

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes, and interest on the Bonds is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”) on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. 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 tax. See “Tax Matters” herein.



\$41,955,000
MASSACHUSETTS WATER RESOURCES AUTHORITY
Multi-Modal Subordinated General Revenue Refunding Bonds
2025 Series D

Dated: Date of Initial Delivery

Price 100%

CUSIP: 576051R24*

Due: August 1, 2031

The Massachusetts Water Resources Authority (the “Authority”) will issue its Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D (the “Bonds”) as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchases of the Bonds will be made in book-entry form only, in the denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof while in the Weekly Mode, and no physical delivery of the Bonds will be made to purchasers. So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds are payable to DTC by U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”). See “The Bonds - Book-Entry-Only System.”

The Bonds will be issued initially as multi-modal bonds in the Weekly Mode. In the Weekly Mode, (i) the interest rate on the Bonds will be set once each week on Tuesday, except as described herein, and will be in effect from (and including) the Wednesday of such week through (and including) the following Tuesday, and (ii) accrued interest will be payable on the first Business Day of each calendar month (commencing November 1, 2025). The interest rate for the Bonds will be determined from time to time by Goldman Sachs & Co. LLC, the Remarketing Agent for the Bonds. In the Weekly Mode, the Bonds are subject, at the option of the owner, to tender for purchase on any Business Day (with at least seven days prior notice). The Bonds also are subject to mandatory tender for purchase. The Bonds also are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein.

The Bonds are secured by an irrevocable direct pay letter of credit (the “Letter of Credit”) issued by Bank of America, N.A. (the “Bank”) to be held by the Trustee, as Tender Agent. The Letter of Credit will permit the Trustee to draw an amount sufficient to pay, as due, the principal of and up to 46 days of interest on the Bonds at the maximum rate of 12% and the Purchase Price of the Bonds tendered for purchase and not remarketed. The Letter of Credit will expire on April 21, 2028, unless sooner terminated, extended or replaced, as described herein.

The Bonds will constitute general obligations of the Authority. In addition, the Bonds will be secured by a subordinated lien on and pledge of certain revenues and other moneys of the Authority, as described herein. Neither The Commonwealth of Massachusetts (the “Commonwealth”) nor any political subdivision thereof shall be obligated to pay the principal of, or premium, if any, or interest on any Bond, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has no taxing power.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval of legality by Greenberg Traurig, LLP, Boston, Massachusetts, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, for the Underwriter by its counsel, Nutter, McClennen & Fish, LLP, Boston, Massachusetts, and for the Bank by Kutak Rock LLP, Kansas City, Missouri. Settlement of the issue is expected at DTC in New York, New York on or about October 22, 2025.

Goldman Sachs & Co. LLC

October 16, 2025

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The information set forth herein has been obtained from the Authority, DTC and other sources that are deemed to be reliable but, as to information from sources other than the Authority, it is not to be construed as a representation of the Authority. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

INFORMATION IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, THAT HAS BEEN PROVIDED BY THE CONSULTING ENGINEER, HAS BEEN INCLUDED IN RELIANCE UPON CDM SMITH INC. AS EXPERTS.

THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, CONTAINS FORECASTS, PROJECTIONS AND ESTIMATES THAT ARE BASED ON CURRENT EXPECTATIONS OR ASSUMPTIONS. IF AND WHEN INCLUDED IN THIS OFFICIAL STATEMENT, THE WORDS "EXPECTS," "FORECASTS," "PROJECTS," "INTENDS," "ANTICIPATES," "ESTIMATES," "ASSUMES" AND ANALOGOUS EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ANY SUCH STATEMENTS INHERENTLY ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE THAT HAVE BEEN PROJECTED. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, LITIGATION AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE AUTHORITY. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATE OR REVISION TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE AUTHORITY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED, SUBJECT TO ITS CONTRACTUAL OBLIGATIONS OF CONTINUING DISCLOSURE AS DESCRIBED HEREIN.

