>	<b>Loans Outstanding as of February 1, 2010</b>	<u>Series 15 Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
North Sagamore Water District	\$ 1,725,458	\$ 0	\$ 1,725,458	0.05%
Oak Bluffs	12,563,790	63,406	12,627,196	0.33%
Orange	154,819	0	154,819	0.00%
Orleans	80,000	0	80,000	0.00%
Palmer	4,101,405	5,002,727	9,104,132	0.24%
Paxton	84,522	0	84,522	0.00%
Pembroke	644,326	200,000	844,326	0.02%
Pepperell	3,825,296	0	3,825,296	0.10%
Phillipston	84,508	0	84,508	0.00%
Pittsfield	0	5,676,965	5,676,965	0.15%
Plainville	908,555	0	908,555	0.02%
Plymouth	28,124,421	0	28,124,421	0.74%
Plympton	35,481	0	35,481	0.00%
Provincetown	19,556,498	0	19,556,498	0.52%
Quincy	6,820,673	2,081,539	8,902,212	0.23%
Randolph	5,980,061	2,751,124	8,731,185	0.23%
Raynham	10,567,548	0	10,567,548	0.28%
Reading	12,793	0	12,793	0.00%
Revere	689,831	575,000	1,264,831	0.03%
Richmond	2,607,967	0	2,607,967	0.07%
Rockland	678,465	2,828,541	3,507,006	0.09%
Rockport	45,940	0	45,940	0.00%
Rowley	149,075	0	149,075	0.00%
Royalston	34,635	0	34,635	0.00%
Russell	989,002	0	989,002	0.03%
Rutland	34,987	0	34,987	0.00%
Salem	2,041,102	0	2,041,102	0.05%
Salisbury	1,156,144	2,255,545	3,411,689	0.09%
Sandwich	256,748	0	256,748	0.01%
Saugus	5,389,293	2,202,521	7,591,814	0.20%
Scituate	16,893,638	0	16,893,638	0.44%
South Deerfield Water Supply District	2,445,000	0	2,445,000	0.06%
Seekonk	1,859,085	0	1,859,085	0.05%
Seekonk Water District	4,458,487	0	4,458,487	0.12%
South Essex Sewerage District	75,931,259*	0	75,931,259	2.00%
South Grafton Water District	0	1,404,777	1,404,777	0.04%
South Hadley	6,390,630	13,699	6,404,329	0.17%
South Hadley Fire District #1	889,810	0	889,810	0.02%

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

<u>Borrower Name</u>	<b>Loans</b>			<b>% of Total Loans Outstanding</b>
	<b>Outstanding as of February 1, 2010</b>	<b>Series 15 Loans</b>	<b>Total</b>	
Sharon	\$ 216,951	\$ 0	\$ 216,951	0.01%
Shirley	9,657,147	0	9,657,147	0.25%
Shrewsbury	512,300	0	512,300	0.01%
Shutesbury	200,736	0	200,736	0.01%
Somerset	6,883,160	938,967	7,822,127	0.21%
Southampton	1,962,937	0	1,962,937	0.05%
Southborough	629,575	0	629,575	0.02%
Southbridge	12,760,772	4,732,628	17,493,400	0.46%
Southwick	35,062	0	35,062	0.00%
Spencer	411,700	5,915,628	6,327,328	0.17%
Springfield	1,872,138	0	1,872,138	0.05%
Sterling	1,060,318	0	1,060,318	0.03%
Stockbridge	4,706,659	2,953,224	7,659,883	0.20%
Stoughton	2,264,446	200,000	2,464,446	0.06%
Sturbridge	3,340,812	5,971,293	9,312,105	0.25%
Sunderland	51,090	0	51,090	0.00%
Sutton	6,500,065	0	6,500,065	0.17%
Swampscott	4,150,486	0	4,150,486	0.11%
Swansea	275,183	0	275,183	0.01%
Swansea Water District	14,549,226	4,570,898	19,120,124	0.50%
Springfield Water & Sewer Commission	34,246,611	9,744,105	43,990,716	1.16%
Taunton	43,242,415	25,253,641	68,496,056	1.80%
Templeton	6,780,740	0	6,780,740	0.18%
Tewksbury	8,185,266	0	8,185,266	0.22%
Tisbury	5,689,114	0	5,689,114	0.15%
Townsend	1,842,230	0	1,842,230	0.05%
Truro	114,200	0	114,200	0.00%
Tyngsborough	2,332,576	218,069	2,550,645	0.07%
Upper Blackstone Water Pollution Abate District	112,521,441	29,275,944	141,797,385	3.73%
Upton	2,503,700	0	2,503,700	0.07%
Wakefield	1,930,362	0	1,930,362	0.05%
Walpole	8,599,727	0	8,599,727	0.23%
Waltham	3,041,875	466,469	3,508,344	0.09%
Ware	452,700	0	452,700	0.01%
Wareham	25,235,041	6,567,049	31,802,090	0.84%
Warren Water District	215,921	0	215,921	0.01%
Wayland	592,612	0	592,612	0.02%
West Boylston	7,576,165	0	7,576,165	0.20%
West Boylston Water District	1,158,420	0	1,158,420	0.03%



