

**NEW ISSUE**

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

*In the opinion of Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, 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. See "TAX EXEMPTION" herein.*



**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**\$565,610,000**

**State Revolving Fund Refunding Bonds  
Series 2014**

**Dated: Date of Delivery**

**Due: August 1,  
as shown on the inside cover hereof**

The Massachusetts Water Pollution Abatement Trust State Revolving Fund Refunding Bonds, Series 2014 (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, 2014.

The Bonds are being issued to refund certain bonds previously issued by the Trust 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 to be made by borrowers and (ii) contract assistance payments made to the Trust by The Commonwealth of Massachusetts (the "Commonwealth"), each subject to the prior pledge of such amounts to the payment of debt service on certain other Trust bonds. The Bonds are also payable from investment earnings on a debt service reserve fund, together with a portion of the amounts released from such fund from time to time and amounts available in other reserves established under the Program Resolution, as further described herein. For additional information about the security for the Bonds, see "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS" and "THE BONDS" herein.

The Bonds will be subject to optional redemption as described 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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Trust, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, counsel to the Underwriters. 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 June 12, 2014.*

**BofA Merrill Lynch**

**Jefferies**

**Baird  
CastleOak Securities, L.P.  
Fidelity Capital Markets  
Lebenthal & Co., LLC  
Piper Jaffray & Co.  
Roosevelt & Cross Incorporated  
TD Securities**

**Barclays  
Citigroup  
J.P. Morgan  
Mesirow Financial, Inc.  
Raymond James  
US Bancorp**

**Ramirez & Co., Inc.**

**Cabrera Capital Markets, LLC  
Estrada Hinojosa & Company, Inc.  
Janney Montgomery Scott  
Morgan Stanley  
Rice Financial Products Company  
Sterne, Agee & Leach, Inc.  
Wells Fargo Securities**

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

**\$565,610,000**

**State Revolving Fund Refunding Bonds  
Series 2014**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP* Number</u>
2015	\$40,735,000	5.00%	0.140%	105.515%	57605A FA9
2016	42,890,000	2.00	0.290	103.638	57605A FB7
2017	1,145,000	2.00	0.600	104.342	57605A FC5
2017	45,530,000	5.00	0.600	113.648	57605A FV3
2018	4,150,000	3.00	0.940	108.336	57605A FD3
2018	27,295,000	5.00	0.940	116.431	57605A FP6
2019	1,800,000	4.00	1.250	113.637	57605A FE1
2019	24,405,000	5.00	1.250	118.597	57605A FQ4
2020	1,160,000	3.00	1.530	108.577	57605A FF8
2020	53,775,000	5.00	1.530	120.247	57605A FR2
2021	1,830,000	4.00	1.790	114.741	57605A FG6
2021	45,050,000	5.00	1.790	121.412	57605A FS0
2022	48,120,000	5.00	2.010	122.336	57605A FT8
2023	2,565,000	4.00	2.180	115.000	57605A FH4
2023	46,235,000	5.00	2.180	123.243	57605A FU5
2024	49,715,000	5.00	2.300	124.284	57605A FJ0
2025	51,635,000	5.00	2.470	124.497	57605A FK7
2026	31,280,000	5.00	2.630	124.484	57605A FL5
2027	19,580,000	4.00	2.770	110.802 <sup>†</sup>	57605A FM3
2027	20,085,000	5.00	2.610	121.162 <sup>†</sup>	57605A FW1
2028	6,630,000	5.00	2.700	120.273 <sup>†</sup>	57605A FN1
	<u>\$565,610,000</u>				

\* Copyright 2014, 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 to the first optional redemption date of August 1, 2024.

**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.**

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**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
David W. Cash .....	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
Sally Peacock .....	Controller
Scott A. Jordan .....	Director of Finance and Administration
Steven J. McCurdy .....	Director of Program Development

**ADVISORS**

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. ....	Bond Counsel
Edwards 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:** \$565,610,000 Massachusetts Water Pollution Abatement Trust State Revolving Fund Refunding Bonds, Series 2014 (the “Bonds”).
- Dated Date:** Date of Issuance.
- Interest Due:** February 1 and August 1, commencing August 1, 2014.
- Principal Due:** As shown on the inside cover of this Official Statement.
- Redemption:** The Bonds are subject to optional redemption as described herein under “THE BONDS – Terms of Payment and Redemption.”
- Authorization:** The Trust is authorized to issue bonds under Chapter 29C of the General Laws of the Commonwealth. The Bonds will be issued pursuant to the Program Resolution (hereafter defined) and the Bond Resolution (hereafter defined).
- Purpose:** The Bonds are being issued to refund certain bonds previously issued by the Trust 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, borrower loan repayments, and contract assistance payments, each subject to the prior pledge of such amounts to the payment of debt service on certain other Trust bonds. The Bonds are also payable from investment earnings on a debt service reserve fund, together with a portion of the amounts released from such fund from time to time. 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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., 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 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 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 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 EXEMPTION.”

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

**\$565,610,000**

**State Revolving Fund Refunding Bonds  
Series 2014**

### 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 \$565,610,000 State Revolving Fund Refunding Bonds, Series 2014 (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 292 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.”

**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. Leveraged Loans are pledged as security for the related series of SRF Bonds. 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.

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 expects to establish a reserve fund for the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Security for the SRF Bonds – Pledged Direct Loans and SRF Reserve Funds – Additional security under the applicable bond resolution – 2014 Debt Service Reserve Fund” herein.

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, if any, 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 \$756 million, respectively. A portion of the proceeds of the Bonds will be applied to refund approximately \$737.1 million aggregate principal amount of outstanding Pool SRF Bonds.
- **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 \$74.8 million and \$3.0 million, respectively. The MWRA also is a borrower under the Trust's Pool Program. A portion of the proceeds of the Bonds will be applied to refund \$2.8 million aggregate principal amount of outstanding MWRA SRF Bonds.
- **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 \$1.9 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 \$0.8 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 \$565,610,000 State Revolving Fund Refunding Bonds, Series 2014 adopted by the Trust on May 7, 2014 (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 \$182.5 million of interim loans outstanding.

The Trust also uses its SRF Program Funds to make direct loans to borrowers. As of the date hereof, the Trust has \$10.0 million of direct loans outstanding under its clean water SRF and \$4.2 million of direct loans outstanding under its drinking water SRF.

## 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.
- **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 expects to establish a subsidy fund for the Bonds (the “Subsidy Fund”) by transferring amounts in an existing subsidy fund for a series of the Refunded Bonds (defined below), together with the related investment agreement. See “THE BONDS – Flow of Funds under the Bond Resolution – Subsidy Fund.”

- ***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 has been and 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. This reduction resulted in \$199,671.80 less Federal Subsidy Payments received through September 30, 2013 all of which were

allocable to the debt service payment due on August 1, 2013, which is in the Trust's fiscal year 2014. The Trust was notified on September 30, 2013 that for Federal Subsidy Payments processed on or after October 1, 2013 and on or before September 30, 2014, the reduction would be 7.2%. This reduction resulted in \$165,245.63 less Federal Subsidy Payments received with respect to the February 1, 2014 debt service payment and the Trust expects \$165,245.63 less Federal Subsidy Payments will be received for the Trust's debt service payment on August 1, 2014. Accordingly, the Trust requested and received or will receive the additional contract assistance from the Commonwealth to make up for this additional shortfall. 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. 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. A reserve fund will be established to secure the Bonds.

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 Leveraged 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.

Except for the reserve fund established for the 2004 Refunding Bonds and the reserve to be established for the Bonds, 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. See the discussions below under the headings "2004 Debt Service Reserve Fund" and "2014 Debt Service Reserve Fund" for descriptions of the reserve funds for the 2004 Refunding Bonds and the Bonds, respectively.

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. The Trust expects to receive such rating confirmation with respect to the 2014 Bonds. See Appendix B - "Summary of Certain Provisions of the Program Resolution - Conditions Precedent to Securing Program Bonds under Program Resolution."

- **2004 Debt Service Reserve Fund.** Unlike other SRF Bonds, the 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. The 2004 Refunding Bonds consists of the 2004A Refunding Bonds and the 2004B Refunding Bonds. The 2004B Refunding Bonds are expected to be refunded by the Bonds and the allocable portion of the 2004 Debt Service Reserve Fund is expected to be transferred to the 2014 Debt Service Reserve Fund. The remaining amounts in the 2004 Debt Service Reserve Fund, allocable to the 2004A Refunding Bonds, are available to pay debt service on the 2004A 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. Upon the expected refunding of the 2004B Refunding Bonds, amounts released from the 2004 Debt Service Reserve Fund will be applied to the payment of debt service on the 2004A Refunding Bonds, and will not be transferred to the Pool Program Reserve Fund.
- **2014 Debt Service Reserve Fund.** The Trust expects to establish a reserve fund for the Bonds (the "2014 Debt Service Reserve Fund"). Unlike the reserve funds for other SRF Bonds, it is expected that the 2014 Debt Service Reserve will be funded and invested through the transfer of amounts held in the reserve funds for certain Refunded Bonds, including the 2004B Refunding Bonds, together with the related investment agreements. Amounts allocable to the 2004B Refunding Bonds will be deposited into the Bond Proceeds Account within the 2014 Debt Service Reserve Fund and the remaining amounts shall be deposited into the Equity Account within the 2014 Debt Service Reserve Fund. Such amounts are invested in existing investment agreements, and, therefore, the releases from the 2014 Debt Service Reserve Fund will continue to be based on the releases that would have been made as scheduled payments of principal were paid on the allocable Refunded Bonds. Amounts released from the Bond Proceeds Account will be used to pay debt service on the Bonds and amounts released from the Equity Account will be transferred to the Pool Program Reserve and/or the Deficiency Fund to provide additional security for the Pool Bonds or all SRF Bonds, respectively. In addition, the Bond Resolution allows the Trust to change the release dates and/or amounts or to release all of the 2014 Debt Service Reserve Fund from the lien of the Bond Resolution at any time upon meeting certain conditions, including receipt of confirmation from each rating agency then rating the outstanding 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 Bonds.

#### **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").

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, 2013 which have been filed with the Municipal Securities Rulemaking Board (the "MSRB").

### **THE POOL SRF BONDS**

The Bonds will be the twenty-third 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-two series issued in the original aggregate principal amount of \$6.1 billion between 1993 and 2013, 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 \$3.0 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 81% 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 10% is expected to be paid from Commonwealth assistance payments and investment earnings on certain of such payments and approximately 9% 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 and the Bond Proceeds Account in the 2014 Debt Service Reserve Fund which will be used to pay a portion of the debt service on the 2004 Refunding Bonds and on the Bonds, respectively, 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 the Bond Proceeds Account in the 2014 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 and the 2014 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.



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

Fiscal Year Ending June 30,	Debt Service Payments on Pool SRF Bonds <sup>2</sup>	Borrower Loan Repayment Obligations	Reserve Fund Earnings, 2004 DSRF and 2014 DSRF (Bond Proceeds Account) Withdrawals <sup>3</sup>	Commonwealth Assistance Payments and Subsidy Fund Amounts <sup>4</sup>	Total Revenues Available to Pay Debt Service on Pool SRF Bonds	Transfers to Pool Program Reserve Fund <sup>5</sup>
2015	\$ 328,257,509	\$ 233,971,300	\$ 39,266,555	\$ 87,938,756	\$ 361,176,611	\$ 73,952,957
2016	343,934,028	229,870,661	36,979,474	85,151,712	352,001,848	73,556,106
2017	327,089,045	229,272,522	34,708,871	77,570,214	341,551,607	75,575,449
2018	298,332,002	222,936,119	31,935,282	53,422,447	308,293,847	77,550,641
2019	287,502,980	222,652,704	28,572,709	53,884,526	305,109,939	79,716,070
2020	274,126,936	213,650,637	25,671,515	57,582,325	296,904,477	76,602,218
2021	272,889,792	205,362,676	22,459,734	65,495,980	293,318,390	73,246,026
2022	248,119,519	192,107,318	15,609,963	56,960,972	264,678,253	66,428,111
2023	246,080,091	190,957,673	14,416,953	60,231,870	265,606,496	68,558,112
2024	222,473,188	179,425,155	12,347,014	50,232,268	242,004,436	64,013,212
2025	200,298,954	167,427,816	10,194,134	40,992,618	218,614,567	60,186,446
2026	177,794,305	157,996,940	8,658,425	36,627,637	203,283,001	58,120,484
2027	161,951,789	145,682,715	7,164,481	25,273,172	178,120,368	53,347,443
2028	136,912,577	127,300,696	6,098,301	22,326,692	155,725,689	47,483,077
2029	123,162,334	114,851,081	5,169,461	20,972,591	140,993,134	43,044,088
2030	103,487,662	102,097,750	4,346,308	14,692,331	121,136,389	38,023,520
2031	98,519,885	99,335,182	3,622,890	10,959,992	113,918,064	37,449,351
2032	69,780,241	70,731,790	2,876,022	7,783,486	81,391,299	26,311,472
2033	68,454,514	70,272,507	2,390,085	7,592,093	80,254,685	27,044,080
2034	38,785,285	48,596,279	1,914,903	1,814,359	52,325,542	17,406,751
2035	33,467,259	44,384,540	1,492,943	787,571	46,665,054	15,938,872
2036	26,774,284	37,771,149	1,153,219	38,608	38,962,976	13,721,835
2037	26,377,920	33,771,133	856,803	-	34,627,935	12,419,576
2038	18,577,392	26,208,689	614,592	-	26,823,281	9,741,242
2039	18,354,563	18,219,576	427,634	-	18,647,210	6,637,873
2040	9,746,929	9,735,748	309,283	-	10,045,031	3,159,211
2041	9,651,702	9,695,699	261,802	-	9,957,501	3,242,089
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
	<u>\$4,181,815,434</u>	<u>\$3,415,247,768</u>	<u>\$319,519,357</u>	<u>\$838,332,221</u>	<u>\$4,573,099,346</u>	<u>\$1,206,750,009</u>

- Totals may not add due to rounding.
- Reflects net interest payable with respect to the Trust's outstanding BABs as a result of Federal Subsidy Payments, adjusted to reflect the 7.2% reduction in such payments due to sequestration. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS - Sources of Payment - Federal Subsidy Payments with Respect to Build America Bonds."
- Includes releases from and investment earnings on the 2004 Debt Service Reserve Fund and the Bond Proceeds Account in the 2014 Debt Service Reserve Fund. Does not include any reserve fund earnings with respect to loans originally funded from the proceeds of outstanding 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. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS - Security for the SRF Bonds - Pledged Direct Loans and SRF Reserve Funds - Additional security under the applicable bond resolution - 2014 Debt Service Reserve Fund" herein.
- 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.
- 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 the Bond Proceeds Account in the 2014 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

Proceeds of the Bonds will be used, together with other funds of the Trust, (i) to refund, on a current basis, the Trust’s outstanding Water Pollution Abatement Revenue Bonds (MWRA Loan Program), Series 1998A (the “MWRA 1998A Bonds”), (ii) to refund all of certain series of outstanding Pool SRF Bonds, (iii) to refund a portion of certain other series of outstanding Pool SRF Bonds (collectively the bonds referred to in (i)-(iii), the “Prior Bonds”) and (iv) to pay costs of issuing the Bonds. The Prior Bonds to be refunded by the Bonds are referred to herein as the “Refunded Bonds.” Simultaneously with the issuance of the Bonds, the Trust expects to defease the outstanding portion of the Series 13 Bonds that are not refunded by the Bonds with other available funds. See Appendix H – “Table of Refunded Bonds” for a description of the Refunded Bonds including the defeased Series 13 Bonds. See also “THE TRUST – Derivative Transactions” below.