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MASSACHUSETTS WATER RESOURCES AUTHORITY

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Financial Advisor

PFM Financial Advisors LLC

Bond Counsel

Greenberg Traurig, LLP

Independent Accountants

CliftonLarsenAllen LLP

Consulting Engineer

CDM Smith Inc.

Disclosure Counsel

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

Bond Trustee

U.S. Bank Trust Company, National Association

OFFICIAL STATEMENT
of the
MASSACHUSETTS WATER RESOURCES AUTHORITY
relating to its

\$41,955,000
Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page, the inside cover pages, and Appendices, should be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in Appendix D.

INTRODUCTION

Purpose. This Official Statement provides certain information concerning the Massachusetts Water Resources Authority (the “Authority” or “MWRA”) in connection with the sale of Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D (the “Bonds”). The Bonds are to be issued under and secured by the Authority’s Amended and Restated General Revenue Bond Resolution, effective as of April 23, 2015, as amended as of July 23, 2025 (as amended and supplemented, the “General Bond Resolution”). In addition, the Bonds will be issued and secured under the Authority’s Eighty-Ninth Supplemental Resolution, approved by the Authority by resolution adopted on July 23, 2025 (the “Supplemental Resolution,” and together with the General Bond Resolution, the “General Resolution”). The Bonds will constitute valid and binding general obligations of the Authority and will be further secured by a pledge of certain revenues of the Authority in accordance with the terms of the General Resolution. See “Security for the Bonds - General,” and “- Outstanding Indebtedness and Additional Indebtedness.” Terms used, and not otherwise defined, in this Official Statement are defined in Appendix D - “Summary of Certain Provisions of the General Resolution.”

The Bonds are secured on a parity basis with all other subordinated revenue bonds issued under the General Resolution. The proceeds of the Bonds will be used (i) to repay, on the date of issuance of the Bonds, the Outstanding principal of the Authority’s Multi-Modal Subordinated General Revenue Refunding Bonds, 2012 Series E (the “Refunded Bonds”) and (ii) to pay the costs of issuing the Bonds. See “Application of Bond Proceeds.” Accrued interest on the Refunded Bonds will be paid by the Authority.

On the date of issuance of the Bonds, the Authority expects to issue three other series of Multi-Modal Subordinated General Revenue Refunding Bonds (collectively with the Bonds, the “2025 Bonds”) pursuant to the Supplemental Resolution, which 2025 Bonds will collectively refund the Authority’s Outstanding Multi-Modal Subordinated General Revenue Refunding Bonds, 2008 Series A-3, 2012 Series E, and 2018 Series D, as well as the commercial paper notes issued to refund the Authority’s Outstanding Multi-Modal Subordinated General Revenue Refunding Bonds, 2018 Series A. All series of 2025 Bonds are secured on a parity basis with all other Subordinated Bonds issued under the General Resolution. Each such series will be offered via a separate Official Statement.

The Authority. The Authority, established by the Massachusetts Water Resources Authority Act, Chapter 372 of the Acts of 1984 of The Commonwealth of Massachusetts (as amended, the “Act”), is a body politic and corporate, a public instrumentality and an independent public authority of The Commonwealth of Massachusetts (the “Commonwealth”). In 1985, the Authority assumed possession and control from the Metropolitan District Commission, a department of the Commonwealth (which became part of the Department of Conservation and Recreation in July 2003), of a water distribution system and a sewer system (collectively, the “Systems”). Pursuant to the Act, the Authority is authorized to provide wholesale services to communities located primarily in eastern Massachusetts, including most of the metropolitan Boston area. See Appendix A - “Information Statement of the Authority” for information concerning the Authority, the Systems, the Authority’s capital program, rates and charges and other revenues, and other financial and operating information of the Authority.

