

**NEW ISSUE**

Fitch Ratings, Inc.: AAA  
Moody's Investors Service, Inc.: Aaa  
Standard & Poor's: AAA  
(See "RATINGS")

*In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Trust and the borrowers described herein, interest on the Series 17A Bonds is excluded from gross income 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 is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is of the opinion that interest on the Series 17B Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Bond Counsel is further 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. See "TAX MATTERS." herein regarding certain other tax considerations.*



**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**\$202,250,000**

**State Revolving Fund Bonds, Series 17**

**consisting of**

**\$185,605,000 Subseries 17A and \$16,645,000 Subseries 17B  
(Federally Taxable)**

**Dated: Date of Delivery**

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

The Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Subseries 17A (the "Series 17A Bonds"), the Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Subseries 17B (Federally Taxable) (the "Series 17B Bonds" and, together with the Series 17A Bonds, 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 G – "The Depository Trust Company." Interest on the Bonds shall be payable on February 1 and August 1 of each year commencing August 1, 2013. The Series 17A Bonds will be subject to optional and mandatory redemption as described herein. The Series 17B Bonds will not be subject to redemption prior to maturity.

The Trust will use the proceeds of the Bonds to finance or refinance costs of certain water pollution abatement and drinking water projects for governmental units or other eligible borrowers and to pay costs of issuance of the Bonds. 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 repayments made by borrowers whose loans have been funded with the Bond proceeds, (ii) certain loan repayments made by borrowers whose loans have been funded directly by the Trust from amounts held under the Program Resolution and (iii) contract assistance payments made to the Trust by The Commonwealth of Massachusetts (the "Commonwealth"). For additional information about the security for the Bonds, see "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS" and "THE BONDS" herein.

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**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 PAYMENT OF THE BONDS.**

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*The Bonds are offered subject to the approval of the legality of the Bonds by Nixon Peabody LLP, 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 Wildman Palmer LLP, Boston, Massachusetts, Program Counsel to the Trust. 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 May 22, 2013.*

May 8, 2013

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**\$185,605,000**

**State Revolving Fund Bonds, Series 17**

**Subseries 17A**

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>	<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2014	\$2,205,000	5.00%	0.17%	57605A DW3	2026 <sup>†</sup>	\$10,135,000	5.00%	2.16%	57605A EJ1
2015	1,915,000	5.00	0.29	57605A DX1	2027 <sup>†</sup>	10,540,000	5.00	2.34	57605A EK8
2016	2,090,000	5.00	0.44	57605A DY9	2028 <sup>†</sup>	9,875,000	5.00	2.43	57605A EL6
2017	7,400,000	5.00	0.56	57605A DZ6	2029 <sup>†</sup>	10,215,000	5.00	2.51	57605A EM4
2018	7,680,000	5.00	0.74	57605A EA0	2030 <sup>†</sup>	10,625,000	5.00	2.57	57605A EN2
2019	7,975,000	5.00	0.96	57605A EB8	2031 <sup>†</sup>	11,060,000	5.00	2.63	57605A EP7
2020	8,280,000	5.00	1.17	57605A EC6	2032 <sup>†</sup>	11,270,000	5.00	2.68	57605A EQ5
2021	8,600,000	5.00	1.40	57605A ED4	2033 <sup>†</sup>	11,735,000	5.00	2.73	57605A ER3
2022	8,935,000	5.00	1.58	57605A EE2	2034 <sup>†</sup>	1,405,000	5.00	2.78	57605A ES1
2023	9,285,000	5.00	1.80	57605A EF9	2035 <sup>†</sup>	1,460,000	5.00	2.83	57605A ET9
2024 <sup>†</sup>	9,380,000	5.00	1.94	57605A EG7	2036 <sup>†</sup>	1,510,000	5.00	2.88	57605A EU6
2025 <sup>†</sup>	9,750,000	5.00	2.05	57605A EH5					

**\$4,875,000 5.00% Subseries 17A Term Bonds due February 1, 2039<sup>†</sup> to yield 2.99%, CUSIP Number 57605A EV4**

**\$7,405,000 5.00% Subseries 17A Term Bonds due February 1, 2043<sup>†</sup> to yield 3.04%, CUSIP Number 57605A EW2**

**\$16,645,000**

**State Revolving Fund Bonds, Series 17**

**Subseries 17B**

**(Federally Taxable)**

<u>Maturity (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2014	\$5,955,000	0.25%	0.25%	57605A EX0
2015	5,415,000	0.35	0.32	57605A EY8
2016	5,275,000	0.45	0.45	57605A EZ5

\* Copyright 2013, 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.

<sup>†</sup> Priced at the stated yield to first call date of February 1, 2023.

**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. 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.**

**TABLE OF CONTENTS**

	Page		Page
INTRODUCTORY STATEMENT .....	1	Organization.....	20
State Revolving Funds .....	1	Application and Compliance Process .....	21
The Trust’s SRF Bond Financing		Method of Funding .....	21
Programs .....	3	ABSENCE OF LITIGATION .....	22
SOURCES OF PAYMENT AND		LEGAL INVESTMENTS .....	22
SECURITY FOR THE SRF BONDS.....	4	TAX MATTERS .....	23
Special Obligations .....	4	Federal Tax Matters—Series 17A Bonds .....	23
Sources of Payment .....	4	Federal Tax Matters—Series 17B Bonds.....	24
Security for the SRF Bonds – Pledged		State Tax Matters .....	27
Direct Loans and SRF Reserve Funds.....	6	COMPETITIVE SALE OF THE BONDS .....	27
Derivative Transactions .....	8	RATINGS.....	28
THE POOL SRF BONDS .....	9	FINANCIAL ADVISOR.....	28
Pool SRF Bonds Debt Service and Pool		CERTAIN LEGAL MATTERS .....	28
Program Reserve Fund.....	9	OTHER AVAILABLE INFORMATION .....	28
THE BONDS .....	12	CONTINUING DISCLOSURE.....	29
Special Obligations .....	12	FURTHER INFORMATION .....	31
Plan of Finance .....	12	Appendix A - Definitions of Certain Terms .....	A-1
Sources and Uses of Funds .....	14	Appendix B - Summaries of Certain Basic	
Pledge Pursuant to the Bond Resolution.....	14	Documents .....	B-1
Pledge Pursuant to the Program		Summary of Certain Provisions of the	
Resolution .....	15	Program Resolution .....	B-1
Flow of Funds Under the Bond		Summary of Certain Provisions of the	
Resolution .....	15	Bond Resolution .....	B-11
Additional Bonds .....	16	Summary of Certain Provisions of the	
Terms of Payment and Redemption.....	16	Financing Agreements.....	B-26
SECURITY FOR THE BORROWER		Appendix C – Pool SRF Bonds - Borrowers .....	C-1
OBLIGATIONS .....	17	Appendix D – Proposed Form of Opinion of	
Cities and Towns .....	17	Bond Counsel .....	D-1
Regional Sewer Districts.....	18	Appendix E - Summary of Continuing Disclosure	
Water Districts .....	18	Undertakings .....	E-1
Municipal Water and Sewer		Appendix F – Table of Debt Service Reserve	
Commissions and the Massachusetts		Fund Investment Providers.....	F-1
Water Resources Authority .....	18	Appendix G – The Depository Trust Company.....	G-1
Private Water Systems .....	19		
Local Aid Intercept .....	19		
THE TRUST.....	20		
General.....	20		

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**BOARD OF TRUSTEES**

Steven Grossman, Chairman .....	Treasurer and Receiver-General of The Commonwealth of Massachusetts
James A. MacDonald .....	Designee of the Treasurer and Receiver-General
Glen Shor .....	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
Kenneth L. Kimmell .....	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**

Susan E. Perez .....	Executive Director
My T. Tran.....	Treasurer
Michael C. Murphy.....	Controller
Scott A. Jordan .....	Director of Finance and Administration
Steven J. McCurdy .....	Director of Program Development

**ADVISORS**

Nixon Peabody LLP .....	Bond Counsel
Edwards Wildman Palmer LLP .....	Program Counsel
Public Financial Management, Inc. ....	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:** \$202,250,000 Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 17 (the “Bonds”), consisting of \$185,605,000 State Revolving Fund Bonds, Subseries 17A (the “Series 17A Bonds”) and \$16,645,000 State Revolving Fund Bonds, Subseries 17B (Federally Taxable) (the “Series 17B Bonds”).
- Dated Date:** Date of Issuance.
- Interest Due:** February 1 and August 1, commencing August 1, 2013.
- Principal Due:** As shown on the inside cover of this Official Statement.
- Redemption:** The Series 17A Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein under “THE BONDS – Terms of Payment and Redemption.” The Series 17B Bonds are not subject to redemption prior to maturity.
- Authorization:** The Trust is authorized to issue bonds under Chapter 29C of the General Laws of The Commonwealth of Massachusetts (the “Commonwealth”). The Bonds will be issued pursuant to the Program Resolution (hereafter defined) and the Bond Resolution (hereafter defined).
- Purpose:** The Bonds are being issued to finance or refinance costs of certain water pollution abatement and drinking water projects for governmental units or other eligible borrowers and to pay costs of issuance of the Bonds. See “THE BONDS – Plan of Finance.”
- Program:** The Trust administers the Commonwealth’s State Revolving Fund (“SRF”) programs, which are 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. See “INTRODUCTORY STATEMENT.”
- 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, including without limitation, loans funded with, or local governmental obligations purchased with, proceeds of the Bonds, loans funded directly by the Trust from its SRF program funds and pledged by the Trust as additional security for the Bonds, and Commonwealth assistance payments. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the 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 Services, a Division of the McGraw-Hill Companies, Inc. See “RATINGS.”
- Tax Matters:** In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described in this Official Statement, and the accuracy of certain representations and certifications made by the Trust and the borrowers described in this Official Statement, interest on the Series 17A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code (the “Code”). Bond Counsel is also of the opinion that such interest is not treated as a preference item in

calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 17A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is of the further opinion that interest on the Series 17B Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Bond Counsel is also 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 G – “The Depository Trust Company.”

**Additional Information:** Questions regarding this Official Statement or requests for additional information concerning the Trust should be directed to Susan E. Perez, 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**

**\$202,250,000**

**State Revolving Fund Bonds, Series 17**

**consisting of**

**\$185,605,000 Subseries 17A and \$16,645,000 Subseries 17B  
(Federally Taxable)**

**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 \$202,250,000 State Revolving Fund Bonds, Series 17, consisting of \$185,605,000 State Revolving Fund Bonds, Subseries 17A (the “Series 17A Bonds”) and \$16,645,000 State Revolving Fund Bonds, Subseries 17B (Federally Taxable) (the “Series 17B Bonds” and together with the Series 17A Bonds, the “Bonds”) together with information about the Trust’s State Revolving Fund (“SRF”) programs. 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 borrowers in the Commonwealth under its SRF programs described in more detail below. See “THE BONDS – Plan of Finance”.

**State Revolving Funds**

**Overview of Trust SRF Programs.** The Trust administers the Commonwealth’s SRF programs, which are 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.

As described more fully herein, since 1993, the Trust has provided loans under its various SRF bond financing programs across the Commonwealth to approximately 290 borrowers in an aggregate amount of approximately \$6.0 billion. Borrowers under the Trust’s SRF programs include local governments, public authorities and certain private entities throughout the Commonwealth, each of which is referred to as a “borrower.” In November 2010, a private water company defaulted on its loan repayments to the Trust related to its loan in the original principal amount of \$1,730,000. The applicable financing agreement provided that loan repayments were to be payable directly to the Program Trustee and not to any bond trustee as security for any SRF Bonds. Other than as noted above, to date, no borrower has defaulted on any of its loan repayments.

**Security and Sources of Payment for Trust SRF Bonds.** The Trust issues revenue bonds (“SRF Bonds”) and uses the proceeds to make loans (“Leveraged Loans”) to borrowers to fund water pollution abatement and drinking water projects or to refund bonds previously issued by the Trust. The Trust applies federal grants and state matching funds and other moneys available to the Trust (“SRF Program Funds”) to make loans and/or to provide additional security for its SRF Bonds using the “pledged direct loan” approach (described below), the reserve fund approach (described below) or a combination of the two approaches.

*SRF Program Funds.* Under the “pledged direct loan” approach, the Trust pledges as additional security for a series of its SRF Bonds, direct loans (“Pledged Direct Loans”) that it has made or is making concurrently with the issuance of such SRF Bonds from its SRF Program Funds to eligible borrowers for water pollution abatement and drinking water projects. The Trust applies the interest payments on such Pledged Direct Loans to pay a portion of the debt service on the related series of SRF Bonds, thereby supplementing the loan repayment obligations of the borrowers of the Leveraged Loans funded by such SRF Bonds. Principal payments on the Pledged Direct Loans, as they are made from time to time, are pledged as further security for the related series of SRF Bonds. The Trust will use the Pledged Direct Loan approach for the Bonds.

Under the reserve fund approach, the Trust applies a portion of its SRF Program Funds to establish reserve funds to secure a series of its SRF Bonds, and applies investment earnings on such reserve funds to pay a portion of the debt service on the related SRF Bonds, thereby supplementing the loan repayment obligations of the borrowers of the Leveraged Loans funded by such SRF Bonds. The Trust will not establish a reserve fund for the Bonds.

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 applies its SRF Program Funds to fund Pledged Direct Loans, reserve funds or a combination of the two in an amount equal to between 33% and 50% of the original principal amount of the related Leveraged Loans.

*Commonwealth Assistance Payments.* Pursuant to the Act, the Commonwealth makes assistance payments to the Trust on behalf of certain Loans to 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.

Each series of SRF Bonds is, therefore, secured by and payable from (i) related Leveraged Loan borrower loan repayments; (ii) either related Pledged Direct Loan borrower loan repayments, related reserve funds funded with SRF Program Funds or a combination of both; and (iii) Commonwealth assistance payments made to the Trust on behalf of the related Loans to borrowers, together with earnings thereon.

*Refunding SRF Bonds.* Proceeds of refunding SRF Bonds are applied to refund a portion of one or more prior series of SRF Bonds. Such refunding SRF Bonds are then payable from and secured by borrower loan repayments and Commonwealth assistance payments not needed to pay the unrefunded portion of such prior SRF Bonds, subject to the prior pledge of such amounts to such unrefunded portions of such prior SRF Bonds and any other SRF Bonds previously issued to refund another portion of such prior SRF Bonds.

“See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS,” “THE POOL SRF BONDS” and “THE BONDS.”

**Revolving Nature of SRF Programs.** The SRF programs are called the State *Revolving* Fund programs because the SRF Program Funds that are applied to secure a series of Trust SRF Bonds, by funding either Pledged Direct Loans or reserve funds, are expected to be returned to the Trust to be used for its purposes in perpetuity. Principal repayments made on Pledged Direct Loans are returned to the Trust to the extent not needed to cure or prevent a default on any Trust SRF Bonds. As the Trust repays principal on its SRF Bonds secured by a reserve fund funded from SRF Program Funds, the amount required to be held in such reserve fund is reduced proportionately, and the excess reserve amounts are returned to the Trust to the extent not needed to cure or prevent a default on any Trust SRF Bonds. Such amounts are then available to the Trust to fund new direct loans, to establish reserve funds for new Trust SRF Bonds, or for other eligible purposes.

**Clean Water and Drinking Water SRFs.** The Trust initially allocates clean water SRF Program Funds and drinking water SRF Program Funds separately to secure 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 or from SRF Program Funds 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.

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

The Trust issues SRF Bonds pursuant to its “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 \$2.4 billion and \$751 million, respectively. Approximately \$158.7 million of Series 17A Bond proceeds will be applied to fund loans under the clean water SRF and approximately \$67.4 million of Series 17A Bond proceeds will be applied to fund loans under the drinking water SRF. Approximately \$16.6 million of Series 17B Bond proceeds will be applied to fund loans to borrowers under the clean water SRF, for community septic management programs.
- **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 \$76.8 million and \$3.4 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 \$2.8 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 \$38.0 million. 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 \$202,250,000 State Revolving Fund Bonds, Series 17, consisting of \$185,605,000 Subseries 17A and \$16,645,000 Subseries 17B (Federally Taxable), adopted by the Trust as of May 8 2013 (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 \$185.4 million of interim loans outstanding, \$161.5 million of which are expected to be refinanced with a portion of the Bond proceeds or SRF Program funds.