Upon authentication and delivery of the Bonds, proceeds of the Bonds together with other available funds of the Trust in the approximate aggregate amount of \$828.7 million will be deposited in refunding trust funds for the Refunded Bonds (collectively, the “Refunding Trust Funds”) established under refunding trust agreements between the Trust and the applicable refunding bond trustee (together, the “Refunding Trust Agreements”). The amounts so deposited will be invested in certain Investment Obligations (the “Escrow Investments”) maturing on dates and bearing interest at rates sufficient to pay the principal of, redemption premium and interest on the Refunded Bonds. For a description of the Escrow Investments in which such amounts may be invested, see Appendix A – Definitions of Certain Terms.” Upon deposit of the foregoing amounts in the Refunding Trust Funds and investment thereof as provided in the Refunding Trust Agreements, the Refunded Bonds will be defeased under the applicable Prior Bond Resolutions and will no longer be outstanding under or secured by the pledge created by the applicable Prior Bond Resolutions for the benefit of the Prior Bonds, but will be payable solely from the Escrow Investments and earnings thereon held in the Refunding Trust Funds.

### Sources and Uses of Funds

It is anticipated that the proceeds of the Bonds, together with other available funds, will be applied as follows:

#### Sources

Par amount of the Bonds .....	\$565,610,000
Original Issue Premium .....	102,557,722
Other available funds of the Trust.....	<u>291,351,420</u>
Total Sources * .....	\$959,519,142

#### Uses

Deposit to Refunding Trust Funds .....	\$828,666,835
Other Fund Deposits† .....	128,645,250
Costs of Issuance.....	946,813
Underwriters’ compensation .....	<u>1,260,244</u>
Total Uses * .....	\$959,519,142

\* Totals may not add due to rounding.

† Includes deposits to 2014 Debt Service Reserve Fund and the Subsidy Fund.

## Amounts Pledged to Prior Lien Bonds

The Prior Bonds were previously issued pursuant to the applicable bond resolutions (collectively, the “Prior Bond Resolutions”) to finance or refinance costs of water pollution abatement projects and drinking water projects for certain borrowers. Certain of the Prior Bonds were themselves issued, in part, to refund other bonds issued by the Trust (the “Original Bonds”) which financed or refinanced the costs of water pollution abatement projects and drinking water projects for certain borrowers (together with those borrowers funded by the Prior Bonds, the “Prior Borrowers”). Such Prior Bonds are payable, in part, from payments by the related Prior Borrowers under borrower obligations originally funded by the Original Bonds and certain payments provided by the Commonwealth, but only to the extent not needed to pay principal of and interest on the unrefunded portion of the Original Bonds and, with respect to the 2004 Refunding Bonds, releases from and earnings on the 2004 Debt Service Reserve Fund. The Prior Bonds that remain outstanding after the issuance of the Bonds (the “Unrefunded Prior Bonds”) will be secured by and payable from payments by the applicable Prior Borrowers, earnings on the applicable debt service reserve fund for each series of Unrefunded Prior Bonds and contract assistance payments provided by the Commonwealth, and in some cases, earnings on such contract assistance payments (collectively, the “Prior Bond Revenues”). The Unrefunded Prior Bonds will have a lien on all applicable Prior Bond Revenues that is senior to the lien on such Prior Bond Revenues granted to the owners of the Bonds. See “Pledge Pursuant to the Bond Resolution” below.

Certain of the Prior Bonds were previously refunded in part by the Water Pollution Abatement Revenue Bonds (MWRA Loan Program), Series 1999A (the “MWRA 1999A Bonds”), the 2004 Refunding Bonds, the Pool Program Refunding Bonds, Series 2006 (the “2006 Refunding Bonds”), the State Revolving Fund Refunding Bonds, Series 2009A (the “2009A Refunding Bonds”) and/or the Pool Program Refunding Bonds, Series 2012 (the “2012 Refunding Bonds”) and, collectively with the MWRA 1999A Bonds, the 2004 Refunding Bonds, the 2006 Refunding Bonds and the 2009A Refunding Bonds, the “Prior Refunding Bonds”), and any excess payments from Prior Borrowers or Commonwealth payments related to such previously partially refunded Prior Bonds will (i) first be applied, together with other available funds, to pay debt service on the Unrefunded Prior Bonds, then (ii) the applicable series of Prior Refunding Bonds, and finally (iii) the Bonds.

The MWRA 1998A Bonds were issued, on a parity with other bonds under the MWRA Program Bond Resolution, including the MWRA 1993B Bonds, to finance certain water pollution abatement projects of the MWRA. A portion of the MWRA 1998A Bonds was refunded with a portion of the MWRA 1999A Bonds issued under the same resolution, which were in turn refunded by a portion of the 2004 Refunding Bonds and the 2009A Refunding Bonds. The outstanding MWRA 1993B Bonds are referred to herein as the “Senior Lien Bonds.” The Senior Lien Bonds, together with the unrefunded portions of the MWRA 1999A Bonds, 2004 Refunding Bonds and the 2009A Refunding Bonds are collectively referred to herein as the “MWRA Prior Lien Bonds.”

The MWRA Prior Lien Bonds are payable from payments by the MWRA under obligations originally funded by the MWRA 1998A Bonds, earnings on the applicable debt service reserve fund for each series of MWRA Prior Lien Bonds and certain related payments provided by the Commonwealth and, in some cases, earnings on such Commonwealth payments (the “MWRA Bond Revenues”). The MWRA 1999A Bonds are payable, in part, from MWRA Bond Revenues. The 2004 Refunding Bonds are payable, in part, from MWRA Bond Revenues, but only to the extent not needed to pay principal of and interest on the MWRA 1999A Bonds. Further, the 2009A Refunding Bonds are payable, in part, from MWRA Bond Revenues, but only to the extent not needed to pay principal of and interest on either of the MWRA 1999A Bonds or the 2004 Refunding Bonds. The Unrefunded Prior Bonds, the Prior Refunding Bonds and the MWRA Prior Lien Bonds are collectively referred to herein as the “Prior Lien Bonds.” The Prior Lien Bonds will have a lien on the Prior Bond Revenues that is senior to the lien on the Prior Bond Revenues granted to the owners of the Bonds.

Upon the issuance of the Bonds and the application of the proceeds thereof to refund the Refunded Bonds, the Prior Bond Revenues will be substantially greater than the principal and interest payable on the applicable Prior Lien Bonds. The Prior Lien Bonds are expected to be paid from earnings on the related debt service reserve funds, a portion of the payments by the Prior Borrowers, Commonwealth payments related to such Prior Lien Bonds, and in some cases, earnings on such Commonwealth payments. Prior Bond Revenues in excess of the amount required to pay the principal and interest payable on the Prior Lien Bonds will be applied to pay the principal of and interest on the Bonds.

The following table sets forth the Prior Bond Revenues, 2014 Debt Service Reserve Fund amounts and Subsidy Fund amounts that are expected to be received by the Trust following the issuance of the Bonds and to be available for application to pay the principal of and interest on all Prior Lien Bonds then outstanding and the Bonds.

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

Fiscal Year <sup>1</sup>	<u>Prior Lien Bonds</u>		Amounts transferred to the Bond Trustee by <u>Prior Bond Trustees</u>	<u>Bonds</u>	
	<u>Prior Lien Bond Revenues</u>	<u>Prior Lien Bonds Debt Service<sup>2</sup></u>		<u>2014 Debt Service Reserve Fund and Subsidy Fund</u>	<u>Bond Debt Service</u>
2015	\$205,407,871	\$169,025,837	\$36,382,034	\$3,300,458	\$16,917,693
2016	200,760,570	136,156,252	64,604,317	4,712,059	66,312,125
2017	188,166,873	122,483,551	65,683,322	4,041,849	67,019,850
2018	184,134,900	114,260,078	69,874,822	3,467,414	69,226,250
2019	157,490,175	103,750,494	53,739,681	2,751,104	52,101,925
2020	143,869,123	96,056,425	47,812,698	2,147,743	45,471,175
2021	134,261,350	58,741,625	75,519,725	1,871,908	72,193,275
2022	94,190,030	31,439,737	62,750,292	1,620,790	61,613,650
2023	90,810,125	28,279,469	62,530,656	1,394,689	60,487,800
2024	86,890,411	25,526,044	61,364,368	1,157,799	58,757,625
2025	81,495,976	20,326,150	61,169,826	1,048,212	57,222,575
2026	76,196,616	18,156,019	58,040,597	1,558,187	56,608,825
2027	71,650,574	37,023,281	34,627,292	1,490,541	34,180,950
2028	56,706,926	13,135,437	43,571,488	1,420,405	40,890,225
2029	45,514,130	31,767,250	13,746,880	1,347,754	6,795,750
2030	30,127,385	23,727,906	6,399,478	1,272,451	-
2031	28,948,056	23,405,828	5,542,228	1,194,294	-
2032	25,713,849	20,236,150	5,477,699	1,113,039	-
2033	25,290,144	19,797,288	5,492,856	1,028,662	-
2034	23,854,432	18,573,366	5,281,066	941,169	-
2035	22,546,318	17,223,813	5,322,505	713,737	-
2036	21,591,835	16,672,984	4,918,851	-	-
2037	21,227,451	16,368,953	4,858,498	-	-
2038	<u>13,156,441</u>	<u>8,448,625</u>	<u>4,707,816</u>	<u>-</u>	<u>-</u>
<b>TOTAL*</b>	<b>\$2,030,001,559</b>	<b>\$1,170,582,562</b>	<b>\$859,418,996</b>	<b>\$39,594,265</b>	<b>\$765,799,693</b>

1. The Payment Dates for the Prior Loans and Prior Local Governmental Obligations and the debt service payment dates for the Prior Lien Bonds and the Bonds are August 1 and February 1 of each Fiscal Year. Net Borrower Payments are due not less than five business days in advance of each Payment Date.
  2. Assumes issuance of the Bonds and application of the proceeds thereof, together with other available funds of the Trust, to refund the Refunded Bonds and to defease the outstanding portion of the Series 13 Bonds.
- \* Total amounts may not add due to rounding

## **Funding of Debt Service Reserve Funds**

*Prior Lien Bond Debt Service Reserve Funds.* Upon the issuance of each series of Prior Bonds other than the 2004 Refunding Bonds, the Trust filed an Equity Allocation Certificate with the applicable Prior Bond Trustee and the Program Trustee setting forth the Equity Requirement for each of the Prior Loans and Prior Local Governmental Obligations and allocating to such Prior Loans and Prior Local Governmental Obligations moneys from Federal Capitalization Grants, Commonwealth Matching Grants, and other funds available to the Trust deposited or to be deposited in either the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable. The reserve fund for the 2004 Refunding Bonds was funded with 2004 Refunding Bond proceeds rather than with Equity. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Security for the SRF Bonds – Pledged Direct Loans and SRF Reserve Funds – Additional Security under the applicable bond resolution – 2004 Debt Service Reserve Fund.”

To assure the receipt of investment earnings in amounts and at times sufficient to fund all Prior Equity Earnings allocable to the Prior Loans and Prior Local Governmental Obligations, the Trust has provided for the investment of all amounts held and to be held in the Prior Lien Bond Debt Service Reserve Funds held under the Prior Lien Bond Resolutions by entering into agreements at or prior to the delivery of the applicable series of Prior Lien Bonds with one or more financial institutions. Certain amounts held in the Prior Lien Bond Debt Service Reserve Funds for those series of Prior Bonds that are being partially refunded with proceeds of the Bonds will continue to be pledged to the owners of the Unrefunded Prior Bonds, and will not be available to pay the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Sources of Payment – Investment of Reserve Funds” above.

Subsequent to the issuance of the Bonds the Trust may modify the schedule of Prior Borrower payments, Equity Earnings and Commonwealth payments allocable to the Prior Loans and Prior Local Governmental Obligations to reflect the final allocation of debt service savings resulting from the issuance of the Bonds and the refunding of the Refunded Bonds, provided that such amounts, as so modified, will be at least sufficient in aggregate amount and in time of receipt, together with all other moneys expected to be available therefor, to pay in the current and each subsequent fiscal year all principal of and interest on the Prior Lien Bonds and the Bonds when due. In addition, no such modification may adversely effect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the ratings then maintained by any Rating Agency for any Bonds Outstanding.

*2014 Debt Service Reserve Fund.* Upon the issuance of the Bonds, and the defeasance of those series of Refunded Bonds that are being refunded in full, Equity related to the applicable Prior Loans and Prior Local Governmental Obligations, together with amounts in the 2004 Debt Service Reserve Fund allocable to the 2004B Refunding Bonds, will be transferred to the Equity Account and the Bond Proceeds Account, respectively, within the 2014 Debt Service Reserve Fund, together with the related investment agreements. The releases from the 2014 Debt Service Reserve Fund will continue to be based on the releases that would have been made as scheduled payments of principal were paid on the applicable Refunded Bonds. Amounts released from the Bond Proceeds Account will be used to pay debt service on the Bonds and amounts released from the Equity Account will be transferred to the Pool Program Reserve and/or the Deficiency Fund to provide additional security for the Pool Bonds or all SRF Bonds, respectively. In addition, the Bond Resolution provides that the Trust may change the dates and/or amounts of releases from the 2014 Debt Service Reserve Fund, or release the entire 2014 Debt Service Reserve Fund, upon meeting certain conditions, including receipt of confirmation from each rating agency then rating the outstanding Bonds that such change in release date and/or amount 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 Bonds.

## **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 Prior Bond Revenues, (3) all rights and interests of the Trust under all Revenue producing contracts allocable to the Bonds, (4) all rights and interests of the Trust in and to all Prior Loans, Prior Local Governmental Obligations and all rights of the Trust under the Financing Agreements therefor, and (5) all amounts held in all funds and accounts under the Bond Resolution (other than the Rebate Fund). The pledge of the Bond Resolution of any Prior Bond Revenues, Prior Loans, Prior Local Governmental Obligations and all rights of the Trust under the Financing Agreements therefor is subject to the prior pledge thereof made in the

Prior Bond Resolutions as security for the related Unrefunded Prior Bonds Outstanding, the Prior Senior Lien Bond Resolution as security for the Prior Senior Lien Bonds Outstanding and the Prior Refunding Bond Resolutions as security for the Prior Refunding Bonds Outstanding. Prior Bond Revenues include Payments received by the Trust from the Prior Borrowers and certain of the Contract Assistance Payments allocable to the Prior Loans and Prior Local Governmental Obligations upon their receipt by the Trust, subject to the application of any Prior Bond Revenues pledged to the related Prior Lien Bonds to the payment of the principal and interest due thereon on the terms and conditions provided in the Prior Lien Bond Resolutions. Amounts and investments held in the funds and accounts under the Prior Lien Bond Resolutions, including the Prior Lien Bond Debt Service Reserve Funds, are not pledged to the payment of the Bonds.

