

**MASSACHUSETTS WATER RESOURCES AUTHORITY
2018-2 DEFEASANCE ESCROW AGREEMENT**

The Massachusetts Water Resources Authority (the "Authority") and U.S. Bank National Association, as successor Trustee (the "Trustee") under the Amended and Restated General Revenue Bond Resolution described below, are entering into this Defeasance Escrow Agreement on and as of September 26, 2018.

WHEREAS, the Authority has previously issued its General Revenue Bonds 2002 Series J (the "Series 2002 Bonds"), its General Revenue Refunding Bonds, 2009 Series B (the "Series 2009 Bonds" and together, with the Series 2002 Bonds, the "Prior Bonds") pursuant to the General Revenue Bond Resolution dated January 24, 1990, as amended and supplemented, and as amended and restated by the Amended and Restated General Revenue Bond Resolution effective April 23, 2015 (as from time to time in effect, the "Bond Resolution") of the Authority; and

WHEREAS, the Trustee is the trustee and paying agent under the Bond Resolution for the Prior Bonds; and

WHEREAS, concurrently with the execution hereof, the Authority is instructing the Trustee to deposit in a Subaccount of the Redemption Account the Defeasance Escrow Fund Investments (hereinafter defined), for the purpose of defeasing the portion of the Prior Bonds listed in Exhibit A attached hereto (such portion of the Prior Bonds being hereinafter collectively referred to as the "Defeased Bonds"), pursuant to Section 1201(b) of the Bond Resolution and the resolution of the Authority adopted on September 19, 2018;

NOW, THEREFORE, the Authority and the Trustee agree as follows, in order to provide for an escrow fund for the defeasance of the Defeased Bonds pursuant to Section 1201(b) of the Bond Resolution:

Section 1. An irrevocable trust fund designated the 2018-2 Defeasance Escrow Fund (the "2018-2 Defeasance Escrow Fund") is hereby established as a Subaccount within the Redemption Account of the Debt Service Fund established under the Bond Resolution, to be held in the custody of the Trustee as a trust fund separate and apart from all other funds of the Authority or the Trustee.

Section 2. In order to provide for the payment of the principal of and interest on the Defeased Bonds, the Authority hereby irrevocably instructs the Trustee to transfer, in accordance with our instructions, from certain Subaccounts within the Redemption Account to the 2018-2 Defeasance Escrow Fund pursuant to Sections 519 and 1201(b) of the Bond Resolution on the date hereof sufficient cash for the purchase of the Government Obligations identified in Exhibit B hereto and cash in the amount of \$0.41 (which amount shall remain uninvested) (such Government Obligations and cash collectively referred to as, the "Defeasance Escrow Fund Investments"), to be held in trust for the benefit of the holders of the Defeased Bonds, subject to the terms and conditions hereof. As used herein, the term "Government Obligations" shall mean only non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America. The Trustee hereby acknowledges receipt of the Defeasance Escrow Fund Investments and agrees to deposit the same on the date hereof in the 2018-2 Defeasance Escrow Fund.

Section 3. The Authority represents and warrants to the Trustee, relying solely on the Verification Report of The Arbitrage Group, Inc. dated September 26, 2018 (the "Verification

Report"), that the Defeasance Escrow Fund Investments mature and bear interest payable in such amounts and at such times as will be sufficient to pay when due the principal of and interest due and to become due on the Defeased Bonds on and prior to the principal payment dates thereof set forth in Exhibit A hereto (the "Call Date") and the Trustee may rely conclusively on this representation, and shall not be liable for any insufficiency of funds. The Trustee shall hold all Defeasance Escrow Fund Investments in the 2018-2 Defeasance Escrow Fund and shall apply the Defeasance Escrow Fund Investments and the proceeds thereof only for the purposes and in the manner provided in this Agreement.