The Trust also uses its SRF Funds to make direct loans to borrowers. Upon the issuance of the Bonds, the Trust expects to have \$169.0 million of direct loans outstanding under its clean water SRF and \$64.4 million of direct loans outstanding under its drinking water SRF. In the past, the Trust has applied \$87.7 million of such clean water SRF direct loans and \$32.9 million of such drinking water SRF direct loans as Pledged Direct Loans for prior series of Trust SRF Bonds. The Trust intends to pledge \$70.7 million of such clean water SRF direct loans and \$27.1 million of such drinking water SRF direct loans as additional security for the Bonds (collectively, the “Series 17 Pledged Direct Loans”).

## 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) related Leveraged Loan borrower loan repayments; (ii) interest payments on Pledged Direct Loans or earnings on reserve funds established for such SRF Bonds or a combination thereof; and (iii) payments provided by the Commonwealth pursuant to the Act and the Commonwealth Assistance Contract described below and interest earnings, if any, thereon. Prior to the issuance of a series of SRF Bonds, the Trust must certify that the related Leveraged Loan borrower loan repayments, interest payments on any applicable Pledged Direct Loans, if any, applicable reserve fund earnings, if any, 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 an 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 an 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 the loans are due to the Trust fifteen (15) days in advance of debt service payments on the related series of SRF 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.
- ***Other Payments.*** In addition to receiving payments from borrowers with Leveraged Loans the Trust receives (i) interest payments on applicable Pledged Direct Loans, if any, (ii) earnings on reserve funds, if any, or (iii) a combination thereof. 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 applies its SRF Program Funds to fund Pledged Direct Loans, a reserve fund or both in an aggregate amount equal to between 33% and 50% of the original principal amount of the related Leveraged Loans. The Trust will pledge the Series 17 Pledged Direct Loans to the Bonds. The Trust will not establish a reserve fund for the Bonds.
- ***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 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 Services (“Standard & Poor’s”) and “Aa3” by Moody’s Investors Services, Inc. (“Moody’s”). See Appendix F - “Table of Debt Service

Reserve Fund Investment Providers” for additional information regarding the specific investment agreements relating to the SRF Bonds. Each investment agreement to date has required that the obligations of the provider be collateralized either upon execution of such agreement or, unless other remedial action is taken, upon the occurrence 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, at the time of delivery of such collateral 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, if any, may have different ratings or collateralization requirements than those described above.

- ***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 certain borrowers 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 deposited in a subsidy fund held under the related bond resolution and, in certain cases, 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.

- ***Federal Subsidy Payments with Respect to Build America Bonds.*** The Trust designated its Series 15B Bonds as “build America bonds” (BABs) for purposes of the American Recovery and Reinvestment Act of 2009 (“ARRA”) and is thereby entitled to receive cash subsidy payments from the United States Treasury (“Federal Subsidy Payments”) equal to 35% of the interest payable on the Series 15B Bonds provided it makes certain required filings in accordance with applicable federal rules pertaining to the Federal Subsidy Payments. Receipt of Federal Subsidy Payments by the Trust will be adversely affected by implementation of certain provisions of the federal Budget Control Act of 2011 (the “Budget Control Act”), that was signed into law by the President on August 2, 2011. The Joint

Select Committee on Deficit Reduction failed to reach an agreement on the deficit reduction actions as required by the Budget Control Act and, as a result, sequestration—a unique budgetary feature of the Budget Control Act—has been triggered. No legislative action was taken by Congress prior to March 1, 2013 and, accordingly, implementation of sequestration began on March 1, 2013 resulting in cancellation of \$85 billion in federal appropriations through the end of federal fiscal year 2013 (September 30, 2013). The Internal Revenue Service notified the Trust on March 4, 2013 of an 8.7% reduction in direct pay subsidies for the Trust’s outstanding BABs. The result will be a reduction of approximately \$570,000 in the amount of Federal Subsidy Payments expected through September 30, 2013 all of which will be allocable to the debt service payment due on August 1, 2014, which is in the Trust’s fiscal year 2014. The Trust expects that any actual shortfall will be made up from additional contract assistance from the Commonwealth or other available funds of the Trust. The Trust is obligated to make payments of the principal and interest on the Series 15B Bonds whether or not it receives Federal Subsidy Payments.

### **Security for the SRF Bonds – Pledged Direct Loans and SRF Reserve Funds**

Under the applicable bond resolution, each series of Trust SRF Bonds is secured by (i) the related Leveraged Loan borrower loan repayments and (ii) either the related Pledged Direct Loan borrower loan repayments or the reserve funds established for such SRF Bonds or a combination thereof. The Bonds will be secured by the Series 17 Leveraged Loans and the Series 17 Pledged Direct Loans. The Trust will not establish a reserve fund for the Bonds. Certain refunding bonds previously issued by the Trust are not secured by a reserve fund under the applicable bond resolution, and the Trust’s 2004 Refunding Bonds (defined below) are secured by a bond-funded reserve fund. The Bonds are the second series of Trust SRF Bonds issued under the Pledged Direct Loan approach.

Pool SRF Bonds, including the 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.

#### **Additional security under the applicable bond resolution**

- ***Pledged Direct Loans.*** Upon the issuance of a series of Trust SRF Bonds, the Trust may pledge repayments on certain Pledged Direct Loans, in an amount initially equal to between 33% and 50% of the original principal amount of the related loans, that it has previously made or is concurrently funding from SRF Program Funds to provide additional security for such SRF Bonds. The principal repayments on such Pledged Direct Loans will be available to cure or prevent any default in the payment of debt service on the related series of Trust SRF Bonds. On each date that the Trust pays down the principal amount of the related series of Trust SRF Bonds, principal repayments on the Pledged Direct Loans that are not needed to cure or prevent a default on such Trust SRF Bonds will be transferred to the Pool Program Reserve Fund, and then to the Deficiency Fund, each held under the Program Resolution, as described below.
- ***Reserve Funds.*** In the past, the Trust has used SRF Program Funds to fund a reserve fund for certain 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 were entitled. Such reserve funds are available to cure or prevent any default in the payment of debt service on such 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 are transferred either to the Pool Program Reserve Fund and then to the Deficiency Fund as described below, or directly to the Deficiency Fund.

In the future, to pay the debt service of and provide security for a series of Trust SRF Bonds, the Trust may apply its SRF Program Funds to fund Pledged Direct Loans, a reserve fund, or a combination thereof. The application of Trust SRF Program Funds to secure future series of SRF Bonds may be funded at levels greater than or less than the levels applicable to the outstanding SRF Bonds, whether under the Pledged Direct Loan approach or the reserve fund approach, or a combination thereof, as described above. If the security provided by the Trust from its SRF Program Funds for a future series of Pool SRF Bonds is funded at a level 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." The Trust has received such confirmation in connection with the issuance of the Bonds.

- **2004 Debt Service Reserve Fund.** Unlike other SRF Bonds, the Trust's Pool Program Refunding Bonds, Series 2004A and 2004B (the "2004 Refunding Bonds"), that were issued to refund portions of several series of SRF Bonds, are secured by a reserve fund (the "2004 Debt Service Reserve Fund") that 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.

#### **Security under the Program Resolution**

- **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 certain prior series of Pool SRF Bonds, such amounts, 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, are transferred to the Pool Program Reserve Fund. As borrowers make principal repayments on the Pledged Direct Loans, such amounts will be deposited to the applicable Revenue Fund and transferred to the Pool Program Reserve Fund (to the extent not needed to cure or prevent a default in the payment of debt service on the related series of Pool SRF Bonds). The Pool Program Reserve Fund is pledged to secure all Pool SRF Bonds, including the Bonds, on a parity basis, 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, or to the extent that the repayments on such date under the related Pledged Direct Loans are insufficient to make such payment, as applicable. 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 "THE POOL SRF BONDS – Pool SRF Bonds Debt Service and Pool Program Reserve Fund" below for a table setting forth the amounts expected to be transferred from the reserve funds related to the Pool SRF Bonds or from principal repayments on the Pledged Direct Loans to the Pool Program Reserve Fund and available 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, together with certain Direct Loan repayments not otherwise pledged to secure any series of Trust SRF Bonds, 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, including the Bonds, on a parity basis 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, or with respect to Pool SRF Bonds, in the Pool Program Reserve Fund to make such payment or in the event of any other insufficiency. In addition, amounts necessary to satisfy a deficiency in any reserve fund for a series of SRF Bonds (and with respect to Pool SRF Bonds, to the extent that there are insufficient funds in the Pool Program Reserve Fund) 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 either the clean water Equity Fund or the drinking water Equity Fund, each held by the Program Trustee under the Program Resolution. 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, including borrowers making repayments on Pledged Direct Loans, 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 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 that bear interest at a variable rate. Under the terms of the 2006 Swap Agreements, the Series 2006 Counterparty has agreed to make variable rate payments to the Trust which are equal to the Trust's variable rate debt service payments on such Series 2006 Bonds and the Trust has agreed to make fixed rate 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, 2012 which have been filed with the Municipal Securities Rulemaking Board (the "MSRB").

## **THE POOL SRF BONDS**

The Bonds will be the twenty-second 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 twenty-one series issued in the original aggregate principal amount of \$5.9 billion between 1993 and 2012, of which approximately \$1.4 billion was issued to refund portions of certain series of prior Pool SRF Bonds, together with a portion of the SESD SRF Bonds, the New Bedford SRF Bonds and MWRA SRF Bonds. Upon the issuance of the Bonds, the aggregate outstanding principal amount of Pool SRF Bonds will be approximately \$3.390 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 the related Leveraged Loan and Pledged Direct Loan 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 the issuance of the Bonds. Upon the issuance of the Bonds, approximately 75% in aggregate principal amount of the outstanding loans funded by or pledged to 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 25% in aggregate principal amount of the outstanding loans funded by or pledged to 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 Commonwealth assistance payments and investment earnings thereon and either from interest payments on Pledged Direct Loans or from investment earnings on the reserve fund established for a series of Pool SRF Bonds under the applicable bond resolution. Upon the issuance of the Bonds, assuming the receipt of all such revenues, approximately 79% of the aggregate future debt service on the Pool SRF Bonds is expected to be paid from repayments received from borrowers (including interest payments allocable to the Pledged Direct Loans), approximately 11% is expected to be paid from Commonwealth assistance payments and investment earnings on certain of such payments and approximately 10% is expected to be paid from investment earnings on the reserve funds.

### **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, together with the amounts that will be transferred during each fiscal year to the Pool Program Reserve Fund, assuming that there is no Payment Default with respect to any SRF Bonds.

The following information is presented for each fiscal year for all outstanding Pool SRF Bonds:

- Debt service payments on all Pool SRF Bonds;
- The borrowers’ loan repayment obligations under all Leveraged Loan financing agreements with respect to Pool SRF Bonds and interest payments on Pledged Direct Loans;
- The reserve fund earnings with respect to all 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;
- 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 Leveraged Loan repayments, reserve fund earnings, interest payments on Pledged Direct Loans, 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 (i) each of the reserve funds for the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund) and (ii) the principal repayments on Pledged Direct Loans.

Funds in the Pool Program Reserve Fund on each February 1 and August 1 payment date 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, if any, 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 each February 1 and August 1 payment date to the Deficiency Fund, and, together with amounts 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 and certain Direct Loan repayments not otherwise pledged to secure a series of Trust 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 on the Leveraged Loans and the Pledged Direct Loans 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.



<b>Pool Program Available Revenues</b>						
<b>Fiscal Year Ending June 30,</b>	<b>Debt Service Payments on Pool SRF Bonds<sup>1</sup></b>	<b>Debt Service Payments on Leveraged Loans and Interest Payments on Pledged Direct Loans</b>	<b>Reserve Fund Earnings and 2004 Debt Service Reserve Fund Withdrawals<sup>2</sup></b>	<b>Commonwealth Subsidies<sup>3</sup></b>	<b>Total Revenues Available to Pay Debt Service on Pool SRF Bonds</b>	<b>Transfers to Pool Program Reserve Fund<sup>4</sup></b>
2014	\$ 362,231,091	\$ 236,066,431	\$ 46,180,683	\$ 89,072,364	\$ 371,319,479	\$ 71,532,063
2015	360,335,830	236,125,723	43,447,720	85,479,870	365,053,313	68,835,611
2016	355,411,783	231,112,633	40,935,954	83,790,641	355,839,227	68,262,419
2017	338,117,454	230,486,916	38,435,752	76,257,310	345,179,978	70,152,971
2018	311,104,025	224,122,308	35,423,698	52,158,818	311,704,825	71,907,176
2019	300,219,779	223,810,051	31,819,271	52,671,306	308,300,627	73,857,278
2020	287,132,985	214,778,480	28,676,194	56,420,675	299,875,348	70,593,900
2021	286,277,991	206,460,345	25,263,979	64,387,082	296,111,406	71,417,632
2022	259,536,727	193,174,123	19,312,376	55,492,409	267,978,908	58,292,471
2023	257,509,343	191,992,908	16,812,355	59,184,756	267,990,020	65,263,775
2024	233,929,717	180,428,100	14,982,414	49,239,039	244,649,553	64,120,903
2025	211,723,952	168,397,727	11,508,957	39,901,576	219,808,259	56,880,458
2026	189,290,713	158,876,679	11,087,208	35,801,311	205,765,198	52,523,942
2027	172,298,400	146,527,800	8,251,926	24,507,326	179,287,052	48,813,007
2028	148,367,632	128,110,331	6,294,975	21,622,720	156,028,025	34,411,897
2029	133,290,770	115,624,450	5,891,895	20,331,919	141,848,264	37,289,788
2030	113,624,336	102,833,855	5,109,010	13,975,620	121,918,484	32,440,249
2031	108,508,295	100,033,006	4,140,916	10,450,334	114,624,256	33,308,647
2032	79,602,433	71,364,289	3,427,378	7,367,768	82,159,435	25,140,827
2033	78,087,108	71,164,777	2,830,467	7,231,146	81,226,389	25,837,411
2034	48,224,259	48,731,787	2,240,568	1,608,184	52,580,540	16,144,948
2035	42,703,463	44,507,258	1,700,020	664,853	46,872,130	14,633,604
2036	35,013,698	37,809,757	1,237,754	-	39,047,511	12,373,769
2037	34,402,399	33,771,133	815,519	-	34,586,652	12,656,979
2038	26,569,669	26,208,689	443,278	-	26,651,968	9,979,268
2039	18,341,499	18,219,576	189,838	-	18,409,414	6,875,669
2040	9,739,010	9,735,748	71,487	-	9,807,235	3,397,007
2041	9,649,043	9,695,699	24,006	-	9,719,705	3,479,885
2042	5,478,700	5,501,919	-	-	5,501,919	2,109,829
2043	5,434,050	5,459,795	-	-	5,459,795	2,163,870
	\$4,822,156,152	\$3,671,132,292	\$406,555,596	\$907,617,026	\$4,985,304,914	\$1,184,697,252

1. Reflects net interest payable with respect to the Trust's outstanding BABs as a result of originally expected Federal Subsidy Payments, although the full amount of such Federal Subsidy Payments will be reduced in fiscal year 2014 and may be reduced in future years. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS - Sources of Payment - Federal Subsidy Payments with Respect to Build America Bonds."
2. 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 or MWRA SRF Bonds. Such reserve fund earnings are expected to be used to pay debt service on the portion of the SESD SRF Bonds and the MWRA SRF Bonds, respectively, that were not refunded by Pool SRF Bonds.
3. Includes amounts attributable to debt service savings which are expected to be allocated to the Trust from various refundings including the refunding of certain SESD SRF Bonds, MWRA SRF Bonds and New Bedford SRF Bonds with Pool SRF Bonds.
4. These amounts represent the sum of the amounts that are expected to be transferred on each August 1 and February 1 within each fiscal year to the Pool Program Reserve Fund from the reserve funds for certain of the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund) and from principal repayments received on Pledged Direct Loans. On each February 1 and August 1, a portion of the amounts shown is expected to be transferred to the Pool Program Reserve Fund and be available as additional security for the Pool SRF Bonds. To the extent not needed to cure or prevent defaults, such amounts are expected to be transferred on such dates to the Deficiency Fund, and ultimately to the applicable Equity Fund, as provided in the Program Resolution.