### **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 Prior Lien Bond Resolutions 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**

The Bond Resolution provides for the creation of a Revenue Fund, a Debt Service Fund, a Rebate Fund, a Redemption Fund, a Subsidy Fund, a Cost of Issuance Fund and a Debt Service Reserve Fund.

**Revenue Fund.** The Bond Trustee shall deposit in the Revenue Fund any amounts directed to be so deposited, including all Prior Bond Revenues that are not required to pay the principal of and interest on the related Prior Lien Bonds when due and that are transferred to the Bond Trustee by the Prior Lien Bond Trustees in accordance with instructions filed by the Trust upon issuance of the Bonds. By 1:00 p.m. on any day that is two Business Days prior to any interest or principal payment date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the debt service payments on the Bonds that will not be paid due to a Payment Default on a Prior Loan or Prior Local Governmental Obligation (as certified to the Bond Trustee by the Trust). Such notice shall include a request for an immediate transfer of amounts from the Pool Program Reserve Fund, and, if necessary, the Deficiency Fund and the 2014 Debt Service Reserve Fund, as described above under "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Security for the SRF Bonds – Pledged Direct Loans and SRF Reserve Funds," sufficient to satisfy any revenue deficiency due to such Payment Default.

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 required to provide for the interest and principal on the Bonds due on such date. Following the deposit to the Debt Service Fund, the Bond Trustee shall transfer any balance remaining in the Revenue Fund *first*, to the Rebate Fund, if and to the extent required so that the amount on deposit therein equals the Rebate Requirement, *second*, to the Program Trustee in an amount sufficient to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, for any prior draw on the Pool Program Reserve Fund or the Deficiency Fund due to any Payment Default under any Financing Agreement related to a Prior Borrower Obligation but only from amounts received from the related Prior Borrower with respect to such Payment Default, *third*, to the 2014 Debt Service Reserve Fund, in the amount of any prior draw on the 2014 Debt Service Reserve Fund due to a prior Payment Default under any Financing Agreement, but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund in satisfaction of such prior Payment Default, *fourth*, to the Subsidy Fund, to the extent and in an amount set forth in a certificate from an Authorized Officer of the Trust, and *fifth*, 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."

**2014 Debt Service Reserve Fund.** Upon the issuance of the Bonds, the Bond Trustee shall deposit an initial amount of \$126,468,669.42, together with the related investment agreements, to the 2014 Debt Service Reserve Fund. Unless otherwise directed by the Trust, all net earnings on the 2014 Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to pay debt service on the Bonds. If on any interest or principal payment date for the Bonds the amount on deposit and available in the Debt Service Fund is insufficient to pay all principal installments and interest on the Bonds then payable, after (i) deposit in the Debt Service Fund of net earnings on the 2014 Debt Service Reserve Fund and (ii) application of amounts available for such purpose in the applicable accounts within the Pool Program Reserve Fund and the Deficiency Fund in accordance with the Bond Resolution, the Bond Trustee, not later than 1:00 p.m. on such interest or principal payment date, shall withdraw the amount of such deficiency from the 2014 Debt Service Reserve Fund (or, if less, the full amount available for such purpose in the 2014 Debt Service Reserve Fund) and shall deposit such amount in the Debt Service Fund for the payment of debt service or redemption of the Bonds.

It is expected that the Bond Trustee shall make transfers in the amounts and on the dates set forth in the Bond Resolution of amounts then on deposit in the Equity Account of the 2014 Debt Service Reserve Fund to the Program Trustee for deposit in the Pool Program Reserve Fund. It is expected that the Bond Trustee shall make transfers in the amounts and on the dates set forth in the Bond Resolution of amounts then on deposit in the Bond Proceeds Account of the 2014 Debt Service Reserve Fund to the Debt Service Fund to be used to pay debt service on the Bonds. See Appendix B – Summary of Certain Basic Documents – Summary of Certain Provisions of the Bond Resolution.

Notwithstanding the foregoing, the Bond Resolution permits the Trust to change the amounts and/or dates of such releases, or to release the 2014 Debt Service Reserve Fund from the lien of the Bond Resolution entirely on meeting certain conditions, including the receipt of a rating confirmation with respect to the Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Security for the SRF Bonds – Pledged Direct Loans and SRF Reserve Funds – Additional security under the applicable bond resolution – 2014 Debt Service Reserve Fund" herein.

**Subsidy Fund.** Upon the issuance of the Bonds, the Bond Trustee shall fund and invest the Subsidy Fund through the transfer of amounts on deposit in the subsidy fund for certain of the Refunded Bonds, together with the related investment agreement. The amount expected to be transferred, approximately \$2,349,600, consists of amounts invested in an existing investment contract and an additional amount invested in United States Treasury – State and Local Government Series (SLGS) that is scheduled to be invested under the investment agreement upon maturity of the SLGS.

### **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 an equal charge and lien on the Revenues, Prior Bond Revenues, Prior Loans, Prior Local Government Obligations and other property and funds and accounts pledged to the Bonds under the Bond Resolution. In addition to the Bonds, the Trust intends to issue bonds, including Pool SRF Bonds, pursuant to other bond resolutions to provide financial assistance to borrowers for projects eligible for financing under the Trust's SRF Programs. Any additional Pool SRF Bonds will be secured on a parity with the Bonds with respect to the accounts in the Pool Program Reserve Fund and the Deficiency Fund that are pledged pursuant to the Program Resolution. In addition, other bonds may be secured on a parity with all outstanding SRF Bonds, including the Bonds, with respect to the accounts in the Deficiency Fund that are pledged pursuant to the Program Resolution.

In the Program Resolution, the Trust has reserved the right to create a pledge on the funds and other property pledged to existing SRF Bonds, including the Bonds, that is junior and subordinate to any existing pledge, so long as such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding

SRF Bonds. See Appendix B - “Summary of Certain Provisions of the Program Resolution - Issuance of Program Bonds; Pledge.”

In the Bond Resolution, the Trust has reserved the right to create a pledge on the Revenues, Prior Bond 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 by any rating agency. 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, 2014. The Bonds will mature on August 1 in the years and in the principal amounts set forth on the inside cover page hereof. The Bonds are subject to optional 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.

### **Optional Redemption**

The Bonds maturing on or prior to August 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing after August 1, 2026 are subject to redemption prior to maturity on and after August 1, 2024 in whole or in part at any time, by lot, at a redemption price equal to the principal amount of such Bonds or portion thereof redeemed, plus accrued interest to the redemption date.

*Selection of Bonds to be Redeemed.* If less than all of the Bonds of a particular maturity are redeemed, and so long as the book-entry only system remains in effect for the Bonds, the Bonds of such maturity to be redeemed shall be selected by lot by DTC in such manner as DTC shall determine. If the book-entry only system no longer remains in effect for the Bonds, selection for redemption of less than all of the Bonds of a particular maturity will be made by the Bond Trustee by lot as provided in the Bond Resolution.



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

## **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 would also consolidate the existing separate limits on contract assistance for Clean Water loans and Drinking Water loans (currently totaling \$88 million per fiscal year) into a single limit, increase the maximum amount to \$138 million per fiscal year and permit the Trust to provide additional subsidies to borrowers including, in certain circumstances, zero percent loans or principal forgiveness. 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
David W. Cash, 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, Undersecretary, 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:

<u>Officer</u>	<u>Trust Office</u>
Steven Grossman	Chairman*
Glen Shor	Vice-Chairman*
Susan E. Perez	Executive Director
My T. Tran	Treasurer
Sally Peacock	Controller
Scott A. Jordan	Director of Finance and Administration*
Steven J. McCurdy	Director of Program Development*

\* Each of these officers, in addition to their responsibilities to the Trust, has 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 \$1.3 billion in federal grants and approximately \$238.5 million in Commonwealth matching funds under the clean water SRF program. The Trust has also received a total of approximately \$462.2 million in federal grants, which includes approximately \$98.0 million in federally mandated set-asides for technical assistance and other matters, and approximately \$82.0 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.

#### **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 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 EXEMPTION**

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that interest on the Bonds is and continues to be excludable from the gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Trust has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Bonds are not "private activity bonds" under the Code, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Bonds will be included in "adjusted current earnings" of corporate holders of the 2013 Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law

for certain holders of the Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds, and (vi) receipt of investment income, including interest on the Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

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

For federal and Massachusetts income tax purposes, interest includes original issue discount, which with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Bonds with the same maturity was sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computations of original issue during the period in which any such Bond is held.

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

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or any state tax benefit. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Bonds, and, if enacted, could also affect the

tax treatment of all or a portion of the interest on the Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

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

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

Robert Thomas CPA, LLC (the “Verification Agent”), will independently verify, and issue a report thereon, the arithmetical accuracy of the computations included in schedules provided to them by Public Financial Management, Inc. as financial advisor to the Trust (the “Financial Advisor”), on behalf of the Trust indicating: (1) the sufficiency of the anticipated receipts from the Escrow Investments together with an initial cash deposit to pay the principal of and premium and interest on each series of Refunded Bonds prior to and on their redemption dates, and (2) the “yields” considered by Bond Counsel in its determination that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code. Such verification will be based solely on assumptions and information supplied by the Financial Advisor on behalf of the Trust. Furthermore, the Verification Agent will have restricted its procedures to verifying the arithmetical accuracy of such computations and will not have made any study or evaluation of the assumptions and information on which the computations were based and, accordingly, will not express an opinion on such assumptions and information, the reasonableness of such assumptions, or the achievability of future events.

#### **UNDERWRITING**

The Bonds are being purchased by the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith, Inc. is acting as Representative. The Underwriters have agreed, subject to certain conditions, to purchase all of the Bonds from the Trust at a discount from the initial offering prices of the Bonds equal to 0.222811% (\$1,260,243.57) of the aggregate principal amount of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters. The obligation of the Underwriters to accept delivery of the Bonds is subject to the terms and conditions set forth in the bond purchase agreement, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Trust as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Trust, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Trust.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or public or express independent research views in respect to



such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

## **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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, Boston, Massachusetts. The approving opinion of Bond Counsel with respect to the Bonds will be in substantially the form attached hereto as Appendix 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 will be passed upon for the Underwriters by Nixon Peabody LLP, counsel to the Underwriters. 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, 2013 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 John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 542-6000. Questions regarding legal matters pertaining to the Trust and its SRF programs in general should be directed to 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, 2014 (the “Commonwealth Information Statement”). A copy of the Commonwealth Information Statement has been filed with the MSRB. Copies of the Commonwealth 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 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, Undersecretary, 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 May 14, 2014 (the “MWRA Information Statement”). A copy of the MWRA Information Statement has been filed with the MSRB. Copies of the MWRA Information Statement may also be obtained from the Trust. The MWRA Information Statement should be read in its entirety in order to obtain appropriate fiscal and financial information concerning the MWRA.

#### **CONTINUING DISCLOSURE**

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

More specifically, the Trust will agree for the benefit of the owners of the Bonds in a Continuing Disclosure Certificate to be executed by the Trust at or prior to the issuance of the Bonds to provide (i) audited financial statements of the Trust and (ii) information regarding the borrowers under the Trust’s Pool Program and the debt obligations of such borrowers to the Trust under the Pool Program in substantially the same level of detail as found in Appendix C hereto in the table entitled “Pool SRF Bonds – Borrowers” (collectively, 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 (a “Borrower 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, as amended, 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 has complied in all material respects with its existing undertakings to provide annual reports and notices of significant events in accordance with the Rule. However, in reviewing its compliance with its undertakings, the Trust has determined that it had not filed with the MSRB Borrower Annual Reports with respect to the MWRA for fiscal years prior to fiscal year 2013. The MWRA filed Borrower Annual Reports with the MSRB, but such reports were not linked to the Trust CUSIPs. The Trust timely filed the MWRA Borrower Annual Report for fiscal year 2013 and is in the process of making corrective filings for the remainder of the past five years linking the MWRA’s Borrower Annual Reports with the Trust CUSIPs. For information regarding compliance by the Commonwealth with its continuing disclosure undertakings, see the Commonwealth Information Statement under the heading “CONTINUING DISCLOSURE.” For information regarding compliance by the MWRA with its continuing disclosure undertakings, see Section C of Appendix E hereto.

**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 29, 2014

**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 and in this Official Statement.

“2014 Initial Debt Service Reserve Fund Requirement” means \$126,468,669.42;

“2014 Debt Service Reserve Fund Requirement” means, as of any date, the 2014 Initial Debt Service Reserve Fund Requirement, less any amounts transferred from the 2014 Debt Service Reserve Fund pursuant to the Bond Resolution prior to such date; provided further that the Trust may reduce or eliminate such 2014 Debt Service Reserve Fund Requirement at any time upon confirmation from each Rating Agency then rating the Bonds that such reduction or elimination will not adversely impact the ratings on the Bonds;

“Administrative Expenses” means the Trust’s expenses of implementing, financing, carrying out and administering its powers, duties and functions that are allocable to the Program as authorized by the Act, including, without limitation, administrative and operating expenses of the Trust; salaries and benefits (or portions thereof) of employees of the Trust, the State Treasurer, the Secretary, the Department or other agencies or departments of the Commonwealth engaged in the administration of the Program, including without limitation payments to pension, retirement, hospitalization and health funds; legal, accounting, financial and other consultant’s services and expenses; Costs of Issuance of Bonds not paid from the proceeds thereof or from other amounts held under the Bond Resolution; and any other item of expense required or permitted to be paid by the Trust under the provision of the Act, the Program Resolution or the Bond Resolution that is allocable to the Program;

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

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

“Allocated Equity” means with respect to each series of Prior Bonds or Prior Senior Lien Bonds, the amount of Equity, if any, allocated to the related Prior Bonds or Prior Senior Lien Bonds, all as specified in the applicable Prior Equity Allocation Certificate;

“Amortized Value,” when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase, and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchased price;

“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 the 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;

“Bond” or “Bonds” means any of the \$565,610,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2014, 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;

“Bond Depository” means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to the Bond Resolution;

“Bond Resolution” as used in the Bond Resolution ,means the Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2014, as the same may be amended or supplemented from time to time by a Supplemental Bond Resolution; and as used in the Program Resolution means any trust agreement and any amendments thereof and supplements thereto providing for the issuance of, and security for, Bonds issued by the Trust for the purpose of making Leveraged Loans or purchasing Local Governmental Obligations under the Program;

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

“Bond Year” means the twelve-month period beginning on the date of original delivery of the Bonds and each successive twelve-month period thereafter;

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

“Borrower,” as used in the Program Resolution with respect to a Loan or any 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 in the Program Resolution, 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 Obligation” means a Prior Loan provided by the Trust to, or any Prior Local Governmental Obligations purchased from, a Borrower from the proceeds of the Prior Bonds or Prior Senior Lien Bonds to finance or refinance all or any part of the Cost of a Clean Water Project;

“Clean Water Program” means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance loans to local governmental units, and to purchase Local Governmental Obligations from local governmental units, for Costs of Clean Water Projects;