Book-Entry System. When delivered, the Bonds will be registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants (as hereinafter defined). Beneficial Owners of the Bonds will not receive physical delivery of certificated securities (except under certain circumstances described in the General Resolution). Payment of the principal of and interest on or the redemption price of the Bonds are payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to receive payment for any Bond will be based only upon and subject to the procedures and limitations of the DTC book-entry system.

Appendices. Attached hereto as Appendix A is the Information Statement of the Authority. Appendix B includes the Authority’s audited financial statements at June 30, 2024 and 2023 and for the Fiscal Years then ended. Attached hereto as Appendix C is the Consulting Engineer’s Financial Feasibility Report, dated October 16, 2025 (the “Consulting Engineer’s October 2025 Report”) relating to certain financial matters and projections of the Authority, including the Authority’s estimated future rates and charges for Fiscal Years 2027 through 2031, prepared by CDM Smith Inc., the Authority’s consulting engineer (the “Consulting Engineer”). Attached hereto as Appendix D is a summary of certain provisions of the General Resolution prepared by Bond Counsel to the Authority. Attached hereto as Appendix E is the proposed form of legal opinion of Bond Counsel. Attached hereto as Appendix F is a form of Reimbursement Agreement prepared by counsel to the Bank. Appendix G includes information provided by and concerning the Bank.

Documents. Copies of the General Resolution can be obtained from the Authority’s website at www.mwra.com.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is hereby made to the Bonds and the General Resolution, each in their entirety, for detailed provisions of the Bonds. The below summarizes certain terms of the Bonds while in the Weekly Mode. For definitions of certain terms and additional detailed information relating to the Bonds, see Appendix D - “Summary of Certain Provisions of the General Resolution.”

GENERAL

The Bonds will be issued in the aggregate principal amount of \$41,955,000. The Bonds will be dated as of the date of their initial delivery and will mature on August 1, 2031.

The Bonds may bear interest in any of four interest rate modes: the Daily Mode, the Weekly Mode, the Commercial Paper Mode and the Term Rate Mode. Initially the Bonds will bear interest in the Weekly Mode.

While in the Weekly Mode, the Bonds will be offered in Authorized Denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

As used herein, the Bonds term “Credit Facility” means the Letter of Credit and any Alternate Credit Facility or Alternate Liquidity Facility which may be in effect with respect to the Bonds. The term “Bank” means Bank of America, N.A. in the case of the Letter of Credit, and any issuer of an Alternate Credit Facility or Alternate Liquidity Facility. See “The Letter of Credit.”

WEEKLY INTEREST RATE

The Bonds will initially be issued in the Weekly Mode, and will bear interest at the Weekly Rate. The interest rate on the Bonds while in the Weekly Mode will be determined by Goldman Sachs & Co. LLC, acting as remarketing agent with respect to the Bonds (together with any successor in such capacity, the “Remarketing Agent”), as the minimum rate of interest that would under then existing market conditions result in the sale of the Bonds in the Weekly Mode at a price equal to the principal amount of such Bonds plus accrued interest, if any. The Remarketing Agent shall make the rate for the Bonds available by Electronic Means to the Authority, the Trustee and the Tender Agent

not later than 5:00 P.M., New York, New York time, on each Tuesday (or if such Tuesday is not a Business Day, the next succeeding day, or if such day is not a Business Day, the Business Day next preceding such Tuesday (a “Rate Determination Date”)), which rate shall be effective on the Wednesday of the same week through and including the following Tuesday.

In the event the Remarketing Agent fails to determine an interest rate for the Bonds while they are in the Weekly Mode, the interest rate for each Interest Period (the “Alternate Rate”) shall be 110% of the most recently published SIFMA Index.