## 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 Bonds are being issued and the Series 17 Pledged Direct Loans are being made to fund water pollution abatement projects and drinking water projects to the 79 borrowers described in Appendix C hereto and to pay costs of issuance of the Bonds. Proceeds of the Series 17A Bonds in the amount of \$158.7 million will be applied to fund Series 17 Leveraged Loans for projects under the clean water SRF and \$67.4 million of Series 17A Bond proceeds will be applied to fund Series 17 Leveraged Loans for projects under the drinking water SRF. Approximately \$16.6 million of Series 17B Bond proceeds will be applied to fund loans to borrowers under the clean water SRF, for such borrowers' community septic management programs. Principal and interest payments on the Series 17 Leveraged Loans will be used to pay a portion of the debt service on the Bonds. \$70.7 million of the Series 17 Pledged Direct Loans are for projects under the clean water SRF and \$27.1 million of the Series 17 Pledged Direct Loans are for projects under the drinking water SRF. Interest payments on the Series 17 Pledged Direct Loans will be used to pay a portion of the debt service due on the Bonds. A portion of the Series 17 Pledged Direct Loan principal repayments will be used to pay debt service on the Bonds on each August 1, to be repaid with excess revenue received on or prior to the following February 1. The remaining debt service on the Bonds will be paid from Commonwealth Assistance Payments.

The Trust anticipates expending all of the proceeds of the Bonds within two years of such delivery. If there are unexpended funds left in a project account funded with Bond proceeds 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 following table sets forth for each fiscal year for the Bonds (i) the debt service due on the Bonds, (ii) the revenues that are expected to be available to pay the debt service on the Bonds from Series 17 Leveraged Loan repayments, Series 17 Pledged Direct Loan interest, Series 17 Pledged Direct Loan principal payments and Commonwealth Subsidies, consisting of Commonwealth assistance payments, (iii) the coverage ratio provided for the payment of debt service on the Bonds by such revenues, and (iv) the aggregate amounts expected to be transferred in each fiscal year to the Pool Program Reserve Fund to secure all Pool SRF Bonds, including the Bonds.

Fiscal Year Ending June 30	Revenues Available to pay debt service on the Bonds					Debt Service Coverage Ratio for the Bonds	Expected Transfers to the Pool Program Reserve Fund	
	Bonds Debt Service	Series 17 Leveraged Loan Repayments	Series 17 Pledged Direct Loan Interest Payments	Series 17 Direct Loan Principal Payments	Commonwealth Subsidies			Total*
2014	\$14,618,664	\$12,689,946	\$1,769,231	\$3,658,126	\$308,407	\$18,425,711	1.26	\$3,807,047
2015	16,542,690	14,305,878	1,949,333	3,739,768	451,400	20,446,378	1.24	3,903,688
2016	16,462,988	14,318,132	1,871,787	3,823,241	426,288	20,439,447	1.24	3,976,460
2017	16,369,750	14,330,729	1,792,503	3,908,584	401,172	20,432,988	1.25	4,063,238
2018	16,279,750	14,343,652	1,711,442	3,995,834	376,053	20,426,980	1.25	4,147,230
2019	16,190,750	14,356,915	1,628,563	4,085,046	350,931	20,421,455	1.26	4,230,705
2020	16,097,000	14,370,544	1,544,022	4,156,737	325,805	20,397,108	1.27	4,300,108
2021	16,003,000	14,384,536	1,457,780	4,249,566	300,676	20,392,558	1.27	4,389,558
2022	15,908,000	14,398,896	1,369,604	4,344,482	275,544	20,388,525	1.28	4,480,525
2023	15,811,250	14,413,627	1,279,450	4,441,521	250,408	20,385,005	1.29	4,573,755
2024	15,442,000	14,153,179	1,187,273	4,540,737	225,269	20,106,458	1.30	4,664,458
2025	15,343,000	14,168,405	1,093,029	4,642,184	202,224	20,105,842	1.31	4,762,842
2026	15,240,500	14,184,024	996,669	4,745,903	179,176	20,105,772	1.32	4,865,272
2027	15,138,750	14,200,057	898,148	4,851,948	156,124	20,106,277	1.33	4,967,527
2028	13,946,750	13,112,798	797,416	4,684,453	133,069	18,727,735	1.34	4,780,985
2029	13,793,000	13,074,425	699,941	4,789,314	110,010	18,673,690	1.35	4,880,690
2030	13,692,250	13,089,772	603,360	4,587,957	88,015	18,369,103	1.34	4,676,853
2031	13,596,000	13,105,517	507,690	4,690,880	66,017	18,370,103	1.35	4,774,103
2032	13,253,000	12,881,674	410,216	4,760,862	44,014	18,096,767	1.37	4,843,767
2033	13,154,500	12,897,961	310,897	4,867,766	22,009	18,098,633	1.38	4,944,133
2034	2,237,750	2,024,239	239,896	911,307	-	3,175,442	1.42	937,692
2035	2,222,500	2,027,154	218,024	934,726	-	3,179,903	1.43	957,403
2036	2,199,500	2,030,145	195,589	958,746	-	3,184,480	1.45	984,980
2037	2,179,000	2,033,213	172,578	983,385	-	3,189,177	1.46	1,010,177
2038	2,160,750	2,036,362	148,976	1,008,656	-	3,193,994	1.48	1,033,244
2039	2,139,500	2,039,590	124,767	1,034,576	-	3,198,933	1.50	1,059,433
2040	2,120,250	2,042,904	99,936	1,061,163	-	3,204,003	1.51	1,083,753
2041	2,097,750	2,046,301	74,467	1,088,432	-	3,209,201	1.53	1,111,451
2042	2,077,000	2,049,787	48,344	1,116,403	-	3,214,533	1.55	1,137,533
2043	2,052,750	2,053,363	21,549	1,145,092	-	3,220,004	1.57	1,167,254
	\$324,370,342	\$297,163,722	\$25,222,479	\$97,807,395	\$4,692,610	\$424,886,206		\$100,515,864

\*Total amounts may not add due to rounding.

**Sources and Uses of Funds**

It is anticipated that the proceeds of the Bonds, the SRF Program Funds and Trust administrative funds to be allocated thereto, will be applied as follows:

<b>Sources</b>	<b><u>Series 17A</u></b>	<b><u>Series 17B</u></b>	<b><u>Total</u></b>
Par amount of the Bonds .....	\$185,605,000	\$16,645,000	\$202,250,000
Net Original Issue Premium .....	40,404,096	2,708	40,406,804
SRF Program Funds <sup>(1)</sup> .....	91,185,866	6,621,529	97,807,395
Trust Administrative Funds .....	<u>1,366,592</u>	<u>33,516</u>	<u>1,400,108</u>
Total Sources* .....	\$318,561,555	\$23,302,752	\$341,864,307

**Uses**

Series 17 Leveraged Loans .....	\$226,009,096	\$16,638,586	\$242,647,682
Series 17 Pledged Direct Loans <sup>(1)</sup> .....	91,185,866	6,621,529	97,807,395
Costs of Issuance .....	1,179,132	33,250	1,212,381
Underwriters' compensation .....	<u>187,461</u>	<u>9,388</u>	<u>196,849</u>
Total Uses* .....	\$318,561,555	\$23,302,752	\$341,864,307

\* Totals may not add due to rounding.

(1) This amount represents the aggregate amount of SRF Program Funds that have been and are expected to be used to fund the Series 17 Pledged Direct Loans.

**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 Series 17 Pledged Direct Loans, Series 17 Leveraged Loans 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 17 Leveraged Loans, repayments of the Series 17 Pledged Direct Loans, Commonwealth assistance payments and all earnings on other funds held under the Bond Resolution. See Appendix A - "Definitions of Certain Terms" and Appendix B - "Summary of Certain Provisions of the Bond Resolution – Pledge of the Bond Resolution."

**Substitution and Release.** Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreements, the Bond Resolution provides that the Trust may: (1) sell, assign, transfer, or otherwise dispose of any Series 17 Loan or Series 17 Pledged Direct Loan or any participation or other interest therein which is not in default or delinquent in the payment of any applicable Borrower Payments or Direct Loan Borrower Payments, provided that not less than ten (10) Business Days prior to any such sale, assignment, transfer or disposition the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such sale, assignment, transfer or disposition anticipated Revenues available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year payable by the Trust when due will not be less than the amount of Revenues that would have been available for such purposes, if such Series 17 Loan or Series 17 Pledged Direct Loan is not so sold, assigned, transferred or otherwise disposed of; or (2) release from the pledge of the Bond Resolution any Series 17 Loan or Series 17 Pledged Direct Loan or any participation or other interest therein, or transfer any such Series 17 Loan or Series 17 Pledged Direct Loan to itself free and clear of the pledge of the Bond Resolution, provided that prior to such release or transfer the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such release or transfer anticipated Revenues (excluding the

portion of any Series 17 Pledged Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 17 Pledged Direct Loans) available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year will not be less than the Aggregate Debt Service on the Bonds payable by the Trust in the current and each subsequent Fiscal Year.

In addition, the Bond Resolution also provides that subject to certain conditions, the Trust may sell, assign, transfer or otherwise dispose of any Series 17 Loan or Series 17 Pledged Direct Loan or any participation or other interest therein which is in default or delinquent in the payment of Borrower Payments, or Direct Loan Borrower Payments, as applicable, thereon. See the sixth paragraph in Appendix B – “Summary of Certain Provisions of the Bond Resolution – Covenants as to Loans and Local Governmental Obligations, Series 17 Direct Loans, Contract Assistance Payments and Equity Earnings.”

### **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, and (3) 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.”

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

**Revenue Fund.** The Bond Trustee shall hold all local bonds issued by borrowers to secure Series 17 Leveraged Loans and the Series 17 Pledged Direct Loans 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 Series 17 Leveraged Loans and Series 17 Pledged Direct Loans, and all earnings, if any, on other funds held under 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*, on each principal payment date, to the Program Trustee for deposit in the Pool Program Reserve Fund in an amount representing principal repayments on Series 17 Pledged Direct Loans, *second*, on each interest payment date, to the Rebate Fund to the extent required so that the amount therein equals the rebate requirement, *third*, on each interest payment date, 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 the Pool Program Reserve Fund or Deficiency Fund under the Program Resolution 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 *fourth* on each interest payment date, 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, Series 17 Leveraged Loans, Series 17 Pledged Direct Loans

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 and notes 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 August 1, 2013. The 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 G - "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.***

The Series 17B Bonds are not subject to redemption prior to maturity.

*Optional Redemption of the Series 17A Bonds.* The Series 17A Bonds maturing on or prior to February 1, 2023 are not subject to redemption prior to maturity. The Series 17A Bonds maturing after February 1, 2023 are subject to redemption prior to maturity on and after February 1, 2023 in whole or in part at any time, by lot, at a redemption price equal to the principal amount of such Series 17A Bonds or portion thereof redeemed, plus accrued interest to the redemption date.

*Mandatory Sinking Fund Redemption of the Series 17A Bonds.* The Series 17A Bonds maturing on February 1, 2039 are subject to redemption prior to maturity in part on February 1 in each of the following years and in the following principal amounts through application of sinking fund installments at a redemption price equal to the principal amount of each Series 17A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date:

\$4,875,000 Term Bonds Due February 1, 2039

<u>February 1</u>	<u>Amount</u>
2037	\$1,565,000
2038	1,625,000
2039*	1,685,000

\* Stated maturity.

The Series 17A Bonds maturing on February 1, 2043 are subject to redemption prior to maturity in part on February 1 in each of the following years and in the following principal amounts through application of sinking fund installments at a redemption price equal to the principal amount of each Series 17A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date:

\$7,405,000 Term Bonds Due February 1, 2043

<u>February 1</u>	<u>Amount</u>
2040	\$1,750,000
2041	1,815,000
2042	1,885,000
2043*	1,955,000

\* Stated maturity.

## SECURITY FOR THE BORROWER OBLIGATIONS

Borrowers that receive loans funded with proceeds of Pool SRF Bonds or from SRF Program Funds 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 that 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 that 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 source of tax revenue for 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 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 Commissioner of the Massachusetts Department of Revenue ("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 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 Commonwealth’s 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 that 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.

The State Treasurer has filed legislation that would change the name of the Trust from the “Massachusetts Water Pollution Abatement Trust” to the “Massachusetts Clean Water Trust.” The legislation is currently pending in committee.

### **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>
Steven Grossman, Chairman	Treasurer and Receiver-General of the Commonwealth
Glen Shor, Vice Chairman	Secretary of the Executive Office for Administration and Finance of the Commonwealth
Kenneth L. Kimmell, 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, Assistant 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 March 2, 2011 (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:

Officer

Steven Grossman

Glen Shor

Susan E. Perez

My T. Tran

Michael C. Murphy

Scott A. Jordan

Steven J. McCurdy

Trust Office

Chairman\*

Vice-Chairman\*

Executive Director

Treasurer

Controller

Director of Finance and Administration\*

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 approved for financing 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 \$1.1 billion in federal grants and approximately \$229.5 million in Commonwealth matching funds under the clean water SRF program. The Trust has also received a total of approximately \$394.3 million in federal grants, which includes approximately \$91.0 million in federally mandated set-asides for technical assistance and other matters, and approximately \$78.9 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 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 \$133.1 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 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 Series 17 Leveraged Loan borrower and each Series 17 Pledged Direct Loan 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**

### **Federal Tax Matters—Series 17A Bonds**

#### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 17A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 17A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 17A Bonds. Pursuant to the Program Resolution, the Bond Resolution, the Financing Agreements and the Tax Certificate issued by the Trust in connection with the issuance of the Bonds (the “Tax Certificate”), the Trust and the borrowers have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 17A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Trust and the borrowers has have made certain representations and certifications in the Program Resolution, the Bond Resolution, the Financing Agreements and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Trust and the borrowers described above, interest on the Series 17A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 17A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

#### **Original Issue Premium**

The Series 17A Bonds (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 17A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

#### **Ancillary Tax Matters**

Ownership of the Series 17A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 17A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 17A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 17A Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 17A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification

number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 17A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 17A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 17A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 17A Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in 2011, and again in 2012 and 2013, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 17A Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 17A Bonds may occur. Prospective purchasers of the Series 17A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 17A Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 17A Bonds may affect the tax status of interest on the Series 17A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 17A Bonds, or the interest thereon, if any action is taken with respect to the Series 17A Bonds or the proceeds thereof upon the advice or approval of other counsel.

### **Federal Tax Matters—Series 17B Bonds**

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 17B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 17B Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 17B Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 17B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 17B Bonds.

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 17B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 17B Bonds. The advice set forth herein is written to support the promotion or marketing of the Series 17B Bonds. Each owner of the Series 17B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

### **Generally**

In the opinion of Bond Counsel, interest on the Series 17B Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 17B Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 17B Bonds and recovery of accrued original issue and market discount, if any,

will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

### **Original Issue Discount**

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 17B Bonds issued with original issue discount (“**Discount Taxable Bonds**”). A Series 17B Bond will be treated as having been issued at an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 17B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 17B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Series 17B Bond’s “stated redemption price at maturity” is the total of all payments provided by the Series 17B Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes 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.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Taxable Bond is the sum of the “daily portions” of original issue discount with respect to such Series 17B Bond for each day during the taxable year in which such holder held such Series 17B Bond. The daily portion of original issue discount on any Discount Taxable Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Series 17B Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Series 17B Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Taxable Bond at the beginning of any accrual period is the sum of the issue price of the Discount Taxable Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Series 17B Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Series 17B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

### **Market Discount**

Any owner who purchases a Series 17B Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 17B Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax

Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Series 17B Bond who acquires such Series 17B Bond at a market discount also may be required to defer, until the maturity date of such Series 17B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 17B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 17B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 17B Bond for the days during the taxable year on which the owner held the Series 17B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 17B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

### **Bond Premium**

A purchaser of a Series 17B Bond who purchases such Series 17B Bond at a cost greater than its then principal amount (or, in the case of a Series 17B Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Series 17B Bonds who acquire such Series 17B Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 17B Bonds.