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

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

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

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

“Commonwealth” means The Commonwealth of Massachusetts;

“Commonwealth Assistance Contract” means the Amended and Restated Agreement for Contract Assistance dated as of November 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 (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 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 Determination” shall have the meaning given such term in the Commonwealth Assistance Contract;

“Contract Assistance Payments” means payments, if any, made to the Trust by the Commonwealth in accordance with Section 6 or 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, together with the Net Earnings, if any, upon investment or deposit of such payments and amounts to the extent provided in the Program Resolution or in the applicable Bond Resolution, to be applied by the Trust to pay debt service obligations of the Trust including Bonds, including any amounts held in the Contract Assistance Fund under the Program Resolution which are applied to such purpose in accordance therewith and 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” means the Department of Environmental Protection of the Commonwealth, or any body, agency, officer or other instrumentality of the Commonwealth which shall hereafter succeed to the powers, duties and functions of the Department as described in the Act;

“DEP Regulations” means, respectively, the regulations of the Department applicable to the Clean Water Program appearing in 310 CMR 44.00 and the regulations of the Department applicable to the Drinking Water Program appearing in 310 CMR 45.00 as such regulations may be amended from time to time; for purposes only of Title 5 Projects, the term “DEP Regulations” shall include the Department’s Community Septic Management Program Description and Requirements, as amended and supplemented from time to time;

“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;

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

“Drinking Water Obligation” means a Prior Loan provided by the Trust to a Prior Borrower from the proceeds of the Prior Bonds or Prior Senior Lien Bonds to finance or refinance all or any part of the Cost of a Drinking Water Project;

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

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

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



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

“Equity” means amounts derived or to be derived by the Trust from or on account of Federal Capitalization Grants, Commonwealth Matching Grants and other amounts deposited in the Clean Water Equity Fund or the Drinking Water Equity Fund under the Program Resolution, as more fully described in the Equity Allocation Certificate 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 in the Bond Resolution, means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity related to the Prior Loans or Prior Local Governmental Obligations held in the Leveraged Bond Fund and the 2014 Debt Service Reserve Fund, and any other fund or account established under the Program Resolution or under the Bond Resolution, in each case to the extent provided in the Equity Allocation Certificate; and as used in 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 under the Program Resolution, under law or under any Financing Agreement;

“Equity Requirement,” with respect to any Series of Bonds or any Loan or any issue of Local Governmental Obligations, means the amount, if any, specified as the Equity Requirement for such Series of Bonds or Loan or Local Governmental Obligations in the applicable Equity Allocation Certificate;

“Event of Default” as used in the Bond Resolution, means an Event of Default as such term is defined in the Bond Resolution; and as used in the Program Resolution 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 a Series of Bonds, shall have the meaning given such term in the related 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 a Local Governmental Obligations, on the date of authentication and delivery of the related Series of 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” as used in the Bond Resolution, means an agreement between the Trust and a Prior Borrower pertaining to a Prior Loan or any issue of Prior Local Governmental Obligations, 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 Prior Loan or Prior Local Governmental Obligations; and as used in the Program Resolution, means an agreement between the Trust and a Borrower pertaining to a Loan or any Local Governmental Obligations and the making or purchase and repayment thereof, including, without limitation, any “loan agreement” (as defined in the Act) and any other trust agreement, trust indenture, security agreement, bond purchase agreement, reimbursement agreement, guarantee agreement, bond or note resolution, loan order or similar instrument, other than a Regulatory Agreement, pertaining to or securing such Loan or Local Governmental Obligations;

“Funds” and “Accounts” and “Subaccounts” means the funds and accounts and subaccounts established by or pursuant to the Program Resolution or a Bond Resolution, as applicable;

“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 Borrower in accordance with a Financing Agreement for all or any part of the Cost of a Project 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 thereof 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 any Rating Agency in the highest rating category by such Rating Agency;
  - (12) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth;
  - (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 or Subaccount under the Program Resolution or any Fund or Account or Subaccount under any Bond Resolution have been invested or deposited in accordance with the Program Resolution or such Bond Resolution;

“Leveraged Loan” means a Loan funded directly or indirectly by the Trust in whole or in part from the proceeds of Bonds;

“Loan” means any loan or other form of financial assistance subject to repayment, whether or not interest bearing, provided by the Trust to a Borrower in accordance with a Financing Agreement for the purpose of financing or refinancing all or any part of the Cost of a Project including any local governmental obligations or other security evidencing or securing any such loan; except as otherwise expressly provided in the Program Resolution, the term “Loan” as used in the Program Resolution shall not include an Interim Loan or the purchase by the Trust of Local Governmental Obligations;

“Local Governmental Obligations” means local governmental obligations, whether or not interest bearing, purchased by the Trust from a Borrower, all of the proceeds of which are expected at the date of purchase of such local governmental obligations, or on the date of authentication and delivery of the related Series of 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

Costs of a Clean Water Project which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants;

“Master Funding Agreement” means the Amended and Restated Master Funding Agreement dated as of October 3, 2005 among the Trust, the Department, the Secretary and the State Treasurer, as hereafter amended from time to time in accordance therewith;

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access system;

“MWRA 1993B Bonds” means the Trust’s Water Pollution Abatement Revenue Bonds (MWRA Loan Program) Series 1993B issued and Outstanding under the MWRA Program Bond Resolution and the resolution of the Trust entitled “Second Supplemental Water Pollution Abatement Project Bond Resolution (MWRA Loan Program) adopted December 16, 1993;

“MWRA 1998A Bonds” means the Trust’s Water Pollution Abatement Revenue Bonds (MWRA Loan Program) Series 1998A issued and Outstanding under the MWRA Program Bond Resolution and the resolution of the Trust entitled “Fourth Supplemental Water Pollution Abatement Project Bond Resolution (MWRA Loan Program) adopted June 25, 1998;

“MWRA 1999A Bonds” means the Trust’s Water Pollution Abatement Revenue Bonds (MWRA Program) Subordinate Series 1999A issued and Outstanding under the MWRA Program Bond Resolution and the resolution of the Trust entitled “Fifth Supplemental Water Pollution Abatement Project Bond Resolution (MWRA Loan Program) adopted October 21, 1999;

“MWRA Program Bond Resolution” means the Massachusetts Water Pollution Abatement Trust, Water Pollution Abatement Bond Resolution (MWRA Program) adopted March 4, 1993, as amended and supplemented through August 25, 2004;

“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;

“Note Resolution” means any trust agreement and any amendments thereof and supplements thereto providing for the issuance of, and security for, Notes issued by the Trust for the purposes of making Interim Loans under the Program;

“Notes” means any notes or other evidences of indebtedness issued by the Trust in anticipation of a Series of Bonds;

“Origination Fees” means any fees, other than Administrative Fees, payable by a local governmental unit 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 and Interim Loans or the purchase of Local Governmental Obligations and the issuance of Bonds to fund the same and Administrative Expenses allocable to such Loans, Interim Loans, Local Governmental Obligations and Bonds;

“Outstanding,” has the following meanings: (i) When used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Bond Trustee, or proven to the satisfaction of the Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in the Bond Resolution, any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case

may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Bond Resolution), shall have theretofore been deposited with the Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Bond Resolution; and (4) any Bond deemed to have been paid as provided in the Bond Resolution;

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

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

(iv) When used with reference to Prior Senior Lien Bonds, means, as of any particular date, all Prior Senior Lien Bonds theretofore and thereupon being authenticated and delivered except (1) any Prior Senior Lien Bond canceled by the related Prior Senior Lien Bond Trustee, or proven to the satisfaction of the related Prior Senior Lien 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 MWRA Program Bond Resolution, any Prior Senior Lien Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof (as defined in the Prior Senior Lien Bond Resolution), as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Prior Senior Lien Bond Resolution), shall have theretofore been deposited with the related Prior Senior Lien Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Prior Senior Lien Bond) and, except in the case of a Prior Senior Lien Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Prior Senior Lien Bond Resolution, (3) any Prior Senior Lien Bond in lieu of or in substitution for which another Prior Senior Lien Bond of the same series shall have been delivered pursuant to the Prior Senior Lien Bond Resolution; and (4) any Prior Senior Lien Bond deemed to have been paid as provided in the MWRA Program 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 of any Series when due or to pay the Scheduled Hedge Payments under any Qualified Hedge Agreement when due;

“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 Bond” means any Bond issued and Outstanding under a Pool Bond Resolution;

“Pool Bond Resolution” means the Pool 1 Bond Resolution and any other Bond Resolution heretofore or hereafter adopted by the Trust providing for the issuance of Bonds for the purpose of funding Pool Obligations under the Program;

“Pool Bond Trustee” means a Bond Trustee under a Pool Bond Resolution;

“Pool 1 Bond Resolution” means, collectively, the resolutions of the Trust adopted June 18, 1993, entitled “Water Pollution Abatement Project Bond Resolution (Pool Loan Program)” and “First Supplemental Water Pollution Abatement Project Bond Resolution (Pool Loan Program)”;

“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;

“Pool Program Reserve Fund” means the Fund established pursuant to the Program Resolution;

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

“Principal Installment” means, as of any particular date of computation, an amount of money equal to the aggregate of the Principal Amount of Outstanding Bonds which mature on a future date;

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

Bonds when due or to make any Series 2006 Scheduled Hedge Payments payable by the Trust in accordance with the Series 2006 Hedge Agreement;

“Prior Bond Revenues,” except as otherwise provided in the applicable Prior Bond Resolution, means (1) all Prior Borrower Payments and all other receipts, fees, revenues and other payments, other than Administrative Fees, received or to be received by the Trust on account of the Prior Loans, Prior Local Governmental Obligations and the exercise of the Trust’s rights and remedies under or pursuant to the Financing Agreements applicable thereto, (2) all Prior Contract Assistance Payments, (3) all Prior Net Earnings received on investment or deposit of moneys held pursuant to the Prior Bond Resolutions, and paid or to be paid into the revenue funds held or created under the applicable Prior Bond Resolution, (4) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or the Prior Bond Resolutions, as applicable, to be deposited in one or more of the Prior Funds and Accounts maintained under or pursuant to the applicable Prior Bond Resolution;

“Prior Bond Resolutions” means (i) Series 4 Bond Resolution, (ii) the Series 9 Bond Resolution, (iii) the Series 10 Bond Resolution, (iv) the Series 12 and 2006 Bond Resolution, (v) the Series 13 Bond Resolution, (vi) the Series 14 Bond Resolution, (vii) the Series 2004 Refunding Bond Resolution, and (viii) the MWRA Program Bond Resolution with respect to the MWRA 1998A Bonds;

“Prior Bond Trustee” means the bond trustee appointed by or pursuant to each of the Prior Bond Resolutions, and any successor or successors thereto appointed pursuant to the Prior Bond Resolutions;

“Prior Bonds” means the Series 4 Bonds, the Series 9 Bonds, the Series 10 Bonds, the Series 12 Bonds, the Series 13 Bonds, the Series 14 Bonds, the MWRA 1998A Bonds, and the Series 2004B Bonds;

“Prior Borrower” means the local governmental unit or other eligible borrower which is the obligor on a loan made from, or local governmental obligations purchased with, the proceeds of the Prior Bonds or Prior Senior Lien Bonds, 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;

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

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

“Prior Equity Allocation Certificate,” with respect to the Prior Loans, Prior Local Governmental Obligations or the Prior Bonds or Prior Senior Lien Bonds, means each of the certificates of an Authorized Officer



of the Trust delivered to the Program Trustee pursuant to the Program Resolution at or prior to the authentication and delivery of the related series of Prior Bonds or Prior Senior Lien Bonds, as the same may be amended from time to time in accordance with the Program Resolution;

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

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

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

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

“Prior Net Earnings,” with respect to the investment or deposit of moneys held in any Prior Funds or Accounts under the Prior Bond Resolutions or Prior Senior Lien Bond Resolution for any period, means the Net Earnings from investment or deposit of such moneys during such period; provided that Prior Net Earnings shall not include any Prior Equity Earnings;

“Prior Refunding Bonds” means, individually or collectively, as the context requires, the Series 2004 Refunding Bonds, the Series 12 and 2006 Bonds, the Series 2009 Refunding Bonds, the Series 16 and 2012 Bonds and the MWRA 1999A Bonds;

“Prior Refunding Bond Resolutions” means, individually or collectively, as the context requires, (i) the Series 2004 Refunding Bond Resolution, (ii) the Series 12 and 2006 Bond Resolution, (iii) the Series 2009A Bond Resolution, (iv) the Series 16 and 2012 Bond Resolution and (v) the MWRA Bond Resolution, as it relates to the MWRA 1999A Bonds;

“Prior Senior Lien Bonds” means MWRA 1993B Bonds;

“Prior Senior Lien Bond Resolution” means the MWRA Program Bond Resolution as it relates to the MWRA 1993B Bonds;

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

“Prior Subsidy Fund” means any subsidy fund established under the Series 9 Resolution or the MWRA Program Bond Resolution;

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

“Program Resolution” means the resolution adopted by the Trust on March 4, 1993, as amended through May 7, 2014 entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program,” as the same may be further amended or supplemented from time to time in accordance with its terms;

“Program Trustee” means the trustee appointed by or pursuant to the Program Resolution, and any successor or successors thereto appointed pursuant to the Program Resolution;

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

“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 Bonds, Treasury Regulation §1.148-5(c);

“Rebate Requirement” means an amount equal to (i) the cumulative sum calculated and determined from time to time in accordance with the requirements of the Rebate Provision that must be paid to the United States pursuant to 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; and provided further that the Bond Trustee shall give notice of a special record date by mailing a copy of such notice to the Owners of all Bonds

Outstanding to which such special record date is applicable in the manner provided in the Bond Resolution at least ten days before the special record date or in such other time and manner as the Bond Trustee may deem appropriate;

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

“Refunded Prior Bonds” means all or a portion of each series of the Prior Bonds which are being refunded with proceeds of the Bonds, together with other funds of the Trust, as set forth in Schedule A to the Bond Resolution;

“Refunding Trust Agreements” means the Refunding Trust Agreement dated as of June 12, 2014 between the Trust and the Prior Bond Trustee for the Series 4 Bonds, the Series 12 Bonds, the Series 14 Bonds, the Series 2004B Bonds and the MWRA 1998A Bonds and the Refunding Trust Agreement dated as of June 12, 2014 between the Trust and the Prior Bond Trustee for the Series 9 Bonds, the Series 10 Bonds and the Series 13 Bonds;

“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” as used in the Bond Resolution means (1) all Net 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, and (2) 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; and as used in the Program Resolution, means Borrower Payments, Contract Assistance Payments, Equity Earnings and Qualified Hedge Payments, if any, and any other amounts designated by the applicable Bond Resolution as revenues for the payment of or security for Bonds Outstanding under such Bond Resolution and any Qualified Hedge Payments payable by the Trust thereunder;

“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,” with respect to any Bonds or Notes, means and refers to all of the Bonds or Notes delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions;

“Series 2004B Bonds” means the Trust’s Pool Program Refunding Bonds, Series 2004B Outstanding under the Series 2004 Refunding Bond Resolution;