Interest on the Bonds while in the Weekly Mode will be calculated on the basis of a 365-day year for the actual number of days elapsed. The determination by the Remarketing Agent of the interest rates for Bonds in the Weekly Mode shall be conclusive and binding, in the absence of manifest error, upon the Authority, the Remarketing Agent, the Tender Agent, the Trustee, the Bank, and the Owners of such Bonds. No Bonds (other than Bank Bonds) may bear interest at an interest rate higher than the Maximum Rate of 12% per annum. The Maximum Rate may be increased at the option of the Authority, subject to the approval of Bond Counsel and, if necessary, the provision of a new or increased Credit Facility or Liquidity Facility. The Maximum Rate shall never exceed the highest lawful rate as advised by counsel to the Authority.

OPTIONAL AND MANDATORY TENDER OF THE BONDS WHILE IN THE WEEKLY MODE

Optional Tender. While the Bonds are in the Weekly Mode, an Owner of a Bond may elect to have such Bond (or portions thereof equal to an Authorized Denomination) purchased, at a price equal to the Purchase Price thereof (as defined below) and on the date specified by such Owner for such purchase (the “Purchase Date”), upon delivery of an irrevocable written notice of tender to the Remarketing Agent and the Tender Agent not later than 4:00 P.M., New York, New York time, on a Business Day not less than seven days before the Purchase Date specified by the Owner. The notice shall state (i) the principal amount of such Bond (or portion thereof) to be purchased, and (ii) that such Bond shall be purchased on the Purchase Date.

The purchase price for any Bond (or Authorized Denomination thereof) optionally tendered or subject to mandatory tender for purchase as described below shall be in the principal amount thereof plus accrued interest, if any, to the date of the purchase of such Bond (the “Purchase Price”).

Mandatory Purchase Upon Expiration, Termination or Substitution of a Credit Facility. The Bonds shall be subject to mandatory tender for purchase on (a) the fifth Business Day preceding each credit facility expiration date applicable to such Bonds, which Business Day is hereinafter referred to as the “Expiration Tender Date;” (b) a Business Day not later than the fifth calendar day following receipt by the Trustee and the Tender Agent of a notice of non-reinstatement of an interest drawing under a Letter of Credit and, in any other event, the sixth Business Day preceding termination of the Letter of Credit following an Event of Default under the Reimbursement Agreement, which Business Day is hereinafter referred to as the “Termination Tender Date;” and (c) the Substitution Date. The Trustee shall provide notice of such mandatory tender at least seven days prior to the expiration tender date or the substitution date and at least five days prior to the termination tender date (or, in the case of a termination tender date following the non-reinstatement of an interest drawing under a Letter of Credit, at least three days prior thereto).

The Letter of Credit constitutes both a Credit Facility and a Liquidity Facility within the meaning of the General Resolution. For a description of the substitution of an Alternate Credit Facility or Alternate Liquidity Facility for the Letter of Credit or prior substituted Alternate Liquidity Facility, see “The Letter of Credit - Alternate Credit Facility or Alternate Liquidity Facility.”

Mandatory Purchase Upon Change in Mode. If the Authority determines to change the Mode of the Bonds to another Mode, the Bonds will be subject to mandatory tender for purchase on the effective date of such change in Mode. The Trustee shall provide at least seven days notice of such mandatory tender with respect to a change from any Short-Term Mode to any other Short-Term Mode and at least 20 days notice of such mandatory tender with respect to any other change in Mode.

REMARKETING OF BONDS

The Remarketing Agent for the Bonds shall use its best efforts to find purchasers for (i) all Bonds tendered for purchase at the election of the Owners, and (ii) all Bonds required to be purchased upon a Mode Change Date or Substitution Date, in each case at the applicable Purchase Price.

The Remarketing Agent shall notify the Tender Agent of the amount of Bonds that were remarketed. The Tender Agent, on behalf of the Trustee, shall request the Bank to purchase under the Letter of Credit (or the then applicable Alternate Credit Facility or Alternate Liquidity Facility) on the Purchase Date or the Mandatory Purchase Date, as the case may be, at the applicable Purchase Price thereof, all such Bonds tendered or deemed tendered and which the Remarketing Agent has been unable to remarket in accordance with the terms of the General Resolution.