### **Surtax on Unearned Income**

Recently enacted legislation generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates for taxable years beginning after December 31, 2012. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

### **Sale or Redemption of Series 17B Bonds**

A bondowner's tax basis for a Series 17B Bond is the price such owner pays for the Series 17B Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 17B Bond, measured by the difference between the amount realized and the Series 17B Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 17B Bond is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of the Series 17B Bonds may result in a deemed sale or exchange of such Series 17B Bonds under certain circumstances; owners of such Series 17B Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

### **Backup Withholding**

A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28% (although the rate may change)) with respect to interest or original issue discount on the Series 17B Bonds. This withholding generally applies if the owner of a Series 17B Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect



taxpayer identification number; (c) fails to report properly interest, dividends or other “reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 17B Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 17B Bonds will be reported to the bondowners and to the IRS.

*Nonresident Bondowners.* Under the Code, interest and original issue discount income with respect to Series 17B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the Trustee (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 17B Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

## **ERISA**

The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 17B Bonds.

## **State Tax Matters**

Bond Counsel is also 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. Bond Counsel expresses no opinion as to other Massachusetts or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

## **COMPETITIVE SALE OF THE BONDS**

After competitive bidding on May 8, 2013, the Series 17A Bonds were awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Series A Underwriter”) and the Series 17B Bonds were awarded to Morgan Stanley & Co. LLC (the “Series B Underwriter” and together with the Series A Underwriter, the “Underwriters”). The Underwriters have supplied the information as to the public offering yields of the Bonds set forth on the inside cover page hereof. If all of the Bonds were resold to the public at such yields, the Series A Underwriter and the Series B Underwriter have informed the Trust that their total compensation is expected to be \$187,461.05 and \$9,388.30, respectively.

Morgan Stanley, parent company of the Series B Underwriter, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, the Series B Underwriter will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, the Series B

Underwriter will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 17B Bonds.

### **RATINGS**

The Bonds have been rated “AAA” by Fitch Ratings, Inc. (“Fitch”), One State Street Plaza, New York, New York, “Aaa” by Moody’s Investors Service (“Moody’s”), 7 World Trade Center at 250 Greenwich Street, New York, New York, and “AAA” by Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc. (“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.

### **FINANCIAL ADVISOR**

Public Financial Management, Inc. 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 Nixon Peabody LLP, 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 D. Certain matters will be passed upon for the Trust by Edwards Wildman Palmer LLP, Boston, Massachusetts, Program Counsel to the Trust. 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 Wildman Palmer 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 may also audit all agencies, departments and authorities of the Commonwealth, including the Trust. 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, 2012 have been filed with the 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 Susan E. Perez, 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 Navjeet Bal at Nixon Peabody LLP, 100 Summer Street, Boston, Massachusetts 02110, telephone (617) 345-6090. Questions regarding legal matters pertaining to the Trust and its SRF programs in general should be directed to Walter J. St. Onge, III, Edwards Wildman Palmer 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 from the website of the Office of the Comptroller located at: [www.mass.gov/osc/publications-and-reports/financial-reports](http://www.mass.gov/osc/publications-and-reports/financial-reports). For further information about the Commonwealth, specific reference is made to the Commonwealth’s information statement dated May 7, 2013 (the “May Information Statement”). A copy of the May Information Statement has been filed with the MSRB. Copies of the May Information Statement may also be obtained from the Trust. The May Information Statement should be read in its entirety in order to obtain appropriate fiscal, financial and economic information concerning the Commonwealth.

Questions regarding the Commonwealth's May 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 Scott A. Jordan, Assistant Secretary for Capital Finance and Intergovernmental Affairs, 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 April 29, 2013 (the "April MWRA Information Statement"). Copies of the April MWRA Information Statement have been filed with the MSRB and may also be obtained from the Trust. The April 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 significant events. The Trust Annual Information will be filed by the Trust with the MSRB. Notices of significant 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 significant events is set forth under Appendix E - "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 E - "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 E - "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 significant 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 financing agreements, the Commonwealth Assistance Contract and the Master Funding Agreement are available for inspection during normal business hours at the office of the Trust.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

## MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

By:       /s/ Steven Grossman        
Steven Grossman  
Chairman, Board of Trustees

May 8, 2013

**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.

“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 with respect to the Bonds, the amount of Equity, if any, allocated to the Bonds, as specified in the Equity Allocation Certificate.

“ARRA” means the American Recovery and Reinvestment Act of 2009.

“ARRA Capitalization Grant” means a Federal Capitalization Grant made pursuant to ARRA.

“ARRA Loan” means a Loan made, or Local Governmental Obligation purchased, by the Trust, or the portion of the principal amount of such Loan or Local Governmental Obligation, that is funded directly or indirectly from an ARRA Capitalization Grant and is subject to forgiveness as provided in Program Resolution.

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

“Authenticating Agent” means the Bond Trustee.

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

“Bond” or “Bonds” means any of the Series 17 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 \$202,250,000 State Revolving Fund Bonds, Series 17, consisting of \$185,605,000 State Revolving Fund Bonds, Subseries 17A and \$16,645,000 State Revolving Fund Bonds, Subseries 17B (Federally Taxable), 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,” as used under the Bond Resolution means, 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.

“Borrower Payments,” as used under the Program Resolution means, with respect to a Loan or an issue of Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Loan or Local Governmental Obligations, including without limitation (1) scheduled payments of principal and interest on such Loan or Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Local Governmental Obligations, and (3) any amounts paid or received with respect to such Loan or Local Governmental Obligations on account of (i) acceleration of the due date of such Loan or such Local Governmental Obligations, (ii) subject to the provisions of the applicable Bond Resolution, the sale or other disposition of such Loan or the Local Governmental Obligations and other collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Local Governmental Obligations and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default on such Loan or Local Governmental Obligations; to the extent provided in the applicable Financing Agreement, the term “Borrower Payments” shall also mean and include any Equity Earnings and Contract Assistance Payments that are applied as a credit against the payment obligations of the Borrower under such Financing Agreement; the term “Borrower Payments” shall not include any Administrative Fees or, except as otherwise provided in the applicable Bond Resolution, any Origination Fees, or, except as otherwise provided in the applicable Bond Resolution, any Pledged Direct Loan Borrower Payments to the extent such Pledged Direct Loan Borrower Payments constitute Equity Earnings.

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

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

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

“Clean Water Bonds” means, at any date of determination, those 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 Obligation” means (i) a Loan provided by the Trust to, or any Local Governmental Obligations purchased from, a Borrower from the proceeds of the Bonds and (ii) any Series 17 Pledged Direct Loan funded by the Trust from Allocated Equity held under the Bond Resolution, in all cases to finance or refinance all or any part of the Cost of a Clean Water Project.

“Clean Water Program” means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance Loans 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, Loans, Local Governmental Obligations, Interim Loans or Series 17 Pledged Direct Loans, as the case may be.

“Commonwealth” means The Commonwealth of Massachusetts.

“Commonwealth Assistance Contract” means the Amended and Restated Agreement for Contract Assistance dated as of November 9, 2007 between the Commonwealth and the Trust, as hereafter further amended from time to time in accordance therewith.

“Commonwealth 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.

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

“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.

“Direct Loan” means a Loan made or Local Governmental Obligation purchased by the Trust solely from amounts held in or for the account of the Direct Loan Fund under the Program Resolution and not from the proceeds of Bonds.

“Direct Loan Borrower” with respect to a Series 17 Pledged Direct Loan means the local governmental unit or other eligible borrower which is the obligor on such Series 17 Pledged Direct Loan, 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.

“Direct Loan Borrower Payments,” with respect to a Series 17 Pledged Direct Loan, means all payments on account of the principal, interest and premium, if any, due on such Series 17 Pledged Direct Loan including without limitation (1) scheduled payments of principal and interest on such Series 17 Pledged Direct Loan, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Series 17 Pledged Direct Loan, and (3) any amounts paid or received with respect to such Series 17 Pledged Direct Loan on account of (i) acceleration of the due date of such Series 17 Pledged Direct Loan, (ii) subject to the Bond Resolution, the sale or other disposition of such Series 17 Pledged Direct Loan and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Series 17 Pledged Direct Loan, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default. The term “Direct Loan Borrower Payments” shall not include any Administrative Fees or Origination Fees.

“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 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 Obligation” means (i) a Loan provided by the Trust to a Borrower from the proceeds of the Bonds and (ii) any Series 17 Pledged Direct Loan funded by the Trustee from Allocated Equity held under the Bond Resolution, in each case to finance or refinance all or any part of the Cost of a Drinking Water Project.

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

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

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

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

“Equity” means amounts derived or to be derived by the Trust from or on account of Federal Capitalization Grants, Commonwealth Matching Grants and other amounts deposited in the Clean Water Equity Fund or the Drinking Water Equity Fund under the Program Resolution, as more fully described in the Equity Allocation Certificate or the applicable 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 under the Bond Resolution means, all or any part of (i) the Net Earnings derived from the investment or deposit of Allocated Equity held in the applicable Account or Subaccount in the Leveraged Bond Fund, and any other fund, account or subaccount established under the Program Resolution or under the Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or any Investment Obligation upon the occurrence of a default by the Investment Obligor thereunder, and (ii) the portion of any Direct Loan Borrower Payments made with respect to a Series 17 Pledged Direct Loan representing the payment or prepayment of interest on such Series 17 Pledged Direct Loan, to the extent provided in the Equity Allocation Certificate, including without limitation any amounts representing the payment of interest received by the Trust on account of the exercise of any right or remedy granted or available under law or any Series 17 Pledged Direct Loan upon the occurrence of a default by the related Direct Loan Borrower thereunder.

“Equity Earnings,” as used under the Program Resolution means, all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity held in the applicable Account or Subaccount in the Leveraged Bond Fund and in the related Debt Service Reserve Fund, and any other fund, account or subaccount established under the Program Resolution or under a Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or any Investment Obligation upon the occurrence of a default by the Investment Obligor thereunder, and the portion of any Pledged Direct Loan Borrower Payments representing the payment or prepayment of interest on a Pledged Direct Loan, to the extent provided in the Equity Allocation Certificate, including without limitation any amounts representing the payment of interest received by the Trust on account of the exercise of any right or remedy granted or available hereunder, under law or under any Financing Agreement for a Pledged Direct Loan upon the occurrence of a default by the Borrower thereunder.

“Equity Requirement,” with respect to 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.

“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 Acts,” means, collectively or individually as the context requires, the Clean Water Act, the Drinking Water Act and ARRA.

“Federal Capitalization Grant” means amounts provided to the Trust under one or more agreements between the Trust and the United States of America acting by and through the United States Environmental Protection Agency to be applied in accordance with the 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.

“Fiduciary” means the Bond Trustee, any Paying Agent or any Authenticating Agent.

“Financing Agreement” means an agreement (i) between the Trust and a Borrower pertaining to a Loan or any issue of Local Governmental Obligations or (ii) between the Trust and a Direct Loan Borrower pertaining to a Series 17 Pledged Direct Loan, and in each case, 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 or Series 17 Pledged Direct Loan.

“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.

“Hedge Provider” means the counterparty with whom the Trust enters into a Qualified Hedge 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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 under the Bond Resolution 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” as such term is used in the Bond Resolution 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, refinanced 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, Series 17 Pledged Direct Loan or the purchase by the Trust of Local Governmental Obligations.

“Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, purchased or deemed 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.

“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 or a Direct Loan 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 or for costs incurred by the Trust in connection with the origination of Series 17 Pledged Direct Loans and Administrative Expenses allocable to such Loans, Local Governmental Obligations, Series 17 Pledged Direct Loans and Bonds.

“Outstanding” 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.

“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; or (iii) any failure by an Investment Obligor to pay to the Trust when due all or any part of the Net Earnings payable under any Investment Obligation; or (iv) any failure by the Trust to pay the principal (including mandatory sinking fund installments) of, and interest and premium, if any, on the Bonds when due; or (v) any failure by a Direct Loan Borrower to pay when due all or any part of any Direct Loan Borrower Payment due on a Series 17 Pledged Direct Loan pursuant to the applicable Financing Agreement.

“Pledged Direct Loan” means any Direct Loan that is pledged as security for the payment of a Series of Bonds in accordance with the applicable Bond Resolution.

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

“Pool Obligation” means (i) any Federal Program Loan funded in whole or in part from the proceeds of the Trust’s Water Pollution Abatement Revenue Bonds (Pool Loan Program), Series 1, issued under the Pool 1 Bond Resolution, (ii) any other Federal Program Loan made or Local Governmental Obligations purchased in whole or in part from the proceeds of Bonds and designated as a Pool Obligation in the related Pool Bond Resolution or in an amendment or supplement thereto, and (iii) any Federal Program Loan that is a Pledged Direct Loan and designated as a Pool Obligation in the related Pool Bond Resolution or in an amendment or supplement thereto.

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

“Principal Payment Date” means, with respect to the Bonds, February 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.

“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.

“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.

“Qualified Hedge Agreement” means an interest rate exchange, cap, floor or collar agreement between the Trust and a Hedge Provider based upon a notional amount, where either (a) the Hedge Provider, or the person who guarantees the obligation of the Hedge Provider to make any payments due to the Trust, has unsecured long-term obligations rated, or the hedge agreement itself is rated, in each case as of the date the hedge agreement is entered into, by each Rating Agency then maintaining a rating on any Outstanding Bonds, in one of the three highest generic rating categories published by such Rating Agency, without regard to any modifiers, but in no event lower than the generic rating category designated by such Rating Agency for the Series of Bonds related to such hedge agreement, or (b) the hedge agreement will not adversely affect the ratings then assigned to the series of Bonds related to such hedge agreement by any Rating Agency, as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Program Trustee (upon which the Program Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Program Trustee) confirming in effect that the hedge agreement will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding.

“Qualified Hedge Payments” shall mean, collectively, all Scheduled Hedge Payments and all Termination Hedge Payments payable by the Trust or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

“Rating Agency” means a nationally recognized credit rating agency which has assigned and currently maintains a rating on any Outstanding Bonds 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 Series 17A 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 ; provided that, with respect to overdue interest or interest payable on a Bond other than on an Interest Payment Date or interest on any overdue amount, the Bond Trustee may establish a special record date, which date shall be not more than 20 Business Days before the date set for payment.

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

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

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

“Revenues” means (1) all Borrower Payments, (2) all Direct Loan Borrower Payments (except to the extent such Direct Loan Borrower Payments constitute Equity Earnings), (3) 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, (4) 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 Bonds or allocable to Series 17 Pledged Direct Loans, 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.

“Scheduled Hedge Payments,” except as otherwise provided in the applicable Bond Resolution, means the scheduled, periodic payments to be made by the Trust or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement with respect to a notional amount.

“Series 17 Bond” or “Series 17 Bonds” means any of the \$202,250,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Series 17, consisting of the Series 17A Bonds and the Series 17B 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 17A Bonds” means the \$185,605,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Subseries 17A, 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 17B Bonds” means the \$16,645,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Subseries 17B (Federally Taxable), 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 17 Pledged Direct Loan” or “Series 17 Pledged Direct Loans” means any of the direct loans to borrowers funded with Allocated Equity held under the Bond Resolution and in accordance with the Bond Resolution and the Equity Allocation Certificate in connection with the issuance of the Bonds and pledged as security for the Bonds.

“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.

“Termination Hedge Payments,” except as otherwise provided in the applicable Bond Resolution, means all payments, other than Scheduled Hedge Payments, to be made by the Trust or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

“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.

“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.



## 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 Pledged Direct Loans securing such Series of Bonds, if any, or to the Leveraged Loans to be made, or Local Governmental Obligations to be purchased, with the proceeds of such series of 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 (excluding the portion of any Pledged Direct Loan Borrower Payments representing the payment of principal on a Pledged Direct Loan), Contract Assistance Payments and Equity Earnings allocable to such series of 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.

### **Bond Anticipation Notes**

In order to provide funds to be applied by the Trust to finance or refinance Interim Loans, the Trust may from time to time, as expressed or otherwise provided in one or more Note Resolutions adopted by the Board, authorize the issuance of one or more Series of Notes (and renewals thereof) in anticipation of a Series of SRF Bonds. The principal of and interest on such Notes and renewals thereof shall be payable from the proceeds of the sale of the Series of SRF Bonds in anticipation of which such Notes are issued, from the proceeds of such Notes or any renewals thereof issued to repay such Notes and, to the extent provided in the applicable Note Resolution, from any moneys of the Trust legally available therefor and not otherwise pledged under this Program Resolution or any Bond Resolution. The proceeds of such SRF Bonds may be pledged for the payment of the principal of and interest on such Notes and any such pledge shall have a priority over any other pledge of such proceeds created by the applicable Bond Resolution.