Section 4. Pursuant to Section 602 of the Bond Resolution the Authority hereby irrevocably instructs and directs the Trustee as follows: (i) to give written notice of redemption in accordance with the terms of Article VI of the Bond Resolution and Section 208 of the Fifty-Fifth Supplemental Resolution authorizing the issuance of the Series 2009 Bonds, of the redemption on August 1, 2019 of \$7,000,000 aggregate principal amount of the Prior Bonds constituting Series 2009 Bonds maturing August 1, 2021 and of \$5,550,000 aggregate principal amount of the Prior Bonds constituting Series 2009 Bonds maturing August 1, 2022; (ii) to pay principal of and interest on the Defeased Bonds to their applicable Call Date in accordance with its terms; (iii) to pay in full the Defeased Bonds on their Call Date at one hundred percent (100%) of the principal amount thereof plus accrued and unpaid interest to the Call Date; (v) to give written notice of the defeasance of the Defeased Bonds as provided in Section 1201(b)(iii) of the Bond Resolution; and (vi) otherwise to perform generally those duties assigned to the Trustee in the Bond Resolution with respect to the Defeased Bonds, as well as those duties and obligations imposed upon the Trustee in this Agreement.

Section 5. The Trustee shall collect on the due dates thereof the principal of and interest on the Defeasance Escrow Fund Investments on deposit in the 2018-2 Defeasance Escrow Fund (the "Escrow Receipts") and shall apply the Escrow Receipts in accordance with the provisions of this Agreement. The Trustee shall without further authorization or direction apply such Escrow Receipts with respect to each of the Defeased Bonds (i) on each date up to and including the Call Date of each Defeased Bond upon which an installment of interest thereon falls due, to the payment on each such date of such installment, and (ii) on the Call Date of Defeased Bonds, to the payment in accordance with the Bond Resolution of the principal of, plus accrued interest to such date on, such Defeased Bond. Attached to the Verification Report as Exhibit A thereto is a projection of the amounts expected to be available in the 2018-2 Defeasance Escrow Fund to pay the Defeased Bonds. Escrow Receipts not applied on each interest payment date of the Defeased Bonds as provided in clause (i) above shall remain on deposit in the 2018-2 Defeasance Escrow Fund (except as provided in Section 10 hereof) and shall be reinvested at the written direction of the Authority in Government Obligations at a yield not to exceed 4.2312% per annum (which the Authority hereby represents to the Trustee as not exceeding the yield on the Defeased Bonds in accordance with Section 519 of the Bond Resolution), unless the Trustee and the Authority shall have received a Bond Counsel's Opinion advising that a higher yield is permitted under federal tax rules.

Section 6. Upon written direction of the Authority, subject to the conditions and limitations herein set forth, the Trustee shall sell, effect the redemption of, or otherwise dispose of the Defeasance Escrow Fund Investments in the 2018-2 Defeasance Escrow Fund (it being understood that any direction to such effect shall allow for the lapse of the applicable subscription period imposed by the United States Treasury Department in connection with the

acquisition of other Government Obligations), provided that there are substituted therefor other Government Obligations as hereinafter provided. In addition, a sale, redemption, or other disposition and substitution of Defeasance Escrow Fund Investments pursuant to the preceding sentence may be effected only by a simultaneous transaction. A sale, redemption, or other disposition and substitution of Government Obligations pursuant to this Section 6 may be effected only if (i) the substituted Government Obligations and uninvested moneys which will continue to be held in the 2018-2 Defeasance Escrow Fund will mature and will earn interest in such amounts and at such times so that sufficient moneys will be available to pay when due the principal of, plus interest due and to become due on, the Defeased Bonds which have not previously been paid, (ii) the Trustee receives a Bond Counsel's Opinion that such transaction will not cause interest on the Defeased Bonds to be included in gross income of the registered owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, or any successor statute of similar import then in effect, and (iii) prior to any such substitution, the Authority shall certify to the Trustee, relying solely on a mathematical verification report from a firm of certified public accountants acceptable to the Trustee and recognized on a national basis for skill and expertise in the preparation of such verifications ("Qualified Accountants"), that the substituted Defeasance Escrow Fund Investments and uninvested moneys which will continue to be held in the 2018-2 Defeasance Escrow Fund will mature and will earn interest in such amounts and at such times so that sufficient moneys will be available to pay when due the principal of, plus interest due and to become due on, the Defeased Bonds which have not previously been paid and the Trustee may rely conclusively on such certification by the Authority, and shall not be liable for any insufficiency of funds. The

Authority will supply copies of all materials provided to the Trustee under this Section 6 to any rating agency that maintains a rating on the Defeased Bonds.