<u>Borrower Name</u>	<u>Loans Outstanding as of February 1, 2010</u>	<u>Series 15 Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
West Bridgewater	\$ 577,814	\$ 0	\$ 577,814	0.02%
Webster	6,146,772	9,117,497	15,264,269	0.40%
Wellfleet	823,152	0	823,152	0.02%
Westborough	1,567,097	18,079,166	19,646,263	0.52%
Westfield	17,280,543	0	17,280,543	0.46%
Westford	9,782,734	1,920,424	11,703,158	0.31%
Westminster	214,926	0	214,926	0.01%
Westwood	1,565,287	0	1,565,287	0.04%
Weymouth	19,916,079	0	19,916,079	0.52%
West Groton Water Sewer District	1,297,835	0	1,297,835	0.03%
Whitman	5,169,718	780,735	5,950,453	0.16%
Wilbraham	3,664,078	0	3,664,078	0.10%
Wilmington	305,290	549,669	854,959	0.02%
Winchendon	12,004,680	0	12,004,680	0.32%
Winchester	36,057	0	36,057	0.00%
Windbrook Acres	298,003	0	298,003	0.01%
West Newbury	274,571	0	274,571	0.01%
West Stockbridge	520,000	0	520,000	0.01%
Woburn	4,095,988	10,505,397	14,601,385	0.38%
Worcester	819,243	5,570,460*	6,389,703	0.17%
Wrentham	3,037,231	0	3,037,231	0.08%
Yarmouth	7,983,610	0	7,983,610	0.21%
Total	\$3,328,318,926	\$468,372,567	\$3,796,691,493	100.00%
Clean Water Program	\$ 2,630,061,030	\$317,587,552	\$2,947,648,582	
Drinking Water Program	<u>698,257,896</u>	<u>150,785,015</u>	<u>849,042,911</u>	
	\$ 3,328,318,926	\$468,372,567	\$3,796,691,493	

\* In accordance with special legislation, the principal and interest on Worcester's Series 15 loans are expected to be paid from Commonwealth contract assistance payments and other funds available to the Trust.

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

The following table sets forth certain information related to the expected sources of payment for debt service on all outstanding Pool SRF Bonds issued by the Trust and the Bonds, together with the amounts that will be transferred on each payment date to the Pool Program Reserve Fund, assuming that there is no Payment Default with respect to any Pool SRF Bonds.

The following information is presented for each February 1 and August 1 payment date for all outstanding Pool SRF Bonds and the Bonds:

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

Funds in the Pool Program Reserve Fund are available on a pro rata basis to secure all Pool SRF Bonds as follows:

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

Amounts in the Pool Program Reserve Fund that are not applied as set forth above shall be transferred on the same payment date to the Deficiency Fund, and, together with amounts (not shown in the following table) expected to be transferred to the Deficiency Fund on such dates from each of the reserve funds for all SRF Bonds other than the Pool SRF Bonds, shall be similarly available on a pro rata basis to secure all SRF Bonds (including the Pool SRF Bonds). The availability of amounts in the Pool Program Reserve Fund and Deficiency Fund to satisfy deficiencies with respect to the Trust's SRF Bonds is dependent on the borrowers making their payments in a timely manner, on the timely receipt of reserve fund earnings and Commonwealth payments, and on the timing of scheduled releases from the reserve funds allocated to such borrowers or the Trust's SRF Bonds.