### **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 Pledged Direct Loan securing such Bonds or to each Leveraged 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 Pledged Direct Loan or Leveraged 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, Pledged Direct Loan, Leveraged 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, Pledged Direct Loans or Leveraged Loans 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 such Pledged Direct Loans or Leveraged Loans 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 Pledged Direct Loan securing such Bonds or to a Leveraged 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 such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations, the sum of the Equity allocable to such series of SRF Bonds or such Pledged Direct Loan or Leveraged 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, if any, (3) on deposit in the related Direct Loan Project Account held under the related Bond Resolution (exclusive of Equity Earnings thereon), if any, or theretofore disbursed to or for the account of the Borrower as provided in the applicable Bond Resolution, and (4) allocated to such series of SRF Bonds or such Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations but not yet received and applied in accordance with such Equity Allocation Certificate, shall at all times be at least equal to the Equity Requirement for such series of SRF Bonds or such Pledged Direct Loan or Leveraged 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 (including, in the case of a Pledged Direct Loan, amounts in the aggregate equal to the Allocated Equity for the SRF Bonds of the Series secured by such Pledged Direct Loan, but solely to the extent amounts equal to such amounts to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund or the Federal Program Account in the Drinking Water Equity Fund, as applicable), 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 Pledged Direct Loan or Leveraged Loan or Local Governmental Obligations and certified by the bond trustee as necessary due to a Payment Default allocable to such 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.

### **Direct Loan Fund**

The Program Trustee shall establish in the Direct Loan Fund a separate Direct Loan Project Account for each Direct Loan as directed in the applicable Equity Allocation Certificate. The "Direct Loan Project Account" established for each Pledged Direct Loan shall be deemed to refer to the project account established for such Pledged Direct Loan under the Bond Resolution related to the Series of Bonds secured by such Pledged Direct Loan and held by the applicable Bond Trustee. The Program Trustee or Bond Trustee, as applicable, shall promptly deposit in each Direct Loan Project Account (a) any amount transferred from the Clean Water Equity Fund or the Drinking Water Equity Fund for deposit therein pursuant to the Program Resolution; (b) to the extent provided in the applicable Equity Allocation Certificate, Net Earnings on investment or deposit of moneys held in the Direct Loan Project Account; and (c) upon written direction of the Trust, any other amounts (not otherwise directed to be deposited by any other provision of this Program Resolution) paid to the Program Trustee for such purpose.

Upon the written direction of an Authorized Officer of the Trust (which may be an Equity Allocation Certificate of any other certificate of an Authorized Officer), the Program Trustee or Bond Trustee, as applicable, shall make the following transfers or payments from amounts held in any Direct Loan Project Account: (a) to or for the account of the related Borrower in payment or reimbursement for Costs of the applicable Project, such amounts as directed by the Trust or as set forth in one or more written requests therefor furnished the Program Trustee or Bond Trustee, as applicable, by the Borrower and approved by the Department and the Trust; (b) to the appropriate Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, such portion of the Net Earnings on investment of moneys held in such Direct Loan Project Account as may be directed by the Trust; (c) with respect to Direct Loans other than Pledged Direct Loans, to the appropriate Account in the Deficiency Fund or the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, as directed in the applicable Equity Allocation Certificate, amounts, if any, certified by the Trust to be applied to cure any Payment Default under the applicable Financing Agreement; (d) with respect to Direct Loans other than Pledged Direct Loans, to the appropriate Account in the Deficiency Fund or the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, as directed in the applicable Equity Allocation Certificate, any amount certified by the Trust remaining in the Direct Loan Project Account upon completion of the applicable Project to be applied to the prepayment of the Loan in accordance with the related Financing Agreement; (e) with respect to Pledged Direct Loans, to such fund or account established under the applicable Bond Resolution as may be directed by the Bond Trustee, amounts, if any, certified by the Bond Trustee to be applied to cure any Payment Default under the applicable Financing Agreement; (f) with respect to Pledged Direct Loans, to such fund or account established under the applicable Bond Resolution as may be directed by the Bond Trustee in accordance with the Bond Resolution, any amount certified by the Trust remaining in the Direct Loan Project Account upon completion of the applicable Project to be applied to the prepayment of the Loan in accordance with the related Financing Agreement; and (g) to a Bond Trustee for deposit in the redemption fund held under the related Bond Resolution, such amounts as may be directed by the Trust to redeem Bonds issued to finance one or more Leveraged Loans for the purpose of converting such Leveraged Loans to Direct Loans.

Notwithstanding anything in immediately preceding paragraph to the contrary, at any time and from time to time the Trust may direct the Program Trustee or Bond Trustee, as applicable, to transfer to the appropriate Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, any amounts held in a Direct Loan Project Account, provided that (1) the amount remaining on deposit in such Direct Loan Project Account plus the amount theretofore disbursed from such Account to or for the account of the Borrower as provided in clause (a) of the paragraph above plus the amount of Allocated Equity remaining to be received with respect to such Loan or the Series of Bonds secured by such Loan from Federal Capitalization Grants or Commonwealth Matching Grants and other sources (as set forth in the related Equity Allocation Certificate) shall be not less than the Equity Requirement for such Loan or Series of Bonds, and (2) any such remaining Allocated Equity will be available under the applicable Grant Agreements or from such other sources at such times and in such amounts as will be sufficient to provide moneys for deposit in such Direct Loan Project Account in accordance with the schedule set forth in the Equity Allocation Certificate for such Loan or Series of Bonds.

## **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 Pool Obligations allocable to Clean Water Projects or Drinking Water Projects, as applicable, or allocable to Pool SRF Bonds issued to fund such Pool Obligations, or allocable to Pledged Direct Loans securing such Pool Bonds, that have been transferred to the Program Trustee by a pool bond trustee, which amounts have been released from the lien of the related pool bond resolution, 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, other than Pledged Direct Loans securing a Series of Pool SRF Bonds; 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; insert, repeal or amend any provision of the Program Resolution relating solely to the provision of Direct Loans other than Pledged Direct Loans; 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 time of issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by 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, all Local Governmental Obligations and all Series 17 Direct Loans 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) or otherwise incident thereto and the proceeds thereof, (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant Agreement and, except as provided in the third paragraph below, the Commonwealth Assistance Contract) and all rights and interests of the Trust incident thereto and the proceeds thereof, and (4) all moneys and securities in all Funds and Accounts created by or pursuant to 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.

To the extent permitted by law, the foregoing pledge is valid and binding from the time of the delivery by the Trust of the Bonds, shall be effective as to all such rights and other pledged property whether now existing or hereafter coming into existence, whether now held or hereafter acquired by the Trust, and whether or not segregated or held in trust by the Trust. The rights, Revenues, Loans, Local Governmental Obligations, Series 17 Direct Loans, contracts, other property and proceeds so pledged shall immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act and the lien of such pledge shall be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise, against the Trust, irrespective of whether such parties have notice thereof.

Subject to the limitations described above, as provided in and in accordance with 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, but solely to the extent and in the manner provided in the Bond Resolution and in the Program Resolution, (2) the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund and the Drinking Water Deficiency Account in the Deficiency Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, but solely to the extent and in the manner provided in the Bond Resolution and in the Program Resolution, (3) 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) Rebate Fund

In addition, the Trust may by Supplemental Bond Resolution or by certificate of an authorized officer of the Trust delivered to the Bond Trustee create one or more other funds, accounts or sub-accounts, to be held and maintained as provided in such Supplemental Bond Resolution.

#### **Application of Project Accounts**

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 made or Local Governmental Obligations purchased upon the issuance of the Bonds and for each Series 17 Direct Loan.

Amounts in 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 in accordance with the Act, the Clean Water Act or the Drinking Water Act, as applicable, the DEP Regulations and the applicable Financing Agreement and Regulatory Agreement. To the extent provided in the applicable Financing Agreement, Costs of a Project may be paid in part from moneys in one Project Account and in part from moneys in another Project Account. Amounts on deposit from time to time in any Project Account shall be disbursed by the Bond Trustee to or for the account of the applicable Borrower for the payment or reimbursement of Costs of the applicable Project or the refinancing of such Costs upon receipt by the Bond Trustee of one or more written requests therefor (upon which the Bond Trustee may conclusively rely) signed by an Authorized Officer of the Borrower and approved by the Department and an Authorized Officer of the Trust.

When all Costs of a Project to be paid from a particular Project Account have been so paid, as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Bond Trustee, or when otherwise directed in the Bond Resolution, any amount remaining unexpended in the Project Account shall be applied to the prepayment of the applicable Loan, Series 17 Direct 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 in accordance with the following paragraph and to the extent permitted under the Clean Water Act or the Drinking Water Act, as applicable, and the DEP Regulations (upon delivery to the Bond Trustee of an original executed counterpart of an amendment or supplement to the applicable Financing Agreement and Regulatory Agreement).

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 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, if any.

### **Revenues and Revenue Fund**

Except as otherwise provided in the Bond Resolution, all Revenues, including without limitation all Borrower Payments, Direct Loan Borrower Payments, Equity Earnings and Contract Assistance Payments shall promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of the Bond Resolution, and other amounts transferred to the Bond Trustee in accordance with the provisions of the Bond Resolution, and shall hold for the account of the Revenue Fund all Loans, Series 17 Direct Loans 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, provided that the portion of any Direct Loan Borrower Payments representing the repayment of principal on the Series 17 Direct Loans not needed in accordance with paragraph (1) below on any Interest Payment Date shall only be transferred from the Revenue Fund in accordance with paragraph (2) below on each Principal Payment Date:

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

(2) On each Principal Payment Date, 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, the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 17 Direct Loan, to the extent provided in the Equity Allocation Certificate; subject to the provisions of the third-to-last paragraph hereof;

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

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

(5) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account, or the Drinking Water Deficiency Account, as applicable, within the

Deficiency Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from either such Account or Subaccount made as provided in the Program Resolution due to a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default;

(6) 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

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

In the event that Revenues (other than the portion of Direct Loan Borrower Payments representing the repayment of principal on Series 17 Direct Loans), and any other amounts deposited in the Debt Service Fund are insufficient to make the deposit required for the Debt Service Fund on any Interest Payment Date as set forth in paragraph (B)(1) above, the Trustee shall apply a portion of the Direct Loan Borrower Payments representing the repayment of principal on the Series 17 Direct Loans to make up any such deficiency, provided that if any such deficiency is a result of a Payment Default attributable to a Clean Water Obligation, the Trustee shall apply the portion of Direct Loan Borrower Payments representing the repayment of principal on Series 17 Direct Loans which constitute Clean Water Obligations prior to applying any portion of Direct Loan Borrower Payments representing the repayment of principal on Series 17 Direct Loans which constitute Drinking Water Obligations, and if such deficiency is a result of a Payment Default attributable to a Drinking Water Obligation, the Trustee shall apply the portion of Direct Loan Borrower Payments representing the repayment of principal on Series 17 Direct Loans which constitute Drinking Water Obligations prior to applying any portion of Direct Loan Borrower Payments representing the repayment of principal on Series 17 Direct Loans which constitute Clean Water Obligations.

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

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

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

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

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 Bonds Outstanding, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then

due that will not be paid due to a Payment Default. Such notice shall indicate whether the deficiency is related to the Clean Water Obligations or the Drinking Water Obligations and shall include a request for amounts from the Pool Program Reserve Fund, in accordance with the Program Resolution. To the extent that the deficiency resulting from the Payment Default is expected to exceed the available amounts in the Pool Program Reserve Fund, such notice shall include a request for amounts from the Deficiency Fund, in accordance with the Program Resolution.

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

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 Pool Program Reserve Fund or the Deficiency 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 Pool Program Reserve Fund or the Deficiency Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

### **Application of Redemption Fund**

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

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.

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

### **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.

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

### **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 shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other Fund or Account, other than the Rebate Fund, by the Bond Trustee at the direction of an Authorized Officer in Investment Obligations which shall mature or be redeemable at the option of the owner thereof on such

dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts.

Unless otherwise provided in the Bond Resolution or in the Equity Allocation Certificate with respect to any particular Fund or Account, Net Earnings derived from the investment or deposit of moneys in any Fund or Account shall be credited to the Revenue Fund.

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.

### **Powers as to Bonds and Pledge**

The Series 17 Direct Loans, Loans, Local Governmental Obligations, Revenues and other property so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Bond Resolution except to the extent expressly permitted by the Bond Resolution. The Trust shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Series 17 Direct Loans, Loans, Local Governmental Obligations, Revenues and other property pledged under the Bond Resolution and all the rights of the Bondowners under the Bond Resolution against all claims and demands of all persons whomsoever. 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 Series 17 Direct Loans, Loans, Local Governmental Obligations, Revenues and other property pledged under the Bond Resolution junior and subordinate to the pledge and lien created by the Bond Resolution, so long as any such pledge, lien or other charge shall not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

### **Issuance of Additional Obligations**

Except as set forth under the heading "Covenant as to Pledge," the Trust shall not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Loans, Local Governmental Obligations, the Series 17 Direct Loans 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, Loans, Local Governmental Obligations, the Series 17 Direct Loans 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 preceding paragraph.

### **Covenants as to Loans and Local Governmental Obligations, Series 17 Direct Loans, Contract Assistance Payments and Equity Earnings**

No Loan shall be made by the Trust from the proceeds of the Bonds or other moneys available therefor under the Bond Resolution, and no Local Governmental Obligations shall be acquired under the Bond Resolution, and no Bonds shall be issued by the Trust for the purpose of providing funds with which to make Loans or to purchase Local Governmental Obligations, and no Series 17 Direct Loans shall be made or pledged under the Bond Resolution unless (1) the Loans, Local Governmental Obligations and Series 17 Direct Loans 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 the Loans, Local Governmental Obligations or Series 17 Direct Loans shall have been approved by the Department in accordance with the DEP Regulations and (3) the Loans, Local Governmental Obligations or Series 17 Direct Loans shall have been approved by the Trust. Each Loan, Local Governmental Obligation and Series 17 Direct Loan funded by the Trust under the Bond Resolution from the proceeds of Bonds,



Allocated Equity or other moneys available therefor under the Bond Resolution, shall be secured, shall be in the amounts and shall otherwise have such terms and conditions as specified in the Bond Resolution.

Except as otherwise permitted by the Bond Resolution, the Loans made and Local Governmental Obligations purchased with the proceeds of the Bonds shall have scheduled Borrower Payments thereon which, together with Contract Assistance Payments and Equity Earnings shall result in aggregate Revenues 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 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 Bonds.

The Trust shall duly and properly service all Loans, Local Governmental Obligations and Series 17 Direct Loans and enforce the payment and collection of all Borrower Payments, Direct Loan Borrower Payments and all other payments, if any, thereon or shall cause such servicing to be done by a servicing agent evidencing, in the judgment of the Trust, the capability and experience necessary to adequately service Loans, Local Governmental Obligations and Series 17 Direct Loans.