Section 7. Except for the obligations of the Authority to the Trustee set forth in Sections 11 and 12 hereof, this Agreement shall terminate when the principal of, plus interest on, the Defeased Bonds shall have been paid or set aside for payment to the persons entitled thereto in accordance with the provisions of the Bond Resolution. Any amounts held by the Trustee on the termination of this Agreement and not required to pay any reasonable fees, compensation and expenses of the Trustee under this Agreement shall be paid promptly over to the Authority upon its written request.

Section 8. The obligation and liability of the Trustee to make the payments and transfers required by this Agreement shall be limited to the Defeasance Escrow Fund Investments and amounts realized thereon, deficiency payments, if any, made by the Authority pursuant to Section 9, and the moneys on deposit with the Trustee pursuant to this Agreement. The Trustee shall not be liable for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof or for any verification report. The Trustee shall have no lien on the 2018-2 Defeasance Escrow Fund for the payment of sums due it.

Section 9. If, on any date upon which an installment of principal or interest on the Defeased Bonds falls due, the amount of Escrow Receipts then due and collected by the Trustee on the Defeasance Escrow Fund Investments together with other funds on deposit in the 2018-2 Defeasance Escrow Fund shall be insufficient to pay in full such installment of principal plus accrued interest on the Defeased Bonds, the Trustee shall notify the Authority immediately upon becoming aware of such deficiency and the Authority shall supply the amount of such deficiency

by depositing cash into the 2018-2 Defeasance Escrow Fund within the earlier of seven (7) days of such notification by the Trustee or the date upon which such installment becomes due.

Section 10. If, on any date, the 2018-2 Defeasance Escrow Fund contains moneys which will not be required for the payment of installments of interest on or the principal of the Defeased Bonds, the Authority may request that such moneys be paid into the Revenue Fund, provided that before requesting any such payment prior to the Call Date, the Authority shall certify to the Trustee, based solely upon a mathematical verification report to be supplied to the Trustee from a firm of Qualified Accountants, that the amounts of moneys and investments remaining in the 2018-2 Defeasance Escrow Fund after such payment will mature and will earn interest in such amounts and at such times so that sufficient moneys will be available to pay when due in accordance with Section 5 hereof all installments of principal of, plus interest on, the Defeased Bonds which remain outstanding after the payment and the Trustee may rely conclusively on such certification, and shall not be liable for any insufficiency of funds. The Authority will supply copies of all materials provided to the Trustee under this Section 10 to any rating agency that maintains a rating on the Defeased Bonds.

Section 11. The Authority shall pay when billed all reasonable fees, compensation and expenses of the Trustee arising out of its performance of this Agreement, including reasonable fees for the Trustee's legal counsel. The Trustee, by its execution hereof, agrees that the provisions of the foregoing sentence and the provisions in the last sentence of Section 7 hereof are satisfactory to it. Under no circumstances shall the Trustee assert a lien on any moneys in the 2018-2 Defeasance Escrow Fund for any of its fees, compensation or expenses.

Section 12. The Authority agrees to indemnify the Trustee for, and to hold it harmless against, any depreciation, loss, liability or expense incurred without gross negligence or bad faith on the part of the Trustee arising out of or in connection with this Agreement or any action taken under or contemplated by this Agreement.

Section 13. The Trustee agrees to perform all the duties and obligations imposed upon it by this Agreement.