See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS."

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

<u>Payment Dates</u>	<u>Subsidy Amounts</u>					
	<u>Principal and Interest Payments on Pool SRF Bonds<sup>2</sup></u>	<u>Subsidized Borrower Loan Repayment Obligations and 2004 Debt Service Reserve Fund Withdrawals</u>	<u>Reserve Fund Earnings<sup>3</sup></u>	<u>Commonwealth Contract Assistance Payments and Subsidy Fund Amounts<sup>4</sup></u>	<u>Total<sup>5</sup></u>	<u>Transfers to Pool Program Reserve Fund<sup>6</sup></u>
August 1, 2010	\$207,948,554	\$150,538,250	\$27,222,521	\$30,380,325	\$208,141,095	\$55,389,651
February 1, 2011	101,855,192	60,150,687	25,563,480	17,283,129	102,997,296	10,249,775
August 1, 2011	228,048,164	170,854,027	28,379,759	29,220,195	228,453,981	59,779,858
February 1, 2012	98,059,617	57,800,337	23,930,481	17,443,741	99,174,558	10,112,469
August 1, 2012	241,644,068	177,107,932	26,722,792	38,158,154	241,988,879	57,999,483
February 1, 2013	94,076,705	56,645,412	22,408,486	16,018,821	95,072,719	9,871,399
August 1, 2013	249,180,997	185,567,951	25,276,791	38,706,066	249,550,808	65,680,000
February 1, 2014	93,745,856	56,456,150	20,783,390	17,209,816	94,449,356	7,892,500
August 1, 2014	246,932,558	185,771,820	23,669,131	38,001,399	247,442,350	64,345,770
February 1, 2015	90,190,716	54,578,161	18,951,414	17,203,053	90,732,628	14,508,437
August 1, 2015	245,765,786	187,307,412	22,242,008	36,269,009	245,818,429	71,780,325
February 1, 2016	76,781,862	45,717,761	17,022,300	14,041,801	76,781,862	6,457,500
August 1, 2016	245,627,287	190,946,664	20,829,543	34,113,647	245,889,853	73,223,099
February 1, 2017	69,115,043	43,125,189	15,440,854	10,548,999	69,115,043	7,629,000
August 1, 2017	222,479,493	172,652,479	19,078,656	31,059,708	222,790,843	68,177,764
February 1, 2018	57,134,533	35,176,399	14,088,442	7,869,692	57,134,533	3,938,500
August 1, 2018	223,416,677	174,938,423	17,023,424	31,715,152	223,676,999	70,255,243
February 1, 2019	52,766,677	32,833,726	12,712,414	7,220,537	52,766,677	4,079,500
August 1, 2019	208,898,239	168,791,374	15,136,812	25,290,076	209,218,262	65,058,423
February 1, 2020	48,800,652	30,927,774	11,324,824	6,548,054	48,800,652	4,226,500
August 1, 2020	210,967,352	177,182,953	13,430,848	20,744,122	211,357,922	62,957,793
February 1, 2021	44,297,317	28,322,395	10,075,726	5,899,197	44,297,317	4,352,500
August 1, 2021	197,442,358	168,255,486	11,832,461	18,271,914	198,359,861	59,623,930
February 1, 2022	34,521,840	21,209,432	9,026,162	4,286,247	34,521,840	1,898,000
August 1, 2022	194,362,559	168,224,032	10,470,590	17,359,470	196,054,093	60,386,515
February 1, 2023	31,098,362	19,311,872	8,004,212	3,782,277	31,098,362	1,984,000
August 1, 2023	178,318,076	157,851,247	9,030,286	12,470,068	179,351,601	54,618,606
February 1, 2024	27,888,060	18,038,332	7,109,566	3,307,280	28,455,179	2,074,000
August 1, 2024	158,677,160	142,657,390	7,678,811	10,462,099	160,798,299	50,816,173
February 1, 2025	23,992,777	15,669,056	6,187,685	2,528,852	24,385,593	2,170,000
August 1, 2025	147,570,683	131,551,164	6,542,394	9,823,358	147,916,916	47,666,887
February 1, 2026	21,804,340	14,505,844	5,231,321	2,067,175	21,804,340	2,256,000
August 1, 2026	134,343,359	120,534,420	5,564,440	8,869,798	134,968,657	43,603,282
February 1, 2027	15,830,788	9,616,297	4,374,436	1,840,055	15,830,788	758,000