PURCHASE OF BONDS

Funds for the payment of the Purchase Price shall be derived solely from the following sources in the following order of priority indicated: (a) immediately available funds derived from the remarketing of such Bonds; (b) amounts paid by the Bank under the Letter of Credit (or paid by any other provider of an Alternate Credit Facility or Alternate Liquidity Facility) to purchase any such Bonds which are unremarketed; and (c) in case of change of Mode to a Term Rate Mode extending to the maturity of the Bonds, when the Bonds are being remarketed at a discount to their par value, immediately available funds of the Authority not exceeding the amount of the discount. **None of the Authority, the Trustee, the Tender Agent or the Remarketing Agent shall be obligated to provide funds for the payment of the Purchase Price from any other source.** In no event shall the unavailability of an amount sufficient to fund the payment of the Purchase Price of any Bonds constitute a default or an event of default under the General Resolution.

While the Book-Entry Only System is in effect, tenders and purchases shall be made as described in “Book-Entry Only System” below and in the fourth paragraph below. The following three paragraphs apply if such Book-Entry Only System is not in effect.

The Bonds to be purchased must be delivered (with all necessary endorsements) at or before 12:00 P.M. (noon), New York, New York time, on the Purchase Date or Mandatory Purchase Date, as the case may be, at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any Bonds purchased pursuant to optional tender shall be made only if such Bonds so delivered to the Tender Agent conform in all respects to their description in the notice of tender. On or before the close of business on the Purchase Date or the Mandatory Purchase Date, as the case may be, the Tender Agent shall purchase Bonds from the Owners at the Purchase Price. Payment of the Purchase Price shall be made by the Tender Agent by wire transfer in immediately available funds, or by check mailed to any Owner of such Bonds to be purchased who has not provided, or caused to be provided, wire transfer instructions.

Any Bonds sold by the Remarketing Agent shall be delivered by such Remarketing Agent to the purchasers of those Bonds by 3:00 P.M., New York, New York time, on the Purchase Date or the Mandatory Purchase Date, as the case may be.

If any Bonds to be purchased are not delivered to the Tender Agent by 12:00 P.M. (noon) New York, New York time, on the Purchase Date or Mandatory Purchase Date, as the case may be, the Tender Agent is required to hold any funds received for the purchase of such Bonds in trust in a separate account to pay such funds to the former Owners of such Bonds upon presentation. Any such undelivered Bonds will be deemed tendered and will cease to accrue interest on the Purchase Date or the Mandatory Purchase Date, as the case may be. Any funds held by the Tender Agent for payment of any undelivered Bonds which remain unclaimed by the former Owner of such Bonds for a period of five years after delivery of such funds to the Tender Agent will, in accordance with the provisions of the Supplemental Resolution, be paid to the Authority, and thereafter such former Owner may look only to the Authority for payment.

During any period that the Bonds are registered in the name of The Depository Trust Company (“DTC”), New York, New York or a nominee thereof (i) any notice of optional tender delivered shall also (A) provide evidence

satisfactory to the Tender Agent that the party delivering the notice is the beneficial owner or a custodian for the beneficial owner of the Bonds referred to in the notice, and (B) if the beneficial owner is other than a Participant of DTC, identify the Participant through whom the beneficial owner will direct transfer; (ii) on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a Participant, cause its Participant to direct) the transfer of said Bonds on the records of DTC; and (iii) it shall not be necessary for Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC. In accepting a notice of tender, the Trustee and the Tender Agent may conclusively assume that the person providing the notice of tender is the beneficial owner of the Bonds being tendered and therefore entitled to tender them. Neither the Trustee nor the Tender Agent assumes any liability to anyone in accepting a notice of tender from a person whom it reasonably believes to be such a beneficial owner of the Bonds or, in its discretion, rejecting such tender, if it reasonably believes such person has not demonstrated its status as such a beneficial owner.