The Trust shall do all such acts and things necessary to receive and collect Borrower Payments, Direct Loan Borrower Payments and other Revenues as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust for the enforcement of, all terms, covenants and conditions of all Loans, Local Governmental Obligations and Series 17 Direct Loans (and the related Financing Agreements), the Commonwealth Assistance Contract and all Investment Obligations, including the prompt payment of all Borrower Payments, Direct Loan Borrower Payments and other Revenues due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Loan, Local Governmental Obligation, Series 17 Direct Loan and all related Financing Agreements, the Commonwealth Assistance Contract and all Investment Obligations, provided that, subject to the terms of the applicable Financing Agreement and the rights of the Department thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a Payment Default on any Loan, Local Governmental Obligation or Series 17 Direct Loan 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, Local Governmental Obligation or Series 17 Direct Loan or any related Financing Agreement, 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, Local Governmental Obligation, Series 17 Direct Loan, 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, Local Governmental Obligation or Series 17 Direct Loan or under the related Financing Agreement, the Commonwealth Assistance Contract or such Investment Obligation or otherwise available to the Trust under the Act, including without limitation the exercise of the rights provided in Section 11 of the Act with respect to local aid distributions payable by the Commonwealth to a Borrower, Direct Loan 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, the Trust may sell, assign, transfer or otherwise dispose of any Loan, Local Governmental Obligation or Series 17 Direct Loan or any participation or other interest therein which is in default or delinquent in the payment of Borrower Payments, or Direct Loan Borrower Payments, as applicable, thereon if the Trust determines that such action is in the best interests of the Trust and the Bondowners and will result in a greater availability of Revenues to pay Aggregate Debt Service when due, together with Administrative Expenses, than would be the case if such Loan, Local Governmental Obligation or Series 17 Direct Loan is not sold, assigned, transferred or otherwise disposed of, in which case such Loan, Local Governmental Obligation or Series 17 Direct Loan 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, the Trust may sell, assign, transfer, or otherwise dispose of any Loan, Local Governmental Obligation or Series 17 Direct Loan or any participation or other interest therein which is not in default or delinquent in the payment of Borrower Payments or Direct Loan Borrower Payments, as applicable, or transfer any such Loan, Local Governmental Obligation or Series 17 Direct Loan 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 10 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, available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year payable by the Trust when due will not be less than the amount of Revenues that would have been available for such purposes, if such Loan, Local Governmental Obligation or Series 17 Direct Loan is not so disposed of or transferred. Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation the Equity Allocation Certificate) the proceeds, if any, of sale, transfer or other disposition of any Loan, Local Governmental Obligation or Series 17 Direct Loan which is not in default or delinquent in the payment of Borrower Payments or Direct Loan Borrower Payments, as applicable, shall be deposited in the Revenue Fund .

The Trust may consent or agree to or permit amendment or modification of any Loan, Local Governmental Obligation or Series 17 Direct Loan, and the related Financing Agreement, including amendments and modifications made in connection with settlement of any delinquency or Payment Default, which the Trust determines to be in the best interests of the Trust and the Bondholders; provided that (i) such Loan, Local Governmental Obligation or Series 17 Direct Loan, as so amended or modified, continues to satisfy the requirements of the Bond Resolution for a Loan, Local Governmental Obligation or Series 17 Direct Loan which the Trust may make or purchase and hold under the Bond Resolution 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, Local Governmental Obligation or Series 17 Direct Loan immediately prior to such amendment or modification, on the Trust's ability to pay Aggregate Debt Service in the current and each subsequent Fiscal Year.

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 Aggregate Debt Service in the current and each subsequent Fiscal Year 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.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may substitute any Loan, Local Governmental Obligation or any Series 17 Direct Loan or any participation or other interest therein which is not in default or delinquent in the payment of Borrower Payments or Direct Loan Borrower Payments, as applicable, in exchange for another loan or local governmental obligation, provided that not less than 10 Business Days prior to any such substitution the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such substitution anticipated Revenues (taking into account such substituted loan, direct loan or local governmental obligation), available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year will not be less than the amount of Revenues (excluding the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 17 Direct Loans) that would have been available for such purposes, if such Loan, Local Governmental Obligation or Series 17 Direct Loan is not so substituted and the loans, direct loans or local governmental obligations to be substituted comply with the terms 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, the Trust may release from the pledge of the Bond Resolution any Loan, Local Governmental Obligation or Series 17 Direct Loan or any participation or other interest therein, or transfer any such Loan, Local Governmental Obligation or Series 17 Direct Loan to itself free and clear of the pledge of the Bond Resolution, provided that prior to such release or transfer the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such release or transfer anticipated Revenues (excluding the portion of any Direct Loan Borrower Payments representing the repayment of principal on the applicable Series 17 Direct Loans) available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year will not be less than the Aggregate Debt Service on the Bonds payable by the Trust in the current and each subsequent Fiscal Year.

## **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, Loans, Local Governmental Obligations or Series 17 Direct Loans 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 Bonds will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

## **Additional Tax Covenants**

In addition to the requirements set forth under the heading “Tax Covenants,” so long as any Bonds shall be Outstanding and unpaid (unless the Trust shall file an opinion of Bond Counsel with the Bond Trustee to the effect that compliance with all or part of the provisions set forth under this heading is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 17A Bonds) the Trust covenants that:

(1) Notwithstanding the definition of Clean Water Equity Requirement and Drinking Water Equity Requirement, but subject to the provisions set forth under the heading “Rebate Fund,” at no time shall the amount allocable to the Series 17A Bonds, if any, in the Pool Program Reserve Fund, the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund and the Drinking Water Deficiency Account in the Deficiency Fund be invested at a Yield higher than the Yield on the Series 17A Bonds;

(2) At no time shall the amount, if any, of proceeds from the sale of the Series 17A Bonds on deposit in the Pool Program Reserve Fund, the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund and the Drinking Water Deficiency Account in the Deficiency Fund exceed an amount equal to 10% of the proceeds of the Series 17A Bonds;

(3) Not less than 95% of those Costs of Issuance funded from proceeds of the Series 17A Bonds constituting legal and underwriting costs associated with the issuance of the Series 17A Bonds (as determined under the Code) shall be paid not later than the 180th day after the date of authentication and delivery of the Series 17A Bonds; and

(4) The Trust shall not make any arrangement, formal or informal, pursuant to which any Borrower or any other person (including any related person as defined in Section 144(a)(3) of the Code) to whom the Trust may make a Loan or from whom the Trust may purchase Local Governmental Obligations under the Program, shall purchase Series 17A Bonds in an amount related to the amount of such Loan or Local Governmental Obligations.

## **Accounts and Reports**

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 Report shall include statements and reports regarding the Trust's operations and accomplishments and shall include the Annual Program Audit, or a summary thereof, and such other information as the Trust in its discretion shall determine or as may be required by the Act or the Clean Water Act or Drinking Water Act, as applicable. The Annual Program Audit shall include the following statements relating to the Bonds in reasonable detail: (a) the receipts and expenditures for the Program during such Fiscal Year in accordance with the categories or classifications established by the Trust for its operating and capital outlay purposes; (b) assets and liabilities at the end of such Fiscal Year, including a Schedule of Loans, Local Governmental Obligations, and the status of reserve, special or other funds and the Funds and Accounts established by 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. The Annual Report and Annual Program Audit may be included with any other annual report and accountant's report relating to other programs and operations of the Trust. A copy of each Annual Report shall be mailed by the Trust to each Bondowner who shall have filed his name and address with the Trust for such purpose.

### **Supplemental Bond Resolutions Effective Upon Filing**

For any one or more of the following purposes and at any time or from time to time, a resolution of the Trust supplementing the Bond Resolution may be adopted, which resolution, upon the filing with the Bond Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in the Bond Resolution, shall be fully effective in accordance with its terms: (1) to add to the covenants or agreements of the Trust contained in the Bond Resolution other covenants or agreements to be observed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (2) to add to the limitations or restrictions to be observed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (3) to surrender any right, power or privilege reserved to or conferred upon the Trust by the Bond Resolution; (4) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues, Loans, Local Governmental Obligations, Series 17 Direct Loans or of any other moneys, securities and property; and (5) to specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

### **Supplemental Bond Resolutions Effective Upon Consent of Bond Trustee**

For any one or more of the following purposes and at any time or from time to time, a resolution of the Trust amending or supplementing the Bond Resolution may be adopted, which resolution upon the (a) filing with the Bond Trustee of a copy thereof certified by an Authorized Officer of the Trust, accompanied by an Opinion of Counsel as provided in the Bond Resolution, and (b) filing with the Bond Trustee and the Trust of an instrument in writing made by the Bond Trustee consenting to the amendment or supplement effected by such resolution, shall be fully effective in accordance with its terms: (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in 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 Series 17A Bonds Outstanding to which such exclusion applies and which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency (as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the adoption of such Supplemental Bond Resolution will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding); and (4) to insert, repeal or amend any provision in 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 (as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the adoption of such Supplemental Bond Resolution will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding).

## **Supplemental Bond Resolutions Effective With Consent of Bondowners**

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

The provisions of preceding paragraph shall not be applicable to resolutions of the Trust adopted and becoming effective in accordance with the provisions set forth under the headings "Supplemental Bond Resolutions Effective Upon Filing" and "Supplemental Bond Resolutions Effective Upon Consent of Bond Trustee."

## **Powers of Amendment**

Any modification or amendment of the Bond Resolution and the rights and obligations of the Trust and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Bond Resolution with the written consent, given as provided under the heading "Consent of Bondowners," of the Owners of at least 60% in aggregate Principal Amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of a subseries of similar tenor and of any specified maturity and interest rate remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds as described under this heading; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of such Owner's written assent thereto.

## **Consent of Bondowners**

The Trust may at any time adopt and file in accordance with the provisions set forth under the heading "Supplemental Bond Resolutions Effective With Consent of Bondowners" a resolution of the Trust making a modification or amendment permitted by the provisions set forth under the heading "Powers of Amendment," to take effect when and as provided under this heading. A copy of such resolution (or brief summary thereof or reference thereto in form approved by the Bond Trustee), together with a request to Bondowners for their consent thereto in form satisfactory to the Bond Trustee, shall be mailed by the Trust to Bondowners (but failure to mail such copy and request shall not affect the validity of such resolution when consented to as provided under this heading). Such resolution shall not be effective unless and until, and shall only take effect in accordance with its terms when, (1) there shall have been filed with the Bond Trustee (a) the written consents of Owners of the percentage of Outstanding Bonds specified under the heading "Powers of Amendment," and (b) an Opinion of Counsel to the effect required by the Bond Resolution and (2) a notice shall have been mailed as provided under this heading. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) but, notwithstanding the provisions for evidencing signatures set forth in the Bond Resolution, such consent may be revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Bond Trustee prior to but not later than the time the written statement of the Bond Trustee provided for under this heading is filed with the Trust. The fact that a consent has not been revoked may likewise be proved by a certificate of the Bond Trustee filed with the Bond Trustee to the effect that no revocation thereof is on file with the Bond Trustee. When the Owners of the required percentage of Bonds shall have filed their consents to such resolution, the Bond Trustee shall make and file with the Trust a written statement that the Owners of such required percentage of Bonds have filed and given such consents. Such written statement shall be conclusive that such consents have been so filed and have been given. Not more than 90 days after the Owners of the required percentage of Bonds shall have filed their consents to the resolution and the written statement of the Bond Trustee provided for above is filed with the Trust, notice, stating in substance that such resolution (which may be referred to as a resolution adopted by the Trust on a stated date a copy of which is on

file with the Bond Trustee) has been consented to by the Owners of the required percentage of Bonds and will be effective as provided under this heading, shall be given to Bondowners by the Trust by mailing such notice to Bondowners. The Trust shall file with the Bond Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by the provisions set forth under this heading to be filed with the Bond Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed conclusively binding upon the Trust, the Fiduciaries and the Owners of all Bonds upon the mailing of such last-mentioned notice.

### **Modifications by Unanimous Consent**

Notwithstanding anything contained in the Bond Resolution with respect to the provision of supplemental resolutions and amendments, the terms and provisions of the Bond Resolution and the rights and obligations of the Trust and the Owners of the Bonds, in any particular, may be modified or amended in any respect upon the adoption by the Trust and filing in accordance with the provisions of the Bond Resolution of a resolution of the Trust making such modification or amendment and the consent to such resolution of the Owners of all of the Bonds then Outstanding, such consent to be given as provided under the heading "Consent of Bondowners" except that no notice to Bondowners shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of its written assent thereto in addition to the said consent of Bondowners.

### **Amendments to Financing Agreements, Loans, Local Governmental Obligations, and Series 17 Direct Loans**

Without notice to or the consent of any of the Bondowners, the Trust may, with prior written notice to the Bond Trustee, execute and deliver one or more amendments to or supplements to the Financing Agreements pertaining to any of the Loans, Local Governmental Obligations, or Series 17 Direct Loans, for any of the following purposes: (1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provisions in such Financing Agreement, Loan, Local Governmental Obligation or Series 17 Direct Loan; (2) to insert any provisions therein, not contrary to or inconsistent with the instrument as theretofore in effect, clarifying matters or questions arising under the instrument or to effect any amendment thereof permitted by the terms of such instrument as theretofore in effect; and (3) to insert, repeal or amend any provision in such instruments, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable, (to the extent applicable to such amendment) and the Act and will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency, as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee (upon which the Bond Trustee may conclusively rely), accompanied by letters from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the execution and delivery of such amendment or supplement will not adversely affect the ratings then assigned by such Rating Agency to any Bonds Outstanding.

Except as provided in the preceding paragraph, the Trust shall not execute and deliver any amendment to or supplement of a Financing Agreement pertaining to any Loan, Local Governmental Obligation or Series 17 Direct Loan, unless such amendment or supplement shall have been consented to by or on behalf of the Bondholders to the same extent and in the same manner as if such amendment or supplement were a Supplemental Bond Resolution to which the provisions set forth under the heading "Supplemental Bond Resolutions Effective With Consent of Bondowners" apply.

### **Events of Default**

Each of the following shall constitute an "Event of Default" under the Bond Resolution:

- (1) Default in the payment of the Principal Amount or Redemption Price of any Bond when due, whether at maturity or by call for redemption, or otherwise or in the payment of any Sinking Fund Installment when due;
- (2) Default in the payment of any installment of interest on any Bond when due;
- (3) Default by the Trust in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the Bond Resolution or in the Bonds and such default shall continue for a period of 30 days after written notice thereof shall be given to the Trust by the Bond Trustee

or to the Trust and the Bond Trustee by the Owners of not less than 25% in aggregate Principal Amount of the Bonds Outstanding; provided that if such default cannot be remedied within such 30-day period, it shall not constitute an Event of Default 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;

(4) If an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Trust or the whole or any substantial part of its assets, (b) granting relief in involuntary proceedings with respect to the Trust under the Federal bankruptcy act, or (c) assuming custody or control of the Trust or of the whole or any substantial part of its assets under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or

(5) If the Trust (a) admits in writing its inability to pay its debts or the interest thereon generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of its assets, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Trust or of the whole or any substantial part of its assets.

## **Remedies**

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

(1) By suit, action or proceeding, to enforce all rights of the Bondowners, including the right to require the Trust to carry out the covenants and agreements as to the Revenues, Loans, Local Governmental Obligations and Series 17 Direct Loans and to require the Trust to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(2) By bringing suit upon the Bonds;

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

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

(5) By exercising any and all rights of the Trust with respect to the Revenues, Loans, Local Governmental Obligations and Series 17 Direct Loans; and

(6) For Events of Default other than as described in Clause (3) under the heading "Events of Default," by declaring the Principal Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Bond Resolution or in any of the Bonds contained to the contrary notwithstanding; provided that the Principal Amount of the Bonds shall not be declared due and payable as aforesaid unless simultaneously with such declaration the unpaid principal amount of all Loans, Local Governmental Obligations and Series 17 Direct Loans outstanding, and the interest thereon, is similarly declared due and payable, and provided further that the right to make such declaration as aforesaid is subject to the condition that if, at any time after such declaration as aforesaid, all outstanding Events of Default (other than the payment of Principal Amount and interest due and payable solely by reason of such declaration) shall have been cured or provision deemed by the Bond Trustee to be adequate shall be made therefor, then and in every such case, unless a final judgment has been obtained for any Principal Amount or interest coming due and payable solely by reason of such declaration, the Owners of not less than 25% in aggregate Principal Amount of the Bonds Outstanding, by written notice to the Trust and to the Bond Trustee, may annul such declaration, or, if the Bond Trustee shall have acted without a

direction from Bondowners and if there shall not have been theretofore delivered to the Bond Trustee written direction to the contrary by the Owners of not less than 25% in aggregate Principal Amount of the Bonds then Outstanding, then any such declaration shall be deemed to be annulled.

Upon the occurrence of an Event of Default, other than an Event of Default described in Clause (3) under the heading "Events of Default," the Trust, at the request of the Bond Trustee or the Owners of not less than 25% in aggregate Principal Amount of the Outstanding Bonds, shall assign, endorse and convey to the Bond Trustee any and all interests and rights held by the Trust in the Loans, Local Governmental Obligations and Series 17 Direct Loans pledged under the Bond Resolution and shall take any other steps requested by the Bond Trustee or Bondowners to further effectuate the rights of the Bond Trustee under the Bond Resolution to such Loans, Local Governmental Obligations and Series 17 Direct Loans.