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

<u>Payment Dates</u>	<u>Subsidy Amounts</u>					<u>Total<sup>5</sup></u>	<u>Transfers to Pool Program Reserve Fund<sup>6</sup></u>
	<u>Principal and Interest Payments on Pool SRF Bonds<sup>2</sup></u>	<u>Subsidized Borrower Loan Repayment Obligations and 2004 Debt Service Reserve Fund Withdrawals</u>	<u>Reserve Fund Earnings<sup>3</sup></u>	<u>Commonwealth Contract Assistance Payments and Subsidy Fund Amounts<sup>4</sup></u>			
August 1, 2027	\$115,472,229	\$103,645,447	\$4,678,658	\$7,746,112	\$116,070,217	\$37,843,776	
February 1, 2028	13,578,728	8,420,541	3,583,985	1,574,203	13,578,728	784,000	
August 1, 2028	102,678,507	92,460,971	3,961,967	6,893,623	103,316,561	33,191,334	
February 1, 2029	11,526,261	7,388,455	2,942,585	1,195,221	11,526,261	812,000	
August 1, 2029	84,814,242	76,298,938	3,283,639	5,882,070	85,464,646	28,209,139	
February 1, 2030	9,864,325	6,641,496	2,409,488	813,341	9,864,325	840,000	
August 1, 2030	78,260,513	71,592,532	2,706,251	4,617,308	78,916,091	27,462,477	
February 1, 2031	8,292,869	5,657,664	1,906,815	728,390	8,292,869	856,000	
August 1, 2031	50,228,032	46,207,214	2,151,310	2,502,883	50,861,407	17,734,171	
February 1, 2032	5,036,001	3,446,595	1,593,650	2,699	5,042,945	0	
August 1, 2032	50,551,001	46,858,560	1,797,029	2,502,883	51,158,472	18,291,828	
February 1, 2033	3,940,132	2,677,939	1,294,767	0	3,972,706	0	
August 1, 2033	43,545,132	40,891,174	1,428,154	1,715,536	44,034,864	15,818,517	
February 1, 2034	2,997,214	2,018,497	1,015,439	0	3,033,936	0	
August 1, 2034	38,837,214	37,294,169	1,070,443	798,841	39,163,452	14,304,237	
February 1, 2035	2,155,124	1,430,087	756,650	0	2,186,738	0	
August 1, 2035	31,805,124	31,109,328	756,650	0	31,865,978	12,039,637	
February 1, 2036	1,475,737	990,864	514,601	0	1,505,466	0	
August 1, 2036	27,860,737	27,375,381	514,601	0	27,889,982	10,709,849	
February 1, 2037	869,512	689,847	300,921	0	990,768	0	
August 1, 2037	20,529,512	20,259,460	300,921	0	20,560,381	7,982,053	
February 1, 2038	408,932	283,837	142,358	0	426,195	0	
August 1, 2038	12,603,932	12,496,112	142,358	0	12,638,469	4,827,944	
February 1, 2039	135,667	99,615	47,481	0	147,096	0	
August 1, 2039	4,110,667	4,103,464	47,481	0	4,150,945	1,391,250	
February 1, 2040	68,593	49,242	24,006	0	73,248	0	
August 1, 2040	4,133,593	4,152,705	24,006	0	4,176,711	1,422,750	