CHANGE IN MODES

In addition to the Weekly Mode, the Supplemental Resolution provides for the Bonds to be changed to (i) a Commercial Paper Mode, in which the Bonds will have subsequent interest rate periods, each of a duration of days (which shall be at least one day and no more than 270 days) set by the Remarketing Agent at the beginning of each such period, and during which they will bear interest at the rate set by the Remarketing Agent at the beginning of each such period, (ii) a Daily Mode, during which the Remarketing Agent will set the rate of interest for the Bonds on each Business Day, and (iii) a Term Rate Mode of the period (which shall be not less than 271 days) set at the commencement of such Mode, during which the Bonds will bear interest at the rate set by the Remarketing Agent at the beginning of such period.

The Supplemental Resolution provides the methods by which changes from one Mode to another shall be made, which methods include the giving of notice of such change to the Owners of the Bonds, and describes in detail the provisions of the Mode being changed to and the conditions precedent to a change in Modes. In addition, upon a change in Mode, each Owner of a Bond subject to such change shall have such Bond purchased on the effective date of such new Mode.

The Bonds may be changed from one Mode to another Mode as often as determined by the Authority. However, once changed to a Term Rate Mode which extends to the maturity date thereof, the Bonds shall remain in such Mode and not be subsequently changed to another Mode.

REDEMPTION

Mandatory Sinking Fund Redemption. The Bonds will be subject to mandatory sinking fund redemption and will be redeemed by sinking fund installments on August 1 of each of the years and in the amounts set forth in the follow table at a redemption price of par plus accrued interest to the date of redemption:

<u>Year</u>	<u>Sinking Fund Installment</u>
2026	\$5,905,000
2027	8,055,000
2028	8,085,000
2029	7,615,000
2030	5,415,000
2031	6,880,000

Optional Redemption. The Bonds will be subject to optional redemption prior to maturity in whole or in part on any Business Day, at the option of the Authority and in such order of sinking fund installments as may be determined by the Authority, at a redemption price of par plus accrued interest to the date of redemption.

Notice of Redemption and Other Notices. So long as DTC or its nominee is the Bondholder, the Authority and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants (hereinafter defined), by Direct Participants to Indirect Participants (hereinafter defined), and by Direct Participants and Indirect Participants to

Beneficial Owners (hereinafter defined) will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Trustee shall give notice of redemption to the Bondholders at least once and not less than seven (7) days prior to the date fixed for redemption. Failure to mail notice to a particular Bondholder, or any defect in the notice to such Bondholder, shall not affect the redemption of any other Bond. So long as DTC or its nominee is the Bondholder, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Direct Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption.

Notice of optional redemption of any Bonds may and, if the Authority shall so instruct the Trustee, shall be given conditionally. If and to the extent that any conditions specified or referred to in a notice of redemption are not satisfied on or prior to the proposed redemption date and, if not satisfied, are not waived by the Authority, then such Bonds shall not be redeemed pursuant to such notice and shall remain outstanding in accordance with their terms.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 the Bonds, each in the aggregate principal amount of such maturity, and 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.

Purchases of 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 the Bonds ("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 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 affect 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 the Bonds within a maturity are 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Authority 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 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 Authority or the Trustee, on 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 (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information contained in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof. None of the Authority, the Trustee or the Underwriter will have any responsibility or obligation to the Direct Participants, to the Indirect Participants, or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) any notice that is permitted or required to be given to the Bondholders under the General Resolution; (iii) the selection by DTC or any Direct Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (iv) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal or interest due with respect to the Bonds; (v) any consent given or other action taken by DTC as the owner of the Bonds; or (vi) any other matter.