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

If an Event of Default shall occur and shall not have been remedied, other than an Event of Default described in Clause (3) under the heading "Events of Default," the Trust, upon demand of the Bond Trustee, shall pay over or cause to be paid over, to the Bond Trustee upon receipt thereof all Revenues, and other moneys pledged under the Bond Resolution. Unless otherwise directed by a court, all such Revenues and other moneys, and any other moneys received or collected by the Bond Trustee acting pursuant to the Act or the Bond Resolution, shall, except as provided below, be held, transferred and applied as provided in the Bond Resolution.

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

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

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

Second: To the payment to the persons entitled thereto of all unpaid Principal Installments of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all Principal Installments due on any date, then to the payment thereof ratably, according to the amounts of Principal Installments due on such date, to the persons entitled thereto, without any discrimination or preference.

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

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

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust under the Bond Resolution



or for any other remedy under the Bond Resolution, 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) after the occurrence of such Event of Default, written request shall have been made of the Bond Trustee to institute such suit, action or proceeding by the Owners of not less than 25% in aggregate Principal Amount of the Bonds then Outstanding and there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time, and (d) such suit, action or proceeding is brought for the ratable benefit of all Owners of all Bonds subject to the provisions of the Bond Resolution.

### **Control of Proceedings**

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

### **Resignation**

The Bond Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Trust and mailing notice thereof, specifying the date when such resignation shall take effect, to the Owners of all Bonds Outstanding within 20 days after the giving of such written notice. Such resignation shall only take effect upon the day specified in such notice provided a successor has been appointed as provided in the Bond Resolution by the Trust or Bondowners, unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor. A Paying Agent (other than the Bond Trustee) may at any time resign and be discharged of its duties and obligations created by the Bond Resolution according to the terms of the Paying Agent's agreement with the Trust and otherwise by giving 30 days' written notice to the Trust.

### **Removal**

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

### **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, Loans, Local Governmental Obligations, Series 17 Direct Loans 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. After the making of the payments for which such Investment Obligations or moneys were held, any surplus shall be paid over to the Trust as received by the Bond Trustee, free and clear of

any trust, lien or pledge.

## **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS**

### **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 allocable to the Series 17 Leveraged Loans and the Series 17 Pledged Direct Loans, the Borrowers are required to make Borrower Payments which are net of Equity Earnings and net of Contract Assistance Payments. 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 allocable to the Series 17 Leveraged Loans or the Series 17 Pledged Direct Loans. 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 the Series 16 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 the related 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.

### SRF Bonds Program – Borrowers

The following table sets forth for each borrower under the Trust’s SRF Bonds program, (i) the amounts of loans outstanding as of February 1, 2013, (ii) the amounts of Series 17 Pledged Direct Loans and Series 17 Leveraged Loans, (iii) the total amount of loans that will be outstanding upon the issuance of the Series 17 Bonds and (iv) the percentage that the loans to each borrower will represent of the total loans outstanding. Upon the issuance of the Series 17 Bonds, approximately \$3.0 billion of the total loans will be allocable to the Clean Water Federal Program and approximately \$907 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, 2013</u>	<u>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</u>	<u>Total</u>	<u>% of Total Loans Outstanding</u>
Abington	\$ 3,940,002	\$ 510,745	\$ 4,450,747	0.11%
Acton	17,570,653	-	17,570,653	0.45%
Acushnet	3,291,240	-	3,291,240	0.08%
Adams	2,002,394	-	2,002,394	0.05%
Adams Fire District	2,019,441	-	2,019,441	0.05%
Agawam	1,727,656	-	1,727,656	0.04%
Amesbury	20,854,223	-	20,854,223	0.53%
Amherst	36,660	-	36,660	0.00%
Andover	3,988,198	-	3,988,198	0.10%
Aquarion Water Company of Massachusetts	2,078,898	-	2,078,898	0.05%
Ashburnham	3,685,152	-	3,685,152	0.09%
Ashfield Water District	275,000	-	275,000	0.01%
Ashland	5,261,748	-	5,261,748	0.13%
Athol	6,605,587	-	6,605,587	0.17%
Attleboro	30,915,442	-	30,915,442	0.79%
Auburn	286,590	-	286,590	0.01%
Auburn Water District	1,819,478	-	1,819,478	0.05%
Avon	1,073,183	-	1,073,183	0.03%
Ayer	134,492	-	134,492	0.00%
Barnstable County	4,950,000	12,000,000	16,950,000	0.43%
Barnstable	25,716,700	1,508,907	27,225,607	0.69%
Barre	64,325	-	64,325	0.00%
Belchertown	9,544,234	-	9,544,234	0.24%
Bellingham	568,509	300,000	868,509	0.02%
Belmont	6,649,066	1,579,600	8,228,666	0.21%
Berlin	73,344	-	73,344	0.00%
Bernardston	40,034	-	40,034	0.00%
Beverly	450,775	-	450,775	0.01%
Billerica	27,215,635	-	27,215,635	0.69%
Blackstone	29,181	-	29,181	0.00%
Boston	5,535,000	-	5,535,000	0.14%
Bourne	383,433	-	383,433	0.01%
Boxford	86,814	-	86,814	0.00%
Boylston	60,675	-	60,675	0.00%
Brewster	192,050	-	192,050	0.00%
Bridgewater	2,171,243	-	2,171,243	0.06%
Bristol County	-	1,100,000	1,100,000	0.03%
Brockton	93,743,240	2,510,186	96,253,426	2.45%
Brockton Sewer Enterprise System	889,970	-	889,970	0.02%

<b><u>Borrower Name</u></b>	<b>Loans Outstanding as of February 1, 2013</b>	<b>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</b>	<b>Total</b>	<b>% of Total Loans Outstanding</b>
Brookfield	58,185	-	58,185	0.00%
Buckland	332,500	-	332,500	0.01%
Burlington	6,022,181	-	6,022,181	0.15%
Boston Water Sewer Commission	4,762,439	-	4,762,439	0.12%
Cambridge	11,088,564	-	11,088,564	0.28%
Canton	3,434,885	-	3,434,885	0.09%
Carver	44,402	-	44,402	0.00%
Charlton	12,944,300	-	12,944,300	0.33%
Chatham	10,654,882	2,256,265	12,911,147	0.33%
Chelmsford	37,769,592	-	37,769,592	0.96%
Chelmsford Water District	3,392,091	-	3,392,091	0.09%
Chelsea	224,670	-	224,670	0.01%
Cherry Valley Water District	711,898	-	711,898	0.02%
Chesterfield	261,113	-	261,113	0.01%
Chicopee	59,385,640	22,582,000	81,967,640	2.08%
Clarksburg	159,700	-	159,700	0.00%
Clinton	6,887,585	-	6,887,585	0.18%
Cohasset	29,337,670	1,500,000	30,837,670	0.78%
Colrain	25,333	-	25,333	0.00%
Centerville/Osterville Fire District	2,186,479	-	2,186,479	0.06%
Concord	11,779,321	324,715	12,104,036	0.31%
Conway	16,106	-	16,106	0.00%
Charles River Pollution Control District	5,757,482	3,495,575	9,253,057	0.24%
Danvers	20,602,400	-	20,602,400	0.52%
Dartmouth	17,330,167	-	17,330,167	0.44%
Dedham	1,309,960	-	1,309,960	0.03%
Deerfield Fire District	439,375	-	439,375	0.01%
Dennis	404,446	-	404,446	0.01%
Dennis Water District	6,253,858	-	6,253,858	0.16%
Dighton	49,494	66,558	116,052	0.00%
Dighton Rehoboth Regional School District	526,202	-	526,202	0.01%
Dighton Water District	5,286,282	-	5,286,282	0.13%
Douglas	4,379,558	-	4,379,558	0.11%
Dover	83,000	-	83,000	0.00%
Dracut	21,106,377	8,231,765	29,338,142	0.75%
Dracut Water Supply District	447,261	-	447,261	0.01%
Dudley	302,429	-	302,429	0.01%
Duxbury	2,918,943	-	2,918,943	0.07%
Eastham	314,500	-	314,500	0.01%
Easthampton	4,776,251	-	4,776,251	0.12%
Easton	379,896	4,840,295	5,220,191	0.13%
East Bridgewater	14,452,346	800,000	15,252,346	0.39%
East Longmeadow	464,250	-	464,250	0.01%
Erving	3,734,460	-	3,734,460	0.09%
Essex	15,732,213	-	15,732,213	0.40%
Everett	440,657	2,838,033	3,278,690	0.08%
Fairhaven	236,135	716,000	952,135	0.02%

<b><u>Borrower Name</u></b>	<b>Loans Outstanding as of February 1, 2013</b>	<b>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</b>	<b>Total</b>	<b>% of Total Loans Outstanding</b>
Fall River	136,574,292	7,295,540	143,869,832	3.66%
Falmouth	16,935,862	-	16,935,862	0.43%
Fitchburg	32,970,523	-	32,970,523	0.84%
Foxborough	4,619,741	600,000	5,219,741	0.13%
Framingham	50,738,274	1,555,750	52,294,024	1.33%
Franklin	3,831,448	-	3,831,448	0.10%
Gardner	6,474,688	-	6,474,688	0.16%
Georgetown	1,243,505	-	1,243,505	0.03%
Gill	15,944	-	15,944	0.00%
Gloucester	45,006,036	15,074,527	60,080,563	1.53%
Greater Lawrence Sewer District	15,412,252	9,315,654	24,727,906	0.63%
Grafton	29,307	-	29,307	0.00%
Granby	118,456	-	118,456	0.00%
Great Barrington	140,000	-	140,000	0.00%
Greenfield	3,286,489	-	3,286,489	0.08%
Groton	4,203,723	-	4,203,723	0.11%
Hadley	4,005,090	-	4,005,090	0.10%
Halifax	213,000	-	213,000	0.01%
Hanover	170,212	-	170,212	0.00%
Hanson	860,847	350,000	1,210,847	0.03%
Hardwick	11,103	-	11,103	0.00%
Harvard	-	2,540,382	2,540,382	0.06%
Harwich	156,537	-	156,537	0.00%
Hatfield	507,191	-	507,191	0.01%
Haverhill	22,531,176	6,100,628	28,631,804	0.73%
Hillcrest Sewer District	2,076,828	-	2,076,828	0.05%
Hingham	1,566,097	-	1,566,097	0.04%
Hinsdale	1,935,000	-	1,935,000	0.05%
Holbrook	10,802,501	-	10,802,501	0.27%
Holden	10,249,417	-	10,249,417	0.26%
Holland	70,000	-	70,000	0.00%
Holliston	105,000	-	105,000	0.00%
Holyoke	15,281,298	1,037,434	16,318,732	0.41%
Hopedale	849,000	-	849,000	0.02%
Hopkinton	13,732,477	-	13,732,477	0.35%
Hubbardston	4,891	-	4,891	0.00%
Hudson	15,331,637	-	15,331,637	0.39%
Hull	3,514,117	-	3,514,117	0.09%
Hoosac Water Quality District	5,655,363	-	5,655,363	0.14%
Ipswich	2,630,434	1,145,359	3,775,793	0.10%
Kingston	28,642,695	-	28,642,695	0.73%
Lakeville	3,416,795	-	3,416,795	0.09%
Lancaster	80,434	-	80,434	0.00%
Lanesborough Village Fire & Water District	1,780,000	-	1,780,000	0.05%
Lawrence	26,190,158	3,733,006	29,923,164	0.76%
Lee	15,562,840	-	15,562,840	0.40%
Leicester	196,542	-	196,542	0.00%

<b><u>Borrower Name</u></b>	<b>Loans Outstanding as of February 1, 2013</b>	<b>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</b>	<b>Total</b>	<b>% of Total Loans Outstanding</b>
Leicester Water Supply District	274,049	-	274,049	0.01%
Lenox	766,843	-	766,843	0.02%
Leominster	35,154,511	-	35,154,511	0.89%
Lexington	18,584	-	18,584	0.00%
Lincoln	2,300,000	-	2,300,000	0.06%
Littleton	129,293	-	129,293	0.00%
Longmeadow	2,917,076	-	2,917,076	0.07%
Lowell	99,231,059	3,114,451	102,345,510	2.60%
Ludlow	3,575,695	921,027	4,496,722	0.11%
Lunenburg	6,110,527	-	6,110,527	0.16%
Lunenburg Water District	3,823,367	19,423	3,842,790	0.10%
Lynn Water and Sewer Commission	52,006,491	-	52,006,491	1.32%
Lynnfield	260,578	252,841	513,419	0.01%
Malden	4,080,864	6,095,226	10,176,090	0.26%
Manchester	2,179,193	-	2,179,193	0.06%
Mansfield	16,077,096	11,300,898	27,377,994	0.70%
Marion	17,010,786	105,123	17,115,909	0.43%
Marlborough	22,068,620	20,000,000	42,068,620	1.07%
Marshfield	6,983,891	5,450,000	12,433,891	0.32%
Mashpee	850,203	-	850,203	0.02%
Mattapoissett	5,756,258	6,097,990	11,854,248	0.30%
Maynard	7,784,799	4,252,635	12,037,434	0.31%
Massachusetts Development Finance Agency	10,963,628	-	10,963,628	0.28%
Medfield	1,476,902	-	1,476,902	0.04%
Medway	80,908	-	80,908	0.00%
Melrose	2,826,451	-	2,826,451	0.07%
Mendon	44,402	-	44,402	0.00%
Merrimac	114,402	-	114,402	0.00%
Methuen	21,707,701	-	21,707,701	0.55%
Middleborough	1,441,436	200,000	1,641,436	0.04%
Middleton	67,876	-	67,876	0.00%
Millbury	22,393,336	-	22,393,336	0.57%
Millville	318,080	105,000	423,080	0.01%
Milton	300,067	-	300,067	0.01%
Monson	1,443,223	-	1,443,223	0.04%
Montague	2,766,437	-	2,766,437	0.07%
Monterey	34,464	-	34,464	0.00%
Mattapoissett River Valley Water District	11,378,423	-	11,378,423	0.29%
Massachusetts Water Resources Authority	1,036,018,308	40,557,005	1,076,575,313	27.35%
North Adams	1,191,435	-	1,191,435	0.03%
North Andover	7,421,695	-	7,421,695	0.19%
Nantucket	54,467,162	478,449	54,945,611	1.40%
Natick	3,798,203	-	3,798,203	0.10%
North Attleborough	24,077,885	-	24,077,885	0.61%
North Brookfield	2,335,000	-	2,335,000	0.06%
Needham	1,701,371	6,034,290	7,735,661	0.20%

<b><u>Borrower Name</u></b>	<b>Loans Outstanding as of February 1, 2013</b>	<b>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</b>	<b>Total</b>	<b>% of Total Loans Outstanding</b>
New Bedford	118,850,664	10,409,184	129,259,848	3.28%
Newbury	8,331,978	-	8,331,978	0.21%
Newburyport	14,060,490	34,324,639	48,385,129	1.23%
Newton	7,335,600	-	7,335,600	0.19%
Norfolk	479,394	-	479,394	0.01%
Northampton	21,308,327	119,412	21,427,739	0.54%
Northborough	474,112	-	474,112	0.01%
Northbridge	4,423,513	-	4,423,513	0.11%
Norton	2,032,307	165,000	2,197,307	0.06%
Norwell	235,463	17,620	253,083	0.01%
Norwood	2,065,000	2,175,000	4,240,000	0.11%
North Raynham Water District	3,538,608	-	3,538,608	0.09%
North Reading	464,805	-	464,805	0.01%
North Sagamore Water District	1,421,596	-	1,421,596	0.04%
Oak Bluffs	9,810,711	-	9,810,711	0.25%
Orange	459,275	-	459,275	0.01%
Orleans	65,000	-	65,000	0.00%
Palmer	7,882,612	172,750	8,055,362	0.20%
Paxton	61,430	-	61,430	0.00%
Pembroke	3,650,195	-	3,650,195	0.09%
Pepperell	3,219,601	-	3,219,601	0.08%
Phillipston	61,420	-	61,420	0.00%
Pittsfield	5,205,903	677,334	5,883,237	0.15%
Plainville	759,582	2,688,192	3,447,774	0.09%
Plymouth	21,534,681	800,000	22,334,681	0.57%
Plympton	25,787	-	25,787	0.00%
Provincetown	16,059,933	-	16,059,933	0.41%
Quincy	11,171,740	-	11,171,740	0.28%
Randolph	14,495,327	-	14,495,327	0.37%
Raynham	7,855,165	-	7,855,165	0.20%
Reading	9,298	-	9,298	0.00%
Revere	6,792,449	5,007,999	11,800,448	0.30%
Richmond	2,380,552	-	2,380,552	0.06%
Rockland	3,111,202	510,745	3,621,947	0.09%
Rowley	118,625	11,547,000	11,665,625	0.30%
Royalston	24,150	-	24,150	0.00%
Russell	409,001	-	409,001	0.01%
Rutland	28,948	-	28,948	0.00%
Salem	1,729,422	-	1,729,422	0.04%
Salisbury	2,912,080	111,262	3,023,342	0.08%
Sandwich	195,901	-	195,901	0.00%
Saugus	8,778,177	2,387,235	11,165,412	0.28%
Scituate	13,266,254	5,737,667	19,003,921	0.48%
South Deerfield Water Supply District	1,795,000	-	1,795,000	0.05%
Seekonk	1,455,395	-	1,455,395	0.04%
Seekonk Water District	3,442,861	-	3,442,861	0.09%
South Essex Sewerage District	42,908,720	-	42,908,720	1.09%