1. Totals may not add due to rounding.
2. Interest payments related to the Bonds have been reduced by the Federal Subsidy Payments expected to be received with respect to the Series 15B Bonds.
3. Includes investment earnings on the 2004 Debt Service Reserve Fund. Does not include any reserve fund earnings with respect to loans originally funded from the proceeds of SESD SRF Bonds, MWRA SRF Bonds or New Bedford SRF Bonds. Such reserve fund earnings are expected to be used to pay debt service on the portion of the SESD SRF Bonds, the MWRA SRF Bonds and New Bedford SRF Bonds that have not been refunded by Pool SRF Bonds.
4. Includes amounts attributable to debt service savings which are expected to be allocated to the Trust resulting from the issuance of the Pool 7 Bonds, the 2004 Refunding Bonds, the Series 2006 Refunding Bonds and the Bonds and the refunding of certain of the prior Pool SRF Bonds, SESD SRF Bonds, MWRA SRF Bonds and New Bedford SRF Bonds by such series.
5. Includes surplus amounts retained in certain debt service funds on August 1 of each fiscal year and applied to principal and interest payments due on the succeeding February 1.
6. These amounts are expected to be transferred to the Pool Program Reserve Fund from the reserve funds for each of the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund) and for certain SESD SRF Bonds, MWRA SRF Bonds and New Bedford SRF Bonds which have been refunded in part with Pool SRF Bonds.

[FORM OF BOND COUNSEL OPINION]

Dated Date of Closing

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

RE: \$444,520,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Series 15, consisting of \$191,925,000 State Revolving Fund Bonds, Subseries 15A (“Series 15A Bonds”) and \$252,595,000 State Revolving Fund Bonds, Subseries 15B (Federally Taxable - Direct Pay to Issuer - Build America Bonds) (“Series 15B Bonds”) and the \$41,990,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2010A (“Series 2010A Bonds,” and together with the Series 15A Bonds, the “Tax-Exempt Bonds”), each dated the date of delivery thereof (collectively, the “Bonds”).

We have acted as bond counsel in connection with the issuance by the Massachusetts Water Pollution Abatement Trust (the “Trust”) of the Bonds pursuant to Chapter 29C of the Massachusetts General Laws (the “Act”), a resolution of the Trust adopted March 4, 1993 entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program” (as amended and restated, the “Program Resolution”) and a resolution of the Trust adopted June 28, 2010 entitled “Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of the \$444,520,000 State Revolving Fund Bonds, Series 15, consisting of the \$191,925,000 State Revolving Fund Bonds, Subseries 15A and the \$252,595,000 State Revolving Fund Bonds, Subseries 15B (Federally Taxable - Direct Pay to Issuer - Build America Bonds) and the \$41,990,000 State Revolving Fund Refunding Bonds, Series 2010A” (the “Bond Resolution” and, together with the Program Resolution, the “Resolutions”). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

The Series 15A Bonds and the Series 15B Bonds are payable on August 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Bond Resolution. The Series 2010A Bonds are payable on February 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Bond Resolution.

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

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

1. The Trust is duly created and validly existing as a public instrumentality of The Commonwealth of Massachusetts with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolutions have been duly adopted by the Trust and constitute valid and binding obligations of the Trust enforceable upon the Trust.
3. Pursuant to the Act, the Resolutions create a valid lien on the funds, contract rights and other property pledged by the Resolutions for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Trust and are valid and binding special obligations of the Trust, payable solely from the sources provided therefor in the Resolutions.
5. Interest on the Tax-Exempt Bonds will not be included in the gross income of the holders of the Tax-Exempt Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Tax-Exempt Bonds to be included in the gross income of holders of the Tax-Exempt Bonds retroactive to the date of issuance of the Tax-Exempt Bonds. Interest on the Tax-Exempt Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations. Interest on the Series 2010A Bonds, but not the Series 15A Bonds, will be included in the “adjusted current earnings” of corporate holders of the Series 2010A Bonds so as to be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Tax-Exempt Bonds.
6. Under existing law, interest on the Series 15B Bonds will not be excluded from the gross income of holders of such Series 15B Bonds for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 15B Bonds. Investors are urged to obtain independent

tax advice regarding the Series 15B Bonds based upon their particular circumstances.

7. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth.
8. For federal and Massachusetts tax purposes, interest includes original issue discount. Subject to a de minimis exception in the case of the Series 15B Bonds, original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.
9. The tax advice in paragraphs 6 and 8 with respect to the Series 15B Bonds is not intended or written to be used, and cannot be used, for purposes of avoiding taxpayer penalties, and such federal tax advice was written to support the promotion or marketing of the Series 15B Bonds.

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

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

Very truly yours,

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

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

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

**Provision of Annual Reports**

Not later than 270 days after the end of each fiscal year of the Trust, commencing with the fiscal year ending June 30, 2011, the Trust will provide an Annual Report containing the information described below to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to the Rule. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Certificate. If the Trust is unable to provide an Annual Report to the MSRB by the foregoing date, the Trust will send a notice to that effect to the MSRB.

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

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

**Reporting of Material Events**

Upon the occurrence of any of the following events with respect to the Bonds (each a “Listed Event”), if material under applicable federal securities laws, the Trust will promptly file a notice of such occurrence with the MSRB.

1. Principal and interest payment delinquencies.
2. Non-payment related defaults under the Bond Resolution.
3. Unscheduled draws on the debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.



5. Substitution of credit or liquidity providers, or their failure to perform.
6. Receipt by the Trust of an adverse tax opinion or the occurrence of an event affecting the tax - exempt status of the Bonds.
7. Modifications to the rights of the owners of the Bonds.
8. Bond calls.
9. Defeasance of the Bonds or any portion thereof.
10. The release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

### **Termination of Reporting Obligation**

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

### **Amendment**

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

If the amendment pertains to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to evaluate the ability of the Trust to meet its obligations. To the extent reasonably feasible, the comparison also will be quantitative. A notice of the change in the accounting principles will be sent to the MSRB.

### **Default**

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

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

### **Beneficiaries**

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

**B. The Commonwealth Disclosure Agreement**

Prior to the issuance of the Bonds, the Trust and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2010, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated June 8, 2010 (the “Information Statement”). The Information Statement has been filed with EMMA.

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year	“COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Statutory Basis Distribution of Budgetary Revenues and Expenditures”
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“SELECTED FINANCIAL DATA - GAAP Basis”
3. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES AND EXPENDITURES - Limitations on Tax Revenues”
4. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“COMMONWEALTH REVENUES AND EXPENDITURES – Employee Benefits; <i>Pension</i> ”
5. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
6. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL INVESTMENT PLAN”
7. Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	“LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt”
8. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Debt Service Requirements”
11. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities”
12. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Budgetary Contract Assistance Liabilities”
13. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES - Authorized But Unissued Debt”
14. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow”
15. Summary presentation of the then-current, Commonwealth interest rate swap agreements	“LONG-TERM LIABILITIES - Interest Rate Swaps”

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

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

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

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

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

**Annual Filings**

Pursuant to the MWRA Continuing Disclosure Agreement, not later than January 1 of each year, commencing January 1, 1998, the Authority will, or will cause the Dissemination Agent to, provide an Annual Filing (as described below) to the MSRB through EMMA. The Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the MWRA Continuing

Disclosure Agreement. If the Dissemination Agent determines that the Authority has failed to comply with the undertaking regarding the Annual Filing, the Dissemination Agent will send a notice to that effect in a timely manner to the MSRB through EMMA and the SID.

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

(a) quantitative information for, or as of the end of, the preceding fiscal year of the type presented in the Authority's most recent official statement, including (i) a summary table of revenues, expenses and fund deposits, (ii) the amount of outstanding indebtedness of the Authority, and the debt limit as of the end of the fiscal year, (iii) a summary table with respect to the coverage covenants in the Authority's General Resolution and (iv) a summary table showing the Authority's capital investments by major category during the preceding fiscal year;

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

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

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

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

### **Termination of Reporting Obligation**

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

### **Amendment; Waiver**

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

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Filing for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

**Default**

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

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

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

The reserve fund for the Series 14 Bonds is, and the reserve fund for the Bonds will be, invested in bonds, notes and other evidences of indebtedness of certain United States government agencies or instrumentalities in the aggregate principal amounts of \$167.6 million and \$159.9 million, respectively, as of the date of delivery of the Bonds.