“Series 2004 Refunding Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 2004A and Series 2004B adopted August 25, 2004 as amended from time to time;

“Series 2004 Refunding Bonds” means the Trust’s Pool Program Refunding Bonds, Series 2004A and Series 2004B Outstanding under the Series 2004 Refunding Bond Resolution;

“Series 2006 Refunding Bonds” means the Trust’s Pool Program Refunding Bonds, Series 2006 Outstanding under the Series 12 and 2006 Bond Resolution and any Series 2006 Scheduled Hedge Payments due under the Series 2006 Hedge Agreement and secured by the Series 2006 Bond Resolution;

“Series 2006 Hedge Agreement” shall have the meaning in the Series 2006 Bond Resolution;

“Series 2006 Scheduled Hedge Payments” shall have the meaning in the Series 2006 Bond Resolution;

“Series 2009 Refunding Bonds” means the Trust’s State Revolving Fund Refunding Bonds, Series 2009A Outstanding under the Series 2009 Bond Resolution;

“Series 2009 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, authorizing the issuance of the Series 2009 Refunding Bonds adopted July 30, 2009A as amended from time to time;

“Series 4 Bonds” means the Massachusetts Water Pollution Abatement Trust, Pool Loan Program Bonds, Series 4 currently Outstanding under the Series 4 Bond Resolution;

“Series 4 Bond Resolution” means the Trust’s Water Pollution Abatement Project Bond Resolution Pool Loan Program, Series 4 adopted November 13, 1998, as amended and supplemented from time to time;

“Series 9 Bonds” means the Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 9 currently Outstanding under the Series 9 Bond Resolution;

“Series 9 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 9 adopted October 10, 2003, as amended and supplemented from time to time;

“Series 10 Bonds” means the Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 10 currently Outstanding under the Series 10 Bond Resolution;

“Series 10 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 10 adopted November 3, 2004, as amended and supplemented from time to time;

“Series 10 Subsidy Fund” means the subsidy fund established under the Series 10 Bond Resolution;

“Series 12 Bonds” means the Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 12 currently Outstanding under the Series 12 and 2006 Bond Resolution;

“Series 12 and 2006 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 12 and Series 2006, adopted November 22, 2006 as amended and supplemented from time to time;

“Series 13 Bonds” means the Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 13 currently Outstanding under the Series 13 Bond Resolution;

“Series 13 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 13, adopted November 29, 2007 as amended and supplemented from time to time;

“Series 14 Bonds” means the Massachusetts Water Pollution Abatement Trust, State Revolving Fund Bonds, Series 14 currently Outstanding under the Series 14 Bond Resolution;

“Series 14 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program), Series 14, adopted March 5, 2009 as amended and supplemented from time to time.

“Series 16 and 2012 Bonds” means the Trust’s Pool Program Bonds, Series 16 and Pool Program Refunding Bonds, Series 2012 Outstanding under the Series 16 and 2012 Bond Resolution;

“Series 16 and 2012 Bond Resolution” means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution, authorizing the issuance of the Series 16 Bonds and Series 2012 Bonds, adopted May 31, 2012, as amended and supplemented from time to time;

“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 and otherwise to comply with the requirements of 310 CMR 15.000 et seq. through underlying betterment agreements with such homeowners;

“Unrefunded Prior Bonds” means the portion of the Prior Bonds that remain outstanding after the refunding of the Refunded Prior Bonds;

“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 §§1.148-4 and 1.148-5.

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## 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 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 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 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; provide for the transfer of moneys between Funds held under the Program Resolution, subject to the lien of the Program Resolution and the



requirements of the Federal Acts, but in no event shall such transfers reduce the amount or availability of such moneys as security for the holders of the Bonds of the Trust; cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Program Resolution; insert any provisions, not contrary to or inconsistent with the Program Resolution, clarifying matters or questions arising under the Program Resolution; and insert, repeal or amend any provision in the Program Resolution, provided such insertion, deletion or amendment is permitted by the applicable Federal Act and the Act and will not adversely affect the ratings then assigned to any SRF Bonds outstanding by any Rating Agency.

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

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

### **Remedies**

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

### **Termination**

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

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

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

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

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

The Bonds are special obligations of the Trust. As security for the payment of the Bonds, the Trust pledges and grants a security interest in (1) all Revenues, (2) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant Agreement) and all rights and interests of the Trust incident thereto and the proceeds thereof, and (3) 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.

As security for the payment of the Bonds, subject to the prior pledge thereof for the benefit of the Owners of the Unrefunded Prior Bonds Outstanding, the Prior Senior Lien Bonds Outstanding and the Prior Refunding Bonds, as applicable, the Trust pledges and grants a security interest in (1) all Prior Bond Revenues and (2) all rights and interests of the Trust in and to all Prior Loans, Prior Local Governmental Obligations and all rights and interests of the Trust under the Financing Agreements therefor (other than its rights of indemnification and reimbursement and its right to receive administrative fees thereunder) or otherwise incident thereto and the proceeds thereof, whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Prior Bond Resolutions, the Senior Lien Bond Resolution or the Prior Refunding Bond Resolution, as applicable, on permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in such Prior Bond Resolutions, the Senior Lien Bond Resolution or the Prior Refunding Bond Resolution.

In addition to the foregoing, as provided in the Program Resolution, the payment of the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (2) the Deficiency Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, and (3) the Commonwealth Assistance Contract, subject to the application of all Prior Contract Assistance Payments thereunder as provided in the Bond Resolution and in the applicable Contract Assistance Determination and to the lien on and pledge of such Prior Contract Assistance Payments created by the Prior Bond Resolutions, the Senior Lien Bond Resolution or the Prior Refunding 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) Costs of Issuance Fund
- (2) Revenue Fund
- (3) Debt Service Fund
- (4) Redemption Fund
- (5) Rebate Fund
- (6) Subsidy Fund
- (7) 2014 Debt Service Reserve Fund
  - Bond Proceeds Account
  - Equity Account

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

#### **Revenues and Revenue Fund**

Except as otherwise provided in the Bond Resolution, all Revenues, including without limitation all Equity Earnings will promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of the Bond Resolution, including all Prior Bond Revenues and other amounts transferred to the Bond Trustee in accordance with the Bond Resolution.

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

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

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

(3) 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 Prior Bond Payment Default but only to the extent of any Prior Bond Revenues received and deposited in the Revenue Fund in satisfaction of such Prior Bond Payment Default;

(4) 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 Prior Bond Payment Default but only to the extent of any Prior Bond Revenues received and deposited in the Revenue Fund in satisfaction of such Prior Bond Payment Default;

(5) To the 2014 Debt Service Reserve Fund, to reimburse the 2014 Debt Service Reserve Fund in the amount of any payments from such Fund as provided in the Bond Resolution due to a Prior Payment Default under any Financing Agreement, but only to the extent of Payments (including Prior Equity Earnings or amounts held in the Prior Subsidy Funds, if so directed by the Trust) received under or pursuant to such Financing Agreement and deposited in the Revenue Fund in satisfaction of such Prior Payment Default, so that the amount on deposit in the 2014 Debt Service Reserve Fund shall equal the 2014 Debt Service Reserve Fund Requirement;

(6) To the Subsidy Fund, to the extent and in an amount set forth in a certificate from an Authorized Officer of the Trust;

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

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

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

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

Notwithstanding anything in the Bond Resolution to the contrary, by 1:00 p.m. on any day which is two Business Days prior to any Interest Payment Date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then due that will not be paid due to a Prior Bond 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 Prior Bond 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. To the extent that the deficiency resulting from the Prior Bond Payment Default is expected to exceed the available amounts in the Pool Program Reserve Fund and the available amounts in the Deficiency Fund, such notice shall include a request for amounts from the 2014 Debt Service Reserve 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, the Deficiency Fund or the 2014 Debt Service Reserve Fund as required by the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Debt Service Fund, the Pool Program Reserve Fund, the Deficiency Fund or the 2014 Debt Service Reserve 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 there are insufficient amounts in the Debt Service Fund and the Revenue Fund to pay the Principal Installments and interest on the Bonds then due, the Bond Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than from moneys held therein for the payment of the Redemption Price of and interest on Bonds for which the required notice of redemption shall have already been given).

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

**2014 Debt Service Reserve Fund**

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 Equity Account of the 2014 Debt Service Reserve Fund shall be transferred by the Bond Trustee to the Debt Service Fund. All Net Earnings from the investment or deposit of moneys in the Bond Proceeds Account of the 2014 Debt Service Reserve Fund shall be transferred by the Bond Trustee to the Debt Service Fund.

If on any Interest Payment Date for any Bonds Outstanding the amount on deposit and available in the Debt Service Fund is insufficient to pay all Principal Installments and interest on the Bonds then payable, after (i) deposit in the Debt Service Fund of amounts, if any, transferred thereto any Net Earnings pursuant to the preceding paragraph and (ii) application of amounts available for such purpose in the applicable accounts within the Pool Program Reserve Fund and the Deficiency Fund in accordance with the Bond Resolution, the Bond Trustee shall withdraw the amount of such deficiency from the 2014 Debt Service Reserve Fund (or, if less, the full amount available for such purpose in the 2014 Debt Service Reserve Fund) and shall deposit such amount in the Debt Service Fund for application as provided in Section 407(A) hereof.

On each of the following dates, the Bond Trustee shall transfer from the Equity Account of the 2014 Debt Service Reserve Fund to the Program Trustee for deposit in the Pool Program Reserve Fund, the following amounts then on deposit in the Equity Account of the 2014 Debt Service Reserve Fund:

<u>Date</u>	<u>Amount Transferred</u>
August 1, 2014	\$11,765,914.50
August 1, 2015	11,676,306.33
August 1, 2016	11,965,478.86
August 1, 2017	9,376,090.75
August 1, 2018	18,413,977.75
August 1, 2019	4,890,466.50
August 1, 2020	5,092,952.00
August 1, 2021	5,291,103.50
August 1, 2022	5,475,589.50
August 1, 2023	5,804,907.00
August 1, 2024	5,940,208.75
August 1, 2025	1,694,180.50
August 1, 2026	1,757,175.00
August 1, 2027	1,821,169.00
August 1, 2028	1,885,496.50
August 1, 2029	1,956,490.00
August 1, 2030	2,031,150.00
August 1, 2031	2,114,476.00
August 1, 2032	2,190,469.00
August 1, 2033	2,273,461.50
August 1, 2034	2,494,106.48

On each of the following dates, the Bond Trustee shall transfer from the Bond Proceeds Account of the 2014 Debt Service Reserve Fund to the Debt Service Fund to be used to pay debt service on the Bonds, the following amounts then on deposit in the Bond Proceeds Account of the 2014 Debt Service Reserve Fund:

<u>Date</u>	<u>Amount Transferred</u>
August 1, 2015	\$1,806,000.00
August 1, 2016	1,869,500.00
August 1, 2017	1,923,500.00
August 1, 2018	1,957,000.00
August 1, 2019	1,502,500.00
August 1, 2020	1,499,000.00

Notwithstanding anything to the contrary herein, the Trust reserves the right to change the dates of any such releases or transfers and/or the amounts so released or to the Program Trustee or the Debt Service Fund as set forth above; provided that (1) such change such not adversely impact the ratings on the Bonds and (2) with respect to the Bond Proceeds Account, the Trust delivers to the Trustee an opinion of Bond Counsel that such change shall not adversely affect the exemption of interest from federal taxation on the Bonds or the Series 2004B Bonds.

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 withdrawn from the 2014 Debt Service Reserve Fund.

### **Subsidy Fund**

On or before each Interest Payment Date for the Bonds, or on such other date or dates as may be directed by certificate of an Authorized Officer delivered to the Bond Trustee not less than one (1) Business Day prior to such date, the Bond Trustee shall withdraw from the Subsidy Fund and deposit in the Debt Service Fund the amount as set forth in the certificate of an Authorized Officer delivered to the Bond Trustee, as the same may have been amended as provided in such paragraph, or, if less, the balance on deposit in the Subsidy 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 Subsidy Fund as required by this Section. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Subsidy Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

### **Rebate Fund**

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

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

### **Investments and Deposits**

Except as otherwise provided in the Bond Resolution, moneys held for the credit of any Fund or Account under the Bond Resolution will be invested by the Bond Trustee at the direction of an authorized officer in Investment Obligations which mature or are redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts. Notwithstanding any provision of the Bond Resolution to the contrary, no moneys on deposit in the 2014 Debt Service

Reserve Fund shall be invested in any Investment Obligation the purchase of which would (at the time of such purchase) adversely affect the ratings then assigned by any Rating Agency to any Bonds Outstanding.

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

### **Covenant as to Pledge**

The Prior Loans, Prior Local Governmental Obligations, Revenues, Prior Bond 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, including in particular, the prior pledge of the Prior Bond Revenues, the Prior Loans, the Prior Local Governmental Obligations and other property purported to be pledged by the Bond Resolution for the benefit of the Owners of the Unrefunded Prior Bonds, the Prior Senior Lien Bonds and the Prior Refunding Bonds, as applicable. The Trust shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Prior Loans, Prior Local Governmental Obligations, Revenues, Prior Bond 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, subject to the prior pledge in the Prior Bond Revenues, Prior Loans and Prior Local Governmental Obligations and other property purported to be pledged by the Bond Resolution for the benefit of the Owners of the related Unrefunded Prior Bonds, the Prior Senior Lien Bonds and the Prior Refunding Bonds, as applicable. 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 Prior Loans, Prior Local Governmental Obligations, Revenues, Prior Bond Revenues and other property pledged under the Bond Resolution junior and subordinate to the pledge and lien created thereby, so long as any such pledge, lien or other charge shall not adversely affect the ratings then assigned to any 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 hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Prior Bond Revenues, Prior Loans, Prior Local Governmental Obligations, and other property pledged under the Bond Resolution or which will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution prior to the payment or provision for payment of the Bonds, except that the Bonds may be refunded in whole or in part, and such refunding bonds may be issued on a parity with the Bonds and secured by an equal charge and lien on the Revenues, Prior Bond Revenues, Prior Loans, Prior Local Governmental Obligations, and other property pledged under the Bond Resolution and shall be payable equally and ratably from the Funds or Accounts established and created pursuant to the Bond Resolution.