Section 14. The Trustee, solely in reliance upon (i) the irrevocable directions and written notice contained in Section 4 of this Agreement and (ii) an opinion of McCarter & English, LLP, Bond Counsel, dated September 26, 2018 relating to the defeasance of the Defeased Bonds, agrees with the party hereto that, upon execution of this Agreement by the parties hereto and receipt of the Defeasance Escrow Funds Investment by the Trustee, the Defeased Bonds will be defeased within the meaning of Section 1201(b) of the Bond Resolution and be no longer outstanding within the meaning of Section 101 of the Bond Resolution.

Section 15. If any one or more of the covenants or agreements provided in this Agreement on the part of the Authority or the Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 16. This Agreement shall be construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in The Commonwealth of Massachusetts.

Section 17. The Authority and the Trustee acknowledge and agree that the Trustee shall perform its obligations under this Agreement in its capacity as Trustee under the Bond Resolution and the Trustee, in acting hereunder, shall be entitled to all of the protections, immunities and rights granted to it under the Bond Resolution. Although (upon satisfaction of the conditions set forth in Section 14 hereof) the Defeased Bonds will be deemed paid within the meaning of Section 1201 of the Bond Resolution, such that they no longer will be entitled to any benefit under the Bond Resolution, certain duties, rights and obligations provided for in the Bond Resolution (including, without limitation, the replacement of lost, mutilated, stolen or destroyed bonds, the payment of interest and principal on the due dates thereof, the transfer and exchange and registration of bonds from time to time, and all rights, immunities, indemnities and protections of the Trustee) must, by their nature, be performed by or for the benefit of the Trustee after the defeasance of the Defeased Bonds and, accordingly, the Authority and the Trustee agree to be bound by and comply with such provisions of the Bond Resolution until the actual payment in full of the Defeased Bonds.

Section 18. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 19. This Agreement may be amended only by written instrument executed on behalf of both the Authority and the Trustee. No amendment of this Agreement shall take effect until written notice thereof shall have been provided to each rating agency that maintains a rating on the Defeased Bonds.

Section 20. Capitalized terms defined in the Bond Resolution and not otherwise defined in this Agreement are used herein as defined in the Bond Resolution.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper officers thereunto duly authorized as of the date and year first above written.

MASSACHUSETTS WATER RESOURCES
AUTHORITY

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: Matthew Hood
Treasurer

By: _____
Authorized Officer

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper officers thereunto duly authorized as of the date and year first above written.

MASSACHUSETTS WATER RESOURCES
AUTHORITY

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Treasurer

By:  _____
Authorized Officer

EXHIBIT A

TABLE OF DEFEASED BONDS

The Prior Bonds of the Authority to be defeased are described below.

Series	Maturity Date (August 1)	Coupon (%)	Refunded Portion Par Amount	Refunded Bond CUSIP	Payment Date (August 1)	Prior CUSIP
2002 Series J	2020	5.50	\$1,380,000		2020	576051TK2
2009 Series B	2021	5.00	\$7,000,000		2019	576051TN6
2009 Series B	2022	5.00	\$5,550,000		2019	576051TP1

EXHIBIT B

TABLE OF DEFEASANCE ESCROW FUND INVESTMENTS

See attached

EXHIBIT B

TABLE OF DEFEASANCE ESCROW FUND INVESTMENTS

See attached

Receipts from Acquired Obligations and Proof of Yield

Massachusetts Water Resources Authority

Date	Principal	Coupon Rate	Interest	Receipts from Acquired Obligations	Present Value of Future Receipts at 09/26/18 Using a Rate of 2.557505%
02/01/19	\$335,385.00	2.230%	\$16,315.42	\$351,700.42	\$348,610.69
08/01/19	12,612,936.00	2.520%	288,763.73	12,901,699.73	12,626,890.19
02/01/20	18,267.00	2.670%	19,683.15	37,950.15	36,672.85
08/01/20	1,398,510.00	2.780%	19,439.29	1,417,949.29	1,352,924.27
	<u>\$14,365,098.00</u>		<u>\$344,201.59</u>	<u>\$14,709,299.59</u>	<u>\$14,365,098.00</u>
				Purchase Price of Acquired Obligations	<u>\$14,365,098.00</u>