<b><u>Provider</u></b>	<b><u>Series</u></b>	<b><u>Debt Service Reserve Fund Amounts</u></b>
AIG Matched Funding Corp. <sup>1</sup>	MWRA 1998A	\$18.8 million
Bayerische Landesbank, acting through its New York branch	Series 3 Bonds	\$12.1 million
	1996 SESD Bonds	\$8.8 million
Citigroup	Series 12 Bonds	\$130.6 million
Depfa Bank, PLC	Series 12 Bonds	\$28.8 million
IXIS Funding Corp.	Series 6 Bonds	\$69.5 million
	Series 7 Bonds	\$28.9 million
	Series 8 Bonds	\$87.8 million
	MWRA 1993A Bonds	\$13.5 million
	MWRA 2002A Bonds	\$39.7 million
FSA Capital Management Services, LLC <sup>2</sup>	Series 4 Bonds	\$37.4 million
	Series 2004A and 2004B Bonds	\$63.3 million
	Series 10 Bonds	\$92.4 million
	MWRA 1998A Bonds	\$11.1 million
	Series 11 Bonds	\$81.4 million
HSBC National Bank of New York	Series 13 Bonds	\$140.4 million
	Series 1 Bonds	\$4.2 million
	1994 SESD Bonds	\$7.0 million
Morgan Guaranty Trust Company of New York	MWRA 1993B Bonds	\$7.9 million
	New Bedford 1996 Bonds	\$13.8 million
Société Générale <sup>3</sup> acting through its New York branch	Series 2 Bonds	\$8.7 million
	1994 SESD Bonds	\$7.4 million
	1996 SESD Bonds	\$8.8 million

	MWRA 1993B Bonds	\$4.8 million
	MWRA 1995A Bonds	\$7.6 million
	New Bedford 1996A Bonds	\$11.5 million
Trinity Funding Company, LLC	Series 5 Bonds	\$71.0 million
	Series 6 Bonds	\$25.1 million
	Series 7 Bonds	\$8.8 million
	Series 9 Bonds	\$95.0 million
	MWRA 1999A Bonds	\$56.8 million
	Series 11 Bonds	\$19.7 million
Westdeutsche Landesbank Girozentrale	New Bedford 1998A Bonds	\$14.6 million

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1. The obligations of AIG Matched Funding Corp. are guaranteed by American International Group, Inc.
  2. The obligations of FSA Capital Management Services, LLC, are guaranteed by Financial Security Assurance Inc.
  3. The obligations of Société Générale are insured by a financial guaranty insurance policy issued by Financial Security Assurance Inc.

**THE DEPOSITORY TRUST COMPANY**

**Book-Entry Only System**

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

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

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

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



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

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

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

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

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

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

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

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

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

## **Certificated Bonds**

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

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**TABLE OF REFUNDED 1998 NEW BEDFORD BONDS**

The 1998 New Bedford Bonds of the Trust to be refunded from the proceeds of the Series 2010A Bonds are described below.

**Subordinate Revenue Refunding Bonds (New Bedford Program), 1998 Series A**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Call Price</u>
02/01/2014	\$4,710,000	5.125%	08/09/2010	100%
02/01/2015	5,085,000	5.125	08/09/2010	100
02/01/2016	5,490,000	5.125	08/09/2010	100
02/01/2017	2,440,000	4.750	08/09/2010	100
02/01/2018	2,565,000	4.750	08/09/2010	100
02/01/2019	2,695,000	4.750	08/09/2010	100
02/01/2020	2,840,000	4.750	08/09/2010	100
02/01/2021	2,995,000	4.750	08/09/2010	100
02/01/2022	3,145,000	4.750	08/09/2010	100
02/01/2023	3,305,000	4.750	08/09/2010	100
02/01/2024	3,470,000	4.750	08/09/2010	100
02/01/2025	3,650,000	4.750	08/09/2010	100
02/01/2026	<u>3,805,000</u>	4.750	08/09/2010	100
	\$46,195,000			