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

### **Covenants as to Prior Loans and Prior Local Governmental Obligations, and Equity Earnings**

Each Prior Loan and Prior Local Governmental Obligation funded by the Trust from the proceeds of the related series of Prior Bonds or Prior Senior Lien Bonds or other moneys available therefor under the applicable Prior Bond Resolution or the Prior Senior Lien Bond Resolution shall be secured, shall be in the amounts and shall otherwise have such terms and conditions as specified in the applicable Prior Bond Resolution or the Prior Senior Lien Bond Resolution. Except as otherwise permitted by the applicable Prior Bond Resolution or the Prior Senior Lien Bond Resolution, Prior Loans and Prior Local Governmental Obligations funded with the proceeds of the related Prior Bonds or Prior Senior Lien Bonds and any other moneys available therefor under the Prior Bond Resolutions or the Prior Senior Lien Bond Resolution shall have Prior Borrower Payments, or other legally enforceable payments thereon, constituting Prior Bond Revenues, together with Prior Contract Assistance Payments and amounts on deposit in the

Prior Subsidy Funds and Prior Equity Earnings, after application of a portion thereof in accordance with the Prior Bond Resolutions to pay debt service due on the Outstanding Unrefunded Prior Bonds, the Prior Senior Lien Bond Resolution to pay debt service due on the Outstanding Prior Senior Lien Bonds and the Prior Refunding Bond Resolutions to pay debt service due on the Outstanding Prior Refunding Bonds, as applicable, at least sufficient in aggregate amount and in time of receipt, together with all other moneys reasonably anticipated to be available therefore, including without limitation Revenues, including without limitation amounts transferred to the Debt Service Fund from the 2014 Debt Service Reserve Fund in accordance with the Bond Resolution investment earnings on such 2014 Debt Service Reserve Fund and the amounts transferred from the Subsidy Fund, to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service on the Bonds payable by the Trust when due. Without limiting the generality of the foregoing, each Prior Loan and Prior Local Governmental Obligation shall provide for the payment to or for the account of the Trust of the Prior Borrower Payments due thereon on each Payment Date thereunder on or prior to such Payment Date.

The Trust shall do all such acts and things necessary to receive and collect Prior Borrower Payments and other Revenues and Prior Bond Revenues as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust for the enforcement of all terms, covenants and conditions of all Prior Loans, Prior Local Governmental Obligations, the applicable Financing Agreements therefor, the Commonwealth Assistance Contract and all Investment Obligations including the prompt payment of all Prior Bond Payments and other Revenues and Prior Bond Revenues due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Prior Loan, Prior Local Governmental Obligation and all Financing Agreements therefor, the Commonwealth Assistance Contract and all Investment Obligations, provided that, subject to the terms of the applicable Financing Agreement and the rights of the Department thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a Prior Payment Default on any Prior Loan or Prior Local Governmental Obligation or under the Commonwealth Assistance Contract or any Investment Obligation on such terms as the Trust shall determine to be in the best interests of the Trust and the Bondowners and to forbear from taking action with respect to enforcement of a Prior Loan or Prior Local Governmental Obligation or any Financing Agreement therefor, or under the Commonwealth Assistance Contract or any Investment Obligation if it determines such forbearance to be in the best interests of the Trust and the Bondowners.

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

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the Owners of the applicable Unrefunded Prior Bonds Outstanding, Prior Senior Lien Bonds Outstanding and Prior Refunding Bonds, as applicable, the Trust may sell, assign, transfer or otherwise dispose of any Prior Loan, Prior Local Governmental Obligation, or any participation or other interest therein which is in default or delinquent in the payment of Prior Borrower Payments 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 or Prior Bond Revenues, as applicable, to pay Aggregate Debt Service when due, and Administrative Expenses than would be the case if such Prior Loan or Prior Governmental Obligation is not sold, assigned, transferred or otherwise disposed of, in which case such Prior Loan, or Prior Local Governmental Obligation may be so disposed of by the Trust free and clear of the pledge of the Bond Resolution.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Unrefunded Prior Bonds, Prior Senior Lien Bonds Outstanding and Prior Refunding Bonds, as applicable, the Trust may sell, assign, transfer, or otherwise dispose of any Prior Loan, any Prior Local Governmental Obligation, or any participation or other interest therein which is not in default or delinquent in the payment of Prior Borrower Payments thereon, or transfer any such Prior

Loan or Prior Local Governmental Obligation to itself free and clear of the pledge of the Bond Resolution, in either case at such price as the Trust shall determine, provided that not less than ten Business Days prior to any such disposition or transfer the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such disposition or transfer anticipated Revenues and Prior Bond Revenues, as applicable, available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service payable by the Trust when due will not be less than the amount of Revenues and Prior Bond Revenues, as applicable, to be available for such purposes, if such Prior Loan or Prior Local Governmental Obligation is not so disposed of or transferred. Unless otherwise directed by certificate of an Authorized Officer of the Trust (including without limitation the Equity Allocation Certificate) the proceeds, if any, of sale, transfer or other disposition of any Prior Loan or Prior Local Governmental Obligation which is not in default or delinquent in the payment of Prior Borrower Payments thereon shall be deposited in the Revenue Fund.

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

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

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, and the prior pledge to the related Owners of the related Unrefunded Prior Bonds, Prior Senior Lien Bonds and Prior Refunding Bonds, as applicable, the Trust may substitute any Prior Loan, any Prior Local Governmental Obligation or any participation or other interest therein which is not in default or delinquent in the payment of Prior Borrower Payments in exchange for another loan or local governmental obligation, provided that not less than ten 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 and Prior Bond Revenues, as applicable (taking into account such substituted loan or local governmental obligation), available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service payable by the Trust will not be less than the amount of Revenues and Prior Bond Revenues, as applicable, to be available for such purposes, if such Prior Loan or Prior Local Governmental Obligation is not so substituted and the 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, and the prior pledge to the related Owners of the related Unrefunded Prior Bonds, Prior Senior Lien Bonds and the Prior Refunding Bonds, as applicable, the Trust may release from the pledge of the Bond Resolution any Prior Loan, any Prior Local Governmental Obligation, or any participation or other interest therein, or transfer any such Prior Loan or Prior Local Governmental Obligation 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 and Prior Bond Revenues, as applicable, available to pay 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, Prior Bond Revenues, Prior Loans, Prior Local Governmental Obligation in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any Bond to violate any of the restrictions contained in Section 141 through Section 150 the Code.

The Trust shall take all lawful action necessary to ensure that interest on the 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.

## **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, within 120 days after the close of each Fiscal Year, file with the Bond Trustee, and otherwise as provided by law, annual audited financial statements of the Trust prepared in accordance with generally acceptable accounting principles containing the report thereon of an independent public accountant or firm of accountants acceptable to the Bond Trustee and (the "Annual Audit"). A copy of each Annual Audit shall also be filed by the Trust with the MSRB.

## **Supplemental Bond Resolutions; Amendments**

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

The Trust may adopt (without the consent of any Bondowners but with the consent of the Bond Trustee) Supplemental Bond Resolutions (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent 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 Bonds Outstanding to which such exclusion applies and which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency; and (4) to insert, repeal or amend any provision in the Bond Resolution, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable and the Act and will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

The Trust may also adopt (accompanied by an Opinion of Counsel as provided in the Bond Resolution) Supplemental Bond Resolutions (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, Prior Bond Revenues, Prior Loans, Prior Local Governmental Obligations or of any other moneys, securities and property; and (5) to specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

### **Amendments to Financing Agreements, Prior Loans and Prior Local Governmental Obligations**

The Trust may (without notice to or the consent of any of the Bondowners but 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 Prior Loans or Prior Local Governmental Obligations (1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provisions in such Financing Agreement, Prior Loan or Prior Local Governmental Obligation; (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.

Without limiting the generality of the foregoing paragraph, subsequent to the issuance of the Bonds the Trust, with prior written notice to the Bond Trustee, may amend or otherwise modify the schedule of Prior Borrower Payments, Prior Contract Assistance Payments and Prior Equity Earnings allocable to any Prior Loans and any Prior Local Governmental Obligations funded by the Trust from the proceeds of the Prior Bonds to reflect the final allocation of debt service savings resulting from the issuance of the Bonds and the refunding of the Refunded Prior Bonds, provided that (i) such Prior Borrower Payments, Prior Contract Assistance Payments and Prior Equity Earnings, as so modified, shall be at least sufficient in aggregate amount and in time of receipt, together with all other amounts expected to be available therefor under the Prior Bond Resolutions or Prior Senior Lien Bond Resolution and the Bond Resolution, including amounts held in any Prior Subsidy Funds and investment earnings on the Prior Subsidy Funds, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due on the Unrefunded Prior Bonds, Prior Senior Lien Bonds, Prior Refunding Bonds and Outstanding Bonds; (ii) such amendment or other modification will not adversely affect the ratings then assigned to any Prior Bonds, Refunding Bonds or the Bonds by any Rating Agency; and (iii) such amendment or other modification will not adversely affect the exclusion of interest on any Prior Bonds or the Bonds from gross income for federal income tax purposes, all as evidenced by a certificate of an Authorized Officer of the Trust to such effect delivered to the Bond Trustee and upon which the Bond Trustee may conclusively rely.

### **Events of Default**

Events of Default specified in the Bond Resolution include:

- (1) failure to pay the Principal Amount or Redemption Price of any Bond when due, whether at maturity or by call for redemption;
- (2) failure to pay any installment of interest on any Bond when due;
- (3) failure 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, the Bond Trustee in its own name may proceed, and upon the written request of the Owners of not less than 25% in aggregate Principal Amount of the Outstanding Bonds, must proceed, to protect and enforce its rights and the rights of the Bondowners by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights, subject with respect to Prior Loans, the Prior Local Governmental Obligations and the Prior Bond Revenues to the prior pledge thereof to the Owners of the Unrefunded Prior Bonds Outstanding, Prior Senior Lien Bonds and Prior Refunding Bonds, as applicable, including, for defaults other than a default in the performance of covenants, by declaring the principal amount of all Bonds then outstanding and the interest accrued thereon due and payable immediately; provided that the Principal Amount of the Bonds shall not be declared due and payable as aforesaid unless, subject to the prior pledge to the Owners of the related Unrefunded Prior Bonds Outstanding, Prior Senior Lien Bonds and Prior Refunding Bonds Outstanding, simultaneously with such declaration the unpaid principal amount of all Prior Loans and Prior Local Governmental Obligations outstanding, and the interest thereon, is similarly declared due and payable 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.

## **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 "Events of Default" above, the Trust, upon demand of the Bond Trustee, shall pay over or cause to be paid over, subject to the prior pledge to the Owners of the related Unrefunded Prior Bonds Outstanding, Prior Senior Lien Bonds and Prior Refunding Bonds Outstanding, as applicable, with respect to the Prior Loans and Prior Local Governmental Obligations, to the Bond Trustee upon receipt thereof all Revenues, Prior Bond Revenues and other moneys pledged hereunder. Unless otherwise directed by a court, all such Revenues, Prior Bond Revenues and other moneys, and any other moneys received or collected by the Bond Trustee acting pursuant to the Act or the Bond Resolution will be applied as set forth in the Bond Resolution.

## **Limitation on Powers of Bond Trustee**

Nothing contained in the Bond Resolution shall be deemed to give power to the Bond Trustee either as such or as attorney-in-fact of the Bondowners to vote the claims of the Bondowners in any bankruptcy proceeding or to accept or consent to any plan of reorganization, readjustment, arrangement or composition or other like plan, or by other action of any character to waive or change any right of any Bondowner or to give consent on behalf of any

Bondowner to any modification or amendment of the Bond Resolution requiring such consent or to any resolution requiring such consent pursuant to the provisions of the Bond Resolution.

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

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

### **Control of Proceedings**

The Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding shall have the right, subject to the provisions of the Bond Resolution 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.

### **Removal of Bond Trustee**

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

### **Appointment of Successor Fiduciary**

In case at any time the Bond Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of such Bond Trustee or of its property shall be appointed, or if any public officer shall take charge or control of such Bond Trustee or of its property or affairs, a successor may be appointed (1) by the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Trust, by an instrument or concurrent instruments in writing signed by such Bondowners or their attorneys duly authorized in writing and delivered to such successor Bond Trustee, notification thereof being given to the Trust and the predecessor Bond Trustee and any other Fiduciaries. Pending appointment of a successor Bond Trustee by Bondowners, the Trust shall forthwith appoint a Bond Trustee to fill such vacancy until a successor Bond Trustee shall be appointed by Bondowners as authorized by the Bond Resolution. The Trust shall mail notice of any such appointment to the Owners of all Bonds Outstanding within twenty (20) days after such appointment. Any successor Bond Trustee appointed by the Trust shall, immediately and without further act, be superseded by a Bond Trustee appointed by Bondowners. If in a proper case no appointment of a successor Bond Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Bond Trustee shall have given to the Trust written notice as provided in the Bond Resolution or after the occurrence of any other event requiring or authorizing such appointment, the Bond Trustee or any other Fiduciary or any Bondowner may apply to any court of competent jurisdiction to appoint a successor.

### **Defeasance**

If the Trustee pays the principal amount and interest, and redemption price, if any, to become due on all outstanding Bonds and pays or provides for the payment of all fees and expenses of the Trustee and paying agents, then the pledge of any Revenues, Prior Bond Revenues, Prior Loans, Prior Local Governmental Obligations or other

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

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

### **– APPLICABLE TO POOL SRF BONDS –**

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

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

#### **Payments**

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

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

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

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

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

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

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

### **Tax Covenants**

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

### **Defaults and Remedies**

Failure of the borrower to pay when due all or any part of any borrower Payment payable under the Financing Agreement shall be and shall constitute an immediate Event of Default under the Financing Agreement and the related Loans or Local Governmental Obligations. Failure of the borrower to perform and observe any other covenant, agreement or condition on its part provided in the Financing Agreement or in the related Loans or Local Governmental Obligations shall constitute an Event of Default if not cured within a period of thirty days after written notice thereof.

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

## **– APPLICABLE TO MWRA 1998A BONDS –**

### **The MWRA 1998A Loans**

The Trust agrees to make loans (the “Series 1998A Loans”) to the MWRA and the MWRA agrees to repay the Series 1998A Loans, with interest thereon, on the Payment Dates and in the amounts set forth in the related agreements (the “Series 1998A Loan Agreements”).

As evidence of the Series 1998A Loans made to the MWRA, the MWRA agrees to issue and deliver to the Trust obligations (the “MWRA Trust Obligations”) in aggregate principal amount equal to the aggregate principal amount of the Series 1998A Loans. The MWRA Trust Obligations shall be payable on the Payment Dates and in the aggregate amounts as to principal and interest corresponding to the scheduled loan repayments required with respect to the Series 1998A Loans.

### **Borrower Payments**

All Borrower Payments made by the MWRA and all Equity Earnings and Contract Assistance Payments applied on account of such Borrower Payments, shall be applied, first, to the interest, if any, then due and payable on the Series 1998A Loans and, second, to the principal amount of the Series 1998A Loans then due and payable. On each Payment Date the Trust shall apply, and the MWRA shall receive, as a credit against the scheduled loan repayments then payable on the Series 1998A Loans, Equity Earnings, Contract Assistance Payments and other amounts, if any, set forth in a loan agreement that are expected to be available on a Payment Date as a credit against

the scheduled loan repayment on such date (collectively, the Loan Subsidy Amounts”) allocable to such Borrower Payments Date provided in the Series 1998A Loan Agreements. The Trust shall provide the MWRA with written notice of each Loan Repayment due not less than ten (10) Business Days in advance of the applicable Payment Date. Not less than five (5) Business Days prior to each Payment Date, the MWRA shall 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 MWRA, the Net Borrower Payments then due on the Series 1998A Loans.