<b><u>Borrower Name</u></b>	<b><u>Loans Outstanding as of February 1, 2013</u></b>	<b><u>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</u></b>	<b><u>Total</u></b>	<b><u>% of Total Loans Outstanding</u></b>
South Grafton Water District	1,188,197	554,517	1,742,714	0.04%
South Hadley	5,031,206	-	5,031,206	0.13%
South Hadley Fire District #1	743,911	-	743,911	0.02%
Sharon	152,063	-	152,063	0.00%
Shirley	7,331,075	72,661	7,403,736	0.19%
Shrewsbury	387,053	956,875	1,343,928	0.03%
Shutesbury	227,719	-	227,719	0.01%
Somerset	6,384,439	-	6,384,439	0.16%
Southampton	1,508,000	-	1,508,000	0.04%
Southborough	728,369	-	728,369	0.02%
Southbridge	14,314,183	907,273	15,221,456	0.39%
Southwick	25,483	-	25,483	0.00%
Spencer	5,752,763	588,500	6,341,263	0.16%
Springfield	811,602	-	811,602	0.02%
Sterling	880,171	-	880,171	0.02%
Stockbridge	6,128,134	-	6,128,134	0.16%
Stoughton	1,993,325	350,000	2,343,325	0.06%
Stow	670,000	-	670,000	0.02%
Sturbridge	7,912,844	9,026,495	16,939,339	0.43%
Sunderland	35,625	-	35,625	0.00%
Sutton	5,466,234	-	5,466,234	0.14%
Swampscott	875,826	-	875,826	0.02%
Swansea	230,063	-	230,063	0.01%
Swansea Water District	16,668,785	273,023	16,941,808	0.43%
Springfield Water & Sewer Commission	47,834,470	8,265,401	56,099,871	1.43%
Taunton	74,207,950	9,207,257	83,415,207	2.12%
Templeton	5,486,934	205,000	5,691,934	0.14%
Tewksbury	6,461,888	-	6,461,888	0.16%
Tisbury	4,649,102	-	4,649,102	0.12%
Townsend	1,528,474	-	1,528,474	0.04%
Truro	83,000	-	83,000	0.00%
Tyngsborough	1,870,572	-	1,870,572	0.05%
Upper Blackstone Water Pollution Abatement District	150,229,727	-	150,229,727	3.82%
Upton	1,824,600	-	1,824,600	0.05%
Wakefield	1,590,425	-	1,590,425	0.04%
Walpole	6,710,258	-	6,710,258	0.17%
Waltham	2,935,050	108,702	3,043,752	0.08%
Ware	329,900	-	329,900	0.01%
Wareham	29,898,049	200,000	30,098,049	0.76%
Warren Water District	175,000	-	175,000	0.00%
Wayland	444,316	-	444,316	0.01%
West Boylston	6,794,598	-	6,794,598	0.17%
West Boylston Water District	977,197	-	977,197	0.02%
West Bridgewater	480,127	245,637	725,764	0.02%
Webster	12,454,696	-	12,454,696	0.32%
Wellfleet	676,294	-	676,294	0.02%

<b><u>Borrower Name</u></b>	<b><u>Loans Outstanding as of February 1, 2013</u></b>	<b><u>Series 17 Leveraged Loans and Series 17 Pledged Direct Loans</u></b>	<b><u>Total</u></b>	<b><u>% of Total Loans Outstanding</u></b>
Westborough	48,286,969	-	48,286,969	1.23%
Westfield	13,922,572	-	13,922,572	0.35%
Westford	9,789,151	-	9,789,151	0.25%
Westminster	110,686	-	110,686	0.00%
Westwood	1,140,600	-	1,140,600	0.03%
Weymouth	35,957,255	-	35,957,255	0.91%
West Groton Water Sewer District	1,099,654	-	1,099,654	0.03%
Whitman	4,596,682	-	4,596,682	0.12%
Wilbraham	3,678,022	-	3,678,022	0.09%
Wilmington	245,636	-	245,636	0.01%
Winchendon	9,517,283	-	9,517,283	0.24%
Winchester	24,036	-	24,036	0.00%
Windbrook Acres	225,000	-	225,000	0.01%
West Newbury	211,210	-	211,210	0.01%
Woburn	12,158,397	2,654,337	14,812,734	0.38%
Worcester	6,252,959	522,692	6,775,651	0.17%
Wrentham	2,409,783	-	2,409,783	0.06%
West Springfield	-	8,572,386	8,572,386	0.22%
West Stockbridge	385,000	-	385,000	0.01%
Yarmouth	2,727,997	-	2,727,997	0.07%
<b>Total</b>	<b>\$3,595,122,379</b>	<b>\$340,455,077</b>	<b>\$3,935,577,456</b>	<b>100.00%</b>
Clean Water Program	\$2,782,558,160	\$245,922,914	\$3,028,481,074	
Drinking Water Program	\$ 812,564,219	\$ 94,532,163	\$ 907,096,382	

NIXON PEABODY<sup>LLP</sup>  
ATTORNEYS AT LAW

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[Date of Delivery]

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

RE: \$202,250,000 Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 17, consisting of \$185,605,000 State Revolving Fund Bonds, Subseries 17A (“Series 17A Bonds”), and \$16,645,000 State Revolving Fund Bonds, Subseries 17B (Federally Taxable) (“Series 17B Bonds” and together with the Series 17A Bonds, the “Bonds”), each dated the date of delivery thereof.

Ladies and Gentlemen:

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 as of May 8, 2013 entitled “Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of the \$202,250,000 Massachusetts Water Pollution Abatement Trust State Revolving Fund Bonds, Series 17, consisting of \$185,605,000 State Revolving Fund Bonds, Subseries 17A and \$16,645,000 State Revolving Fund Bonds, Subseries 17B (Federally Taxable) (the “Bond Resolution” and, together with the Program Resolution, the “Resolutions”).

The Bonds are dated the date of delivery thereof, and bear interest from such date payable on August 1 and February 1 of each year, commencing August 1, 2013. The 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. The Bonds are issued by means of a book-entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company and its participants.

The Bonds are payable, in part, as to principal and interest from and are secured by a lien on and a pledge of the Financing Agreements (the “Financing Agreements”) between the Trust

and certain eligible borrowers (the “Borrowers”) and of certain bonds (the “Borrower Bonds”) issued pursuant to each respective Financing Agreement. Each Borrower Bond has been delivered to the Trust accompanied by an opinion of bond counsel to each respective Borrower relative to the validity of that Borrower Bond and that Borrower’s obligations under the Financing Agreement relating thereto.

In rendering the opinions set forth herein, we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Bonds and relied upon representations of the Trust and the Borrowers contained in the Resolutions and Financing Agreements, respectively, the certified proceedings and other certifications furnished to us by the Trust or the Borrowers without undertaking to verify the same by independent investigation. In rendering the opinions set forth herein, we have not been requested to examine any document or financial or other information concerning the Trust, the Borrowers, the Borrower Bonds or any Project (each as defined in the applicable Financing Agreement) other than the record of proceedings referred to above and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Resolutions.

Based upon the foregoing, it is our opinion that:

1. The Trust is duly created and validly existing as a public instrumentality, under the laws of The Commonwealth of Massachusetts, including, particularly, the Act. The Trust has the right and lawful authority to issue the Bonds for the purpose of loaning the proceeds of the Bonds to the Borrowers to finance the costs of the Projects as contemplated by the Financing Agreements and the Resolutions, to receive and pledge the revenues and receipts derived from the Borrower Bonds in accordance with the terms of the Financing Agreements and as provided in the Resolutions and to secure the Bonds in the manner contemplated by the Resolutions.

2. The Trust has the right and power pursuant to the Act to adopt and perform its obligations under the Resolutions. The Resolutions have been duly adopted by the Trust and constitute the valid, binding and enforceable obligations of 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. The Bonds are valid and binding special obligations of the Trust, secured by the Resolutions (to the extent provided therein), and the Bonds are payable as to principal and interest from, and are secured by a valid lien on and pledge of, the Borrower Bonds and the payments by the Borrowers of principal and interest on the Borrower Bonds and other moneys held or received by the Trustee under the Resolutions and available therefor under the terms of the Resolutions, all in the manner provided in the Resolutions. The Bonds are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the benefits of the Act and the Resolutions.

5. We have examined executed Bond No. R-1 and, in our opinion, the form of such

Bond and its execution are regular and proper.

6. The Internal Revenue Code of 1986 (the “Code”) sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 17A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 17A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 17A Bonds. Pursuant to the Resolutions, the Financing Agreements and a Tax Certificate of the Trust as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the “Tax Certificate”), the Trust and the Borrowers have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 17A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Trust and the Borrowers have made certain representations and certifications in the Resolutions, the Financing Agreements and the Tax Certificate. We have not independently verified the accuracy of those representations and certifications.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of aforementioned representations and certifications, interest on the Series 17A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 17A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

7. Interest on the Series 17B Bonds is not excluded from gross income for federal income tax purposes.

8. 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.

Except as stated in paragraphs 6, 7 and 8, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

The opinion contained in paragraph 7 is not intended or written to be used and cannot be used by an owner of the Series 17B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 17B Bonds. The advice set forth herein is written to support the promotion or marketing of the Series 17B Bonds. Each owner of the Series 17B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

Obligations of the Trust, including the Bonds, are subject to bankruptcy, insolvency, reorganization and similar laws affecting the rights and remedies of creditors and the availability of the remedy of specific enforcement or of injunctive relief is subject to the discretion of the court before which any proceedings therefor may be brought.

Very truly yours,

## 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, 2013, 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 Significant Events**

In a timely manner, not in excess of ten business days after the occurrence of any of the following events with respect to the Bonds, the Trust will file a notice of such occurrence with the MSRB.

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on 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. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to the rights of security holders, if material;
8. (i) bond calls, if material, and (ii) tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Trust or any other “obligated person” with respect to the Bonds\*;
13. the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Trust, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

#### **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.

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Trust or any other “obligated person” with respect to the Bonds in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of such “obligated person”, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such “obligated person”.



## 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, 2013, (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 most recent information statement. As of the date of the Final Official Statement to which this appendix is attached, the most recent Commonwealth information statement is dated May 7, 2013 (the “May Information Statement”). The May 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 REVENUES AND EXPENDITURES- 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. Summary presentation on a five-year comparative basis of lottery revenues and profits	“COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; <i>Lottery Revenues</i> ”
4. Summary presentation of payments received pursuant to the tobacco master settlement agreement	“COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; <i>Tobacco Settlement</i> ”
5. 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”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
6. Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates	"PENSION AND OPEB FUNDING – Retirement Systems" and "PENSION AND OPEB FUNDING – Employee Contributions"
7. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"PENSION AND OPEB FUNDING – Funding Schedule"
8. Summary presentation on a ten-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress	"PENSION AND OPEB FUNDING – Actuarial Valuations"
9. Summary presentation on a five-year comparative basis of annual required pension contributions under GAAP and pension contributions made	"PENSION AND OPEB FUNDING – Annual Required Contributions"
10. Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns	"PENSION AND OPEB FUNDING – PRIT Fund Investments"
11. Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress	"PENSION AND OPEB FUNDING – Other Post –Retirement Employee Benefit Obligations (OPEB)"
12. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"
13. Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL INVESTMENT PLAN"
14. Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis"
15. Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt"
16. 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"
17. 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"
18. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"LONG-TERM LIABILITIES – Budgetary Contract Assistance Liabilities"
19. Five-year summary presentation of authorized but unissued general obligation debt	"LONG-TERM LIABILITIES – Authorized But Unissued Debt"
20. 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; <i>Statutory Limit on Direct Debt</i> "
21. Summary presentation of the then-current, Commonwealth interest rate swap agreements	"LONG-TERM LIABILITIES – Interest Rate Swaps"
22. Summary presentation of the then-current, Commonwealth liquidity facilities	"LONG-TERM LIABILITIES – Liquidity Facilities"

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, which has been previously supplemented (as supplemented, 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, except that (i) certain notices regarding changes in ratings of certain of the Authority’s bonds were not filed with respect to recent rating upgrades received by the Authority at the time of issuance of certain of its bonds and, primarily in mid-2008, with respect to bond insurer rating downgrades affecting certain of the Authority’s bonds, and (ii) although the Authority believes its financial statements for Fiscal Year 2009 were submitted with the Authority’s Annual Report for Fiscal Year 2009, which was timely filed on EMMA, such financial statements did not appear on EMMA under each CUSIP, and accordingly the Authority refiled and relinked such financial statements on EMMA.

**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 enumerated 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 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**

Certain amounts held in the debt service reserve funds allocable to the outstanding Pool SRF Bonds, SESD SRF Bonds, New Bedford SRF Bonds and MWRA 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 SRF BONDS – Sources of Payment – Investment of Reserve Funds.”

A portion of the debt service reserve funds allocable to the outstanding Pool SRF Bonds are invested in bonds, notes and other evidences of indebtedness of certain United States government agencies or instrumentalities in the aggregate principal amount of \$543.3 million, 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	\$10.4 million
Bayerische Landesbank, acting through its New York branch	Series 3 Bonds	\$1.6 million
	1996 SESD Bonds	\$3.8 million
Citigroup	Series 12 Bonds	\$111.0 million
IXIS Funding Corp.	Series 6 Bonds	\$50.6 million
	Series 7 Bonds	\$21.6 million
	Series 8 Bonds	\$72.2 million
	MWRA 2002A Bonds	\$35.1 million
FSA Capital Management Services, LLC <sup>2</sup>	Series 4 Bonds	\$26.5 million
	Series 2004A and 2004B Bonds	\$54.2 million
	Series 10 Bonds	\$79.7 million
	MWRA 1998A Bonds	\$11.1 million
	Series 11 Bonds	\$67.7 million
HSBC National Bank of New York	Series 1 Bonds	\$2.6 million
	1994 SESD Bonds	\$6.7 million
	MWRA 1993B Bonds	\$6.6 million
Morgan Guaranty Trust Company of New York	New Bedford 1996 Bonds	\$13.8 million
Société Générale <sup>3</sup> acting through its New York branch	Series 2 Bonds	\$3.8 million
	1996 SESD Bonds	\$8.8 million
	MWRA 1995A Bonds	\$1.4 million
	New Bedford 1996A Bonds	\$0.7 million
Trinity Funding Company, LLC Trinity Plus Funding Company, LLC	Series 9 Bonds	\$81.3 million
	MWRA 1999A Bonds	\$71.1 million
Portigon AG <sup>4</sup>	New Bedford 1998A Bonds	\$19.2 million

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.

4. The obligations of Portigon AG are guaranteed by North Rhine-Westphalia as ultimate guarantor.

**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 a Standard & Poor’s rating of AA+. 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 G concerning DTC and DTC's book-entry system has been obtained from sources that the Trust believes to be reliable, but the Trust takes no 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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