If at any time the Trust shall determine that a deficiency will exist in the Debt Service Fund on a Payment Date due to a reduction in Equity Earnings caused by either a default by the obligor on any Investment Obligation or a reduction in the balance in the Debt Service Reserve Fund under investment due to a Loan Repayment Default by the MWRA, the Trust shall promptly furnish the MWRA with written notice of such deficiency and the resulting increase in the Net Borrower Payments payable under the Series 1998A Loan Agreements, and the amount of any increase in any Net Loan Repayment shall be paid by the MWRA on the scheduled Payment Date therefor or, if later, within five (5) Business Days of receipt by the MWRA of notice of such increase.

The MWRA expressly acknowledges that the obligation of the Trust to apply Contract Assistance Payments as provided in the Series 1998A Loan Agreements is limited solely to the Contract Assistance Payments paid to the Trust and deposited in the Revenue Fund as provided in the Commonwealth Assistance Contract and the Bond Resolution. Any failure by the Commonwealth to provide Contract Assistance Payments in the amounts and at the time contemplated by the Series 1998A Loan Agreements and the Commonwealth Assistance Contract shall not diminish the obligation of the MWRA to repay the Series 1998A Loans and the interest, if any, thereon in the amounts and at the times provided in the Series 1998A Loan Agreements and in the MWRA Trust Obligations. If at any time the Trust shall determine that a deficiency will exist in the Debt Service Fund on a Payment Date due to a default by the Commonwealth under the Commonwealth Assistance Contract, the Trust shall promptly furnish the MWRA with written notice of such deficiency and the resulting increase in the Net Borrower Payments next payable. The amount of any increase in such Net Borrower Payments shall be paid by the MWRA on the scheduled Payment Date therefor or, if later, within five (5) Business Days of receipt by the MWRA of notice of such increase in such Loan Repayment.

### **Loan Prepayments**

The Loan Principal Obligation of the Series 1998A Loans shall be subject to prepayment by the MWRA prior to maturity on terms substantially similar to the redemption provisions applicable to the Series 1998A Bonds. Whenever the Loan Principal Obligation, and the corresponding principal amount of MWRA Trust Obligations, are permitted to be prepaid pursuant to the Series 1998A Loan Agreements, then, unless the Trust and the MWRA shall determine otherwise, the MWRA shall promptly pay over to the Trust amounts sufficient to pay a prepayment price equal to (i) the principal amount so prepaid, plus (ii) an amount equal to all costs of the Trust (including without limitation redemption premium, if any, Trustee’s fees and expenses and reasonable attorneys’ fees) incurred in connection with any corresponding redemption of Series 1998A Bonds allocable to the principal amount of the Series 1998A Loans so prepaid plus (iii) an amount equal to any interest payable on such Series 1998A Bonds to the date 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 of such Series 1998A Bonds.

### **Disbursement of Series 1998A Loan Proceeds**

Amounts deposited in each related project account shall be applied by the Trust to the payment or reimbursement of Costs of the related Project as provided in the Series 1998A Loan Agreements, in the related project regulatory agreement and in the Bond Resolution. Only amounts on deposit in a project account representing proceeds of Series 1998A Bonds or other moneys of the Trust deposited therein as provided in the Series 1998A Loan Agreements and the Bond Resolution shall be available to pay Project Costs.

Upon receipt by the Trust of the disbursement completion certificate provided in the applicable project regulatory agreement, any balance remaining on deposit in a Project Account not then payable to or for the account of the MWRA in accordance with the Disbursement Completion Certificate shall be applied at the direction of the MWRA with the prior approval of the Trust to (i) the payment of additional Costs of the applicable Project upon amendment of the definition thereof approved by the Department, (ii) the payment of any Borrower Payments then

or thereafter due or (iii) the prepayment of the Loan Principal Obligation as provided in the Series 1998A Loan Agreements.

### **Tax Covenants**

So long as any Series 1998A Bonds shall be outstanding and unpaid, the MWRA agrees that it shall not take, or permit to be taken, any action or actions that would cause any Series 1998A 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 Series 1998A 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 Series 1998A Bonds to become included in gross income for federal income tax purposes; the MWRA 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 MWRA to pay when due all or any part of any Loan Repayment payable under the Series 1998A Loan Agreements shall be and shall constitute an immediate Event of Default under the Series 1998A Loan Agreements and the related MWRA Trust Obligations. Failure of the MWRA to perform and observe any other covenant, agreement or condition on its part provided in the Series 1998A Loan Agreements or in the related MWRA Trust 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 Series 1998A Loan Agreements, the Trust shall have, in addition to the remedies set forth in the Series 1998A Loan Agreements, all other remedies permitted by law including the right to seek compliance by the MWRA with the terms and provisions of the Series 1998A Loan Agreements, the MWRA Trust Obligations and of the MWRA General Resolution, by suit or suits in equity or at law, for the specific performance of any covenant, term or condition of the Series 1998A Loan Agreements or MWRA General Resolution, or in the aid of the execution of any power granted in the Series 1998A Loan Agreements or MWRA General Resolution, and may exercise any other right or remedy upon such default as may be granted to the Trust under the Series 1998A Loan Agreements, the MWRA General Resolution, the Enabling 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 May 1, 2014 and (ii) the percentage that the loans to each borrower will represent of the total loans outstanding. Upon the issuance of the Bonds, approximately \$2.8 billion of the total loans will be allocable to the Clean Water Federal Program and approximately \$851 million of the total loans will be allocable to the Drinking Water Federal Program.

<u>Borrower Name</u>	<u>Loans Outstanding as of May 1, 2014</u>	<u>% of Total Loans Outstanding</u>
Abington	\$ 4,223,238	0.11%
Acton	16,792,282	0.45
Acushnet	3,067,093	0.08
Adams	1,867,393	0.05
Adams Fire District	1,902,836	0.05
Agawam	1,508,182	0.04
Amesbury	19,608,094	0.53
Amherst	31,355	0.00
Andover	3,743,569	0.10
Aquarion Water Company of Massachusetts	1,920,000	0.05
Ashburnham	3,162,257	0.09
Ashfield Water District	240,000	0.01
Ashland	4,655,920	0.13
Athol	6,154,166	0.17
Attleboro	28,141,237	0.76
Auburn	271,239	0.01
Auburn Water District	1,705,729	0.05
Avon	964,690	0.03
Ayer	115,815	0.00
Barnstable County	16,050,000	0.43
Barnstable	25,246,192	0.68
Barre	56,265	0.00
Belchertown	8,548,423	0.23
Bellingham	808,069	0.02
Belmont	7,852,637	0.21
Berlin	63,686	0.00
Bernardston	35,018	0.00
Beverly	417,022	0.01
Billerica	25,261,840	0.68
Blackstone	24,958	0.00
Boston	4,810,000	0.13
Bourne	301,014	0.01
Boxford	73,249	0.00
Boylston	51,895	0.00
Brewster	172,125	0.00
Bridgewater	2,031,497	0.05
Bristol County	1,055,504	0.03
Brockton	90,429,265	2.45
Brockton Sewer Enterprise System	674,991	0.02
Brookfield	51,089	0.00

<b><u>Borrower Name</u></b>	<b><u>Loans Outstanding as of May 1, 2014</u></b>	<b><u>% of Total Loans Outstanding</u></b>
Buckland	\$ 281,100	0.01%
Burlington	5,646,818	0.15
Boston Water Sewer Commission	2,974,209	0.08
Cambridge	9,589,226	0.26
Canton	3,274,755	0.09
Carver	33,301	0.00
Charlton	11,778,922	0.32
Chatham	12,341,827	0.33
Chelmsford	34,648,198	0.94
Chelmsford Water District	3,136,126	0.08
Chelsea	214,196	0.01
Cherry Valley Water District	652,983	0.02
Chesterfield	229,887	0.01
Chicopee	79,097,104	2.14
Clarksburg	135,000	0.00
Clinton	6,170,132	0.17
Cohasset	28,636,843	0.77
Colrain	22,159	0.00
Centerville/Osterville Fire District	2,084,409	0.06
Concord	11,258,767	0.30
Conway	14,088	0.00
Charles River Pollution Control District	8,337,671	0.23
Danvers	19,743,907	0.53
Dartmouth	16,385,771	0.44
Dedham	1,113,031	0.03
Deerfield Fire District	609,646	0.02
Dennis	364,077	0.01
Dennis Water District	5,862,992	0.16
Dighton	105,562	0.00
Dighton Rehoboth Regional School District	501,671	0.01
Dighton Water District	4,931,797	0.13
Douglas	4,084,524	0.11
Dover	72,600	0.00
Dracut	27,594,938	0.75
Dracut Water Supply District	397,566	0.01
Dudley	263,690	0.01
Duxbury	2,719,380	0.07
Eastham	192,600	0.01
Easthampton	4,414,202	0.12
Easton	5,000,099	0.14
East Bridgewater	14,340,621	0.39
East Longmeadow	432,013	0.01
Erving	3,534,420	0.10
Essex	14,534,353	0.39
Everett	3,136,042	0.08
Fairhaven	887,489	0.02
Fall River	138,007,183	3.73

<b><u>Borrower Name</u></b>	<b><u>Loans Outstanding as of May 1, 2014</u></b>	<b><u>% of Total Loans Outstanding</u></b>
Falmouth	\$ 15,810,568	0.43%
Fitchburg	30,337,778	0.82
Foxborough	4,854,967	0.13
Framingham	49,860,127	1.35
Franklin	3,569,424	0.10
Gardner	5,809,262	0.16
Georgetown	1,102,444	0.03
Gill	13,637	0.00
Gloucester	55,798,099	1.51
Greater Lawrence Sewer District	23,274,674	0.63
Grafton	25,066	0.00
Granby	60,869	0.00
Great Barrington	120,000	0.00
Greenfield	2,762,175	0.07
Groton	3,916,840	0.11
Hadley	3,754,702	0.10
Halifax	192,600	0.01
Hanover	149,340	0.00
Hanson	1,133,130	0.03
Hardwick	9,252	0.00
Harvard	2,437,621	0.07
Harwich	139,272	0.00
Hatfield	428,988	0.01
Haverhill	27,003,910	0.73
Hillcrest Sewer District	1,922,624	0.05
Hingham	1,344,727	0.04
Hinsdale	1,850,000	0.05
Holbrook	10,018,589	0.27
Holden	9,381,788	0.25
Holland	60,000	0.00
Holliston	90,000	0.00
Holyoke	15,796,903	0.43
Hopedale	779,397	0.02
Hopkinton	12,796,644	0.35
Hubbardston	4,076	0.00
Hudson	14,835,766	0.40
Hull	3,124,529	0.08
Hoosac Water Quality District	5,295,144	0.14
Ipswich	3,545,680	0.10
Kingston	27,447,410	0.74
Lakeville	3,242,845	0.09
Lancaster	72,428	0.00
Lanesborough Village Fire & Water District	1,585,000	0.04
Lawrence	27,765,929	0.75
Lee	14,577,704	0.39
Leicester	176,417	0.00
Leicester Water Supply District	255,404	0.01

<u>Borrower Name</u>	<u>Loans Outstanding as of May 1, 2014</u>	<u>% of Total Loans Outstanding</u>
Lenox	\$ 583,712	0.02%
Leominster	33,203,520	0.90
Lexington	16,317	0.00
Lincoln	2,105,000	0.06
Littleton	107,840	0.00
Longmeadow	2,733,969	0.07
Lowell	98,270,826	2.66
Ludlow	4,124,069	0.11
Lunenburg	5,588,462	0.15
Lunenburg Water District	3,625,427	0.10
Lynn Water and Sewer Commission	48,812,415	1.32
Lynnfield	480,819	0.01
Malden	9,764,457	0.26
Manchester	1,705,271	0.05
Mansfield	25,926,406	0.70
Marion	16,548,043	0.45
Marlborough	40,973,050	1.11
Marshfield	11,578,873	0.31
Mashpee	744,254	0.02
Mattapoissett	11,112,629	0.30
Maynard	11,363,367	0.31
Massachusetts Development Finance Agency	10,508,872	0.28
Medfield	1,378,907	0.04
Medway	70,466	0.00
Melrose	2,631,476	0.07
Mendon	33,301	0.00
Merrimac	93,301	0.00
Methuen	20,352,468	0.55
Middleborough	1,509,748	0.04
Middleton	61,613	0.00
Millbury	21,155,540	0.57
Millville	387,966	0.01
Milton	251,063	0.01
Monson	1,367,511	0.04
Montague	2,578,641	0.07
Monterey	29,477	0.00
Mattapoissett River Valley Water District	10,675,448	0.29
Massachusetts Water Resources Authority	1,020,497,280	27.60
North Adams	1,017,383	0.03
North Andover	6,664,852	0.18
Nantucket	52,630,146	1.42
Natick	3,534,843	0.10
North Attleborough	22,922,820	0.62
North Brookfield	2,035,000	0.06
Needham	7,294,132	0.20
New Bedford	121,928,799	3.30
Newbury	7,941,267	0.21

<b><u>Borrower Name</u></b>	<b><u>Loans Outstanding as of May 1, 2014</u></b>	<b><u>% of Total Loans Outstanding</u></b>
Newburyport	\$ 46,289,355	1.25%
Newton	6,427,400	0.17
Norfolk	443,209	0.01
Northampton	20,100,423	0.54
Northborough	394,550	0.01
Northbridge	3,914,516	0.11
Norton	2,001,994	0.05
Norwell	216,399	0.01
Norwood	4,027,297	0.11
North Raynham Water District	3,349,060	0.09
North Reading	411,979	0.01
North Sagamore Water District	1,314,235	0.04
Oak Bluffs	8,798,409	0.24
Orange	427,803	0.01
Orleans	60,000	0.00
Palmer	7,549,506	0.20
Paxton	53,733	0.00
Pembroke	3,470,300	0.09
Pepperell	3,004,139	0.08
Phillipston	53,724	0.00
Pittsfield	5,613,146	0.15
Plainville	3,261,687	0.09
Plymouth	19,822,295	0.54
Plympton	22,556	0.00
Provincetown	14,835,440	0.40
Quincy	10,322,745	0.28
Randolph	13,773,177	0.37
Raynham	6,840,498	0.19
Reading	8,133	0.00
Revere	11,318,652	0.31
Richmond	2,301,181	0.06
Rockland	3,446,639	0.09
Rowley	11,183,135	0.30
Royalston	20,655	0.00
Russell	295,000	0.01
Rutland	26,935	0.00
Salem	1,621,303	0.04
Salisbury	2,805,917	0.08
Sandwich	175,547	0.00
Saugus	10,612,223	0.29
Scituate	17,392,919	0.47
South Deerfield Water Supply District	1,565,000	0.04
Seekonk	1,365,898	0.04
Seekonk Water District	3,080,326	0.08
South Essex Sewerage District	30,880,517	0.84
South Grafton Water District	1,663,249	0.04
South Hadley	4,607,222	0.12

<u>Borrower Name</u>	<b>Loans Outstanding as of May 1, 2014</b>	<b>% of Total Loans Outstanding</b>
South Hadley Fire District #1	\$ 693,301	0.02%
Sharon	130,362	0.00
Shirley	6,583,480	0.18
Shrewsbury	1,263,221	0.03
Shutesbury	207,312	0.01
Somerset	5,963,153	0.16
Southampton	1,352,600	0.04
Southborough	665,499	0.02
Southbridge	14,137,110	0.38
Southwick	22,290	0.00
Spencer	6,036,663	0.16
Springfield	417,046	0.01
Sterling	818,495	0.02
Stockbridge	5,735,022	0.16
Stoughton	2,155,215	0.06
Stow	614,626	0.02
Sturbridge	15,967,441	0.43
Sunderland	30,470	0.00
Sutton	5,098,662	0.14
Swampscott	268,179	0.01
Swansea	214,411	0.01
Swansea Water District	16,012,897	0.43
Springfield Water & Sewer Commission	53,745,678	1.45
Taunton	78,738,764	2.13
Templeton	5,224,044	0.14
Tewksbury	5,859,361	0.16
Tisbury	4,275,319	0.12
Townsend	1,420,725	0.04
Truro	72,600	0.00
Tyngsborough	1,630,092	0.04
Upper Blackstone Water Pollution Abatement District	144,830,841	3.92
Upton	1,542,600	0.04
Wakefield	1,455,012	0.04
Walpole	6,034,077	0.16
Waltham	2,792,654	0.08
Ware	278,900	0.01
Wareham	27,758,159	0.75
Warren Water District	160,000	0.00
Wayland	394,231	0.01
West Boylston	6,520,322	0.18
West Boylston Water District	913,813	0.02
West Bridgewater	668,244	0.02
Webster	11,366,513	0.31
Wellfleet	625,000	0.02
Westborough	45,863,978	1.24
Westfield	12,730,569	0.34
Westford	9,002,926	0.24

<u>Borrower Name</u>	<u>Loans Outstanding as of May 1, 2014</u>	<u>% of Total Loans Outstanding</u>
Westminster	\$ 74,526	0.00%
Westwood	964,300	0.03
Weymouth	34,232,910	0.93
West Groton Water Sewer District	1,030,907	0.03
Whitman	4,194,020	0.11
Wilbraham	3,484,507	0.09
Wilmington	225,657	0.01
Winchendon	8,637,726	0.23
Winchester	20,028	0.00
Windbrook Acres	200,000	0.01
West Newbury	190,018	0.01
Woburn	13,931,537	0.38
Worcester	6,447,001	0.17
Wrentham	2,224,034	0.06
West Springfield	8,225,624	0.22
West Stockbridge	335,000	0.01
Yarmouth	1,624,501	0.04
Total	<u>\$3,696,836,721</u>	100.00%
Clean Water Program	\$2,846,102,535	
Drinking Water Program	\$ 850,734,186	

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One Financial Center  
Boston, MA 02111  
617-542-6000  
617-542-2241 fax  
www.mintz.com

Dated Date of Closing

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

RE: \$565,610,000 Massachusetts Water Pollution Abatement Trust, State Revolving Fund Refunding Bonds, Series 2014, dated the date of delivery thereof (the “Bonds”)

We have acted as bond counsel in connection with the issuance by the Massachusetts Water Pollution Abatement Trust (the “Trust”) of the Bonds pursuant to Chapter 29C of the Massachusetts General Laws (the “Act”), a resolution of the Trust adopted March 4, 1993 entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program” (as amended and restated, the “Program Resolution”) and a resolution of the Trust adopted May 7, 2014 entitled “Water Pollution Abatement and Drinking Water Project Bond Resolution (Pool Program) Authorizing the Issuance of the \$565,610,000 State Revolving Fund Refunding Bonds, Series 2014 (the “Bond Resolution” and, together with the Program Resolution, the “Resolutions”). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

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

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

1. The Trust is duly created and validly existing as a public instrumentality of The Commonwealth of Massachusetts with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolutions have been duly adopted by the Trust and constitute valid and binding obligations of the Trust enforceable upon the Trust.
3. Pursuant to the Act, the Resolutions create a valid lien on the funds, contract rights and other property pledged by the Resolutions for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Trust and are valid and binding special obligations of the Trust, payable solely from the sources provided therefor in the Resolutions.

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

BOSTON | WASHINGTON | NEW YORK | STAMFORD | LOS ANGELES | PALO ALTO | SAN DIEGO | LONDON

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

Massachusetts Water Pollution Abatement Trust

[Dated Closing Date]

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5. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. Interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations. Interest on the Bonds will be included in the “adjusted current earnings” of corporate holders of the Bonds so as to be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.
6. 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.

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

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

Very truly yours,

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

## SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

**A. Trust Continuing Disclosure Certificate**

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

**Provision of Annual Reports**

Not later than 270 days after the end of each fiscal year of the Trust, commencing with the fiscal year ending June 30, 2014, 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 (i) the most recently available audited financial statements of the Trust, prepared in accordance with generally accepted accounting principles and (ii) updated financial and operating information, updated through the Trust’s prior fiscal year, relating to the information regarding the borrowers under the Trust’s Pool Program and the debt obligations of such borrowers to the Trust under the Pool Program in substantially the same level of detail as found in Appendix C to the Official Statement in the table entitled “Pool SRF Bonds – Borrowers”. 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

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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”.

in order to evaluate the ability of the Trust to meet its obligations. To the extent reasonably feasible, the comparison also will be quantitative. A notice of the change in the accounting principles will be sent to the MSRB.

**Default**

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

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

**Beneficiaries**

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

**B. The Commonwealth Disclosure Agreement**

Prior to the issuance of the Bonds, the Trust and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 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. The most recent Commonwealth information statement is dated May 7, 2014 (the “Commonwealth Information Statement”). The Commonwealth 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> ”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
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”
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 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 and 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 maintained by any nationally recognized municipal security rating agency.

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 MWRA 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 MWRA and State Street Bank and Trust Company, predecessor in interest to U.S. Bank National Association, as Dissemination Agent (the "Dissemination Agent"). During the past five years, MWRA believes it has complied in all material respects with its existing continuing disclosure obligations, in accordance with the terms of the MWRA Continuing Disclosure Agreement, except that although MWRA believes its financial statements for Fiscal Year 2009 were submitted with MWRA'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 MWRA refiled and relinked such financial statements on EMMA, and certain notices regarding the change in ratings of MWRA bonds were not filed in connection with rating upgrades received by MWRA at the time of issuance of certain of its bonds.

## **Annual Filings**

Pursuant to the MWRA Continuing Disclosure Agreement, not later than January 1 of each year, commencing January 1, 1998, the MWRA 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 MWRA 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 MWRA'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 MWRA's most recent official statement, including (i) a summary table of revenues, expenses and fund deposits, (ii) the amount of outstanding indebtedness of the MWRA, and the debt limit as of the end of the fiscal year, (iii) a summary table with respect to the coverage covenants in the MWRA's General Resolution and (iv) a summary table showing the MWRA'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 MWRA's most recent official statement, including (i) a table of the MWRA'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 MWRA's most recently adopted current expense budget and capital improvement program; and

(c) the most recently available audited financial statements of the MWRA, 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 MWRA 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 MWRA 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 MWRA.

## **Termination of Reporting Obligation**

The MWRA'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 MWRA 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 MWRA and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the MWRA'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 MWRA 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 MWRA 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 MWRA 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 MWRA'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 MWRA 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.

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**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 \$516.5 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*	\$7.6 million
Bayerische Landesbank, acting through its New York branch	1996 SESD Bonds	\$3.8 million
Citigroup	Series 12 Bonds	\$104.2 million
IXIS Funding Corp.	Series 6 Bonds	\$44.4 million
	Series 7 Bonds	\$19.1 million
	Series 8 Bonds	\$66.7 million
	MWRA 2002A Bonds	\$33.5 million
FSA Capital Management Services, LLC <sup>2</sup>	Series 4 Bonds*	\$22.0 million
	Series 2004A and 2004B Bonds*	\$47.9 million
	Series 10 Bonds	\$75.2 million
	MWRA 1998A Bonds*	\$11.1 million
	Series 11 Bonds	\$63.0 million
HSBC National Bank of New York	1994 SESD Bonds	\$6.7 million
	MWRA 1993B Bonds	\$6.6 million
Morgan Guaranty Trust Company of New York	New Bedford 1996 Bonds	\$9.9 million
Société Générale <sup>3</sup> acting through its New York branch	Series 2 Bonds	\$1.9 million
	1996 SESD Bonds	\$8.8 million
Trinity Funding Company, LLC	Series 9 Bonds	\$76.5 million
Trinity Plus Funding Company, LLC	MWRA 1999A Bonds	\$68.8 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.
- \* All or a portion of these investments are expected to be transferred to the 2014 Debt Service Reserve Fund upon the issuance of the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS – Security for the SRF Bonds – Pledged Direct Loans and SRF Reserve Funds – Additional security under the applicable bond resolution – 2014 Debt Service Reserve Fund.”

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**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.

## TABLE OF REFUNDED BONDS

The Trust expects to use the proceeds of the Bonds and other available amounts to pay or defease the Prior Bonds of the Trust described below.

**Pool Loan Program Bonds, Series 4**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2014	\$475,000	5.125%	06/12/2014	100.00%
08/01/2015	310,000	5.125%	06/12/2014	100.00
08/01/2016	275,000	5.125%	06/12/2014	100.00
08/01/2017	275,000	5.000%	06/12/2014	100.00
08/01/2018	1,425,000	5.000%	06/12/2014	100.00
	<u>\$2,760,000</u>			

**Pool Program Bonds, Series 9**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2016	\$1,430,000	4.000%	08/01/2015	100.00%
08/01/2016	10,620,000	5.250%	08/01/2015	100.00
	<u>\$12,050,000</u>			

**Pool Program Bonds, Series 10**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2015	\$11,935,000	5.250%	08/01/2014	100.00%
08/01/2016	1,530,000	5.250	08/01/2014	100.00
08/01/2017	1,440,000	5.250	08/01/2014	100.00
08/01/2018	1,335,000	5.000	08/01/2014	100.00
08/01/2019	1,220,000	5.000	08/01/2014	100.00
08/01/2020	1,090,000	5.000	08/01/2014	100.00
08/01/2021	945,000	5.000	08/01/2014	100.00
08/01/2022	785,000	5.000	08/01/2014	100.00
08/01/2023	610,000	5.000	08/01/2014	100.00
08/01/2024	410,000	5.000	08/01/2014	100.00
08/01/2025	1,000,000	5.000	08/01/2014	100.00
08/01/2026	985,000	5.000	08/01/2014	100.00
08/01/2027	3,500,000	4.500	08/01/2014	100.00
08/01/2028	1,050,000	5.000	08/01/2014	100.00
08/01/2029	1,030,000	5.000	08/01/2014	100.00
08/01/2030	1,005,000	5.000	08/01/2014	100.00
08/01/2031	975,000	5.000	08/01/2014	100.00
08/01/2032	940,000	5.000	08/01/2014	100.00
08/01/2033	900,000	5.000	08/01/2014	100.00
08/01/2034	855,000	5.000	08/01/2014	100.00
	\$33,540,000			

**Pool Program Bonds, Series 12**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2017	\$17,765,000	5.000%	08/01/2016	100.00%
08/01/2018	3,045,000	5.000	08/01/2016	100.00
08/01/2019	2,895,000	5.000	08/01/2016	100.00
08/01/2020	19,645,000	5.000	08/01/2016	100.00
08/01/2021	20,205,000	4.150	08/01/2016	100.00
08/01/2022	20,720,000	4.250	08/01/2016	100.00
08/01/2023	21,270,000	4.250	08/01/2016	100.00
08/01/2024	21,685,000	4.750	08/01/2016	100.00
08/01/2025	22,320,000	4.350	08/01/2016	100.00
08/01/2027	6,330,000	4.375	08/01/2016	100.00
08/01/2028	6,505,000	4.375	08/01/2016	100.00
	\$162,385,000			



**Pool Program Bonds, Series 13**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2014	\$10,595,000	4.000%		
08/01/2014	2,345,000	5.000		
08/01/2015	13,315,000	5.000		
08/01/2016	4,930,000	4.000		
08/01/2016	8,810,000	5.000		
08/01/2017	14,170,000	5.000		
08/01/2018	13,950,000	5.000		
08/01/2019	14,415,000	5.000	08/01/2017	100.00%
08/01/2020	14,895,000	5.000	08/01/2017	100.00
08/01/2021	15,350,000	5.000	08/01/2017	100.00
08/01/2022	15,855,000	5.000	08/01/2017	100.00
08/01/2023	16,385,000	5.000	08/01/2017	100.00
08/01/2024	16,910,000	5.000	08/01/2017	100.00
08/01/2025	17,330,000	5.000	08/01/2017	100.00
08/01/2026	17,910,000	5.000	08/01/2017	100.00
08/01/2027	18,445,000	4.375	08/01/2017	100.00
08/01/2028	5,810,000	5.000	08/01/2017	100.00
08/01/2029	6,005,000	5.000	08/01/2017	100.00
08/01/2030	6,205,000	5.000	08/01/2017	100.00
08/01/2031	6,415,000	5.000	08/01/2017	100.00
08/01/2032	6,630,000	5.000	08/02/2017	100.00
08/01/2033	6,855,000	5.000	08/03/2017	100.00
08/01/2034	7,085,000	5.000	08/04/2017	100.00
08/01/2035	7,320,000	5.000	08/05/2017	100.00
08/01/2036	7,470,000	5.000	08/06/2017	100.00
08/01/2037	7,815,000	5.000	08/07/2017	100.00
	<u>\$283,220,000</u>			

**Pool Program Bonds, Series 14**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2020	\$12,455,000	5.000%	08/01/2019	100.00%
08/01/2021	2,360,000	4.000	08/01/2019	100.00
08/01/2021	14,475,000	5.000	08/01/2019	100.00
08/01/2022	1,195,000	4.000	08/01/2019	100.00
08/01/2022	16,170,000	5.000	08/01/2019	100.00
08/01/2023	5,340,000	4.000	08/01/2019	100.00
08/01/2023	11,955,000	5.000	08/01/2019	100.00
08/01/2024	17,630,000	5.000	08/01/2019	100.00
08/01/2025	18,200,000	5.000	08/01/2019	100.00
08/01/2026	18,685,000	5.000	08/01/2019	100.00
08/01/2027	19,130,000	5.000	08/01/2019	100.00
	<u>\$137,595,000</u>			

**MWRA Loan Program, Series 1998A**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2014	\$765,000	5.250%	07/12/2014	100.00 %
08/01/2015	660,000	5.000	07/12/2014	100.00
08/01/2016	540,000	5.375	07/12/2014	100.00
08/01/2017	415,000	4.750	07/12/2014	100.00
08/01/2018	420,000	4.750	07/12/2014	100.00
	<u>\$ 2,800,000</u>			

**Pool Program Refunding Bonds, Series 2004B**

<u>Maturity Date or Sinking Fund Installment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
08/01/2015	\$18,060,000	5.250%	06/12/2014	100.00 %
08/01/2016	18,695,000	5.000	06/12/2014	100.00
08/01/2017	19,235,000	5.000	06/12/2014	100.00
08/01/2018	19,570,000	5.000	06/12/2014	100.00
08/01/2019	15,025,000	5.000	06/12/2014	100.00
08/01/2020	14,990,000	5.000	06/12/2014	100.00
	<u>\$105,575,000</u>			

Total Bonds Refunded \$739,925,000





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