EXCHANGE AND TRANSFER

If for any reason the Book-Entry-Only System is discontinued, the Bonds will be exchangeable and transferable on the registration books of the Authority maintained at the designated corporate trust office of the Trustee in Authorized Denominations. Upon presentation and surrender of any Bond for transfer or exchange, the Trustee will authenticate and deliver in the name of the designated transferee or transferees or the registered owner, as appropriate, one or more new fully registered Bonds of the same series and maturity in any Authorized Denomination or Denominations. For every exchange or transfer of Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. The Authority shall not be obligated to make any transfer or exchange of any Bonds during the 15-day period preceding an interest or principal payment date. Neither the Authority nor the Trustee shall be required to transfer or exchange the Bonds for a period of 15 days next preceding the mailing of any notice of redemption or to transfer or exchange any Bond called for redemption.

LETTER OF CREDIT

GENERAL

Upon delivery of the Bonds, the Bank will deliver to the Tender Agent the Letter of Credit. The Letter of Credit will be issued in the initial stated amount of \$42,589,498 and will provide that the Tender Agent may draw (i) an amount not exceeding \$41,955,000 to pay in full the principal amount of the Bonds as and when due or the principal portion of the Purchase Price of the Bonds tendered for optional or mandatory purchase, plus (ii) an amount not exceeding \$634,498 (equal to 46 days of interest on said principal amount of the Bonds calculated at the rate of 12% per annum) to pay interest on the Bonds when due or to pay the interest portion of the Purchase Price of the Bonds tendered for optional or mandatory purchase.

The Tender Agent shall take such actions as may be necessary to obtain funds under the Letter of Credit to pay the purchase price, including accrued interest, if any, of Bonds then subject to purchase pursuant to the provisions of the Supplemental Resolution at the times, on the dates, to the extent, and in the manner, provided by the Supplemental Resolution and deposit the proceeds of such drawing in the applicable sub-account of the Liquidity Facility Proceeds Account established within the Bond Purchase Fund pending application of such moneys to the payment of the purchase price of such Bonds. The Tender Agent shall take such actions as may be necessary to obtain funds under the Letter of Credit to pay the principal of and interest on the Bonds when due in accordance with the provisions of the Supplemental Resolution and deposit the proceeds of such drawings in the applicable sub-account of the 2025 Series D Principal and Interest Subaccount or the 2025 Series D Redemption Subaccount, as applicable. In connection with the termination or expiration of the term of the Credit Facility requiring mandatory purchase of Bonds, the Tender Agent shall give the notice of mandatory tender for purchase of the Bonds.

ALTERNATE CREDIT FACILITY OR ALTERNATE LIQUIDITY FACILITY

The Authority may provide for the delivery to the Trustee of an Alternate Credit Facility or Alternate Liquidity Facility with respect to the Bonds. On or prior to the date of the delivery of an Alternate Credit Facility or Alternate Liquidity Facility to the Trustee, the Authority shall furnish to the Trustee an unqualified opinion of Bond Counsel to the effect that such substitution is permitted under the Act and the General Resolution and will not impair the exempt status of interest on the Bonds for purposes of federal income taxation or Massachusetts personal income taxation.

If at any time there shall have been delivered to the Trustee (i) an Alternate Credit Facility or an Alternate Liquidity Facility in substitution for the Letter of Credit, (ii) a Favorable Opinion of Bond Counsel, and (iii) written evidence that the Bank is satisfied with the provision for purchase from the Bank of all Bank Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due it under the Letter of Credit on or before the effective date of such Alternate Credit Facility or Alternate Liquidity Facility, then the Trustee shall accept such Alternate Credit Facility or Alternate Liquidity Facility and shall surrender the Letter of Credit to the Bank on the effective date of the Alternate Credit Facility or Alternate Liquidity Facility. The Authority shall give the Trustee, the Tender Agent and the Bank written notice, indicating the proposed effective date of the Alternate Credit Facility or Alternate Liquidity Facility, of the proposed substitution of an Alternate Credit Facility or

Alternate Liquidity Facility for the Letter of Credit no less than thirty (30) calendar days prior to the proposed effective date. The Trustee shall mail to the Owners of the Bonds, at least seven (7) calendar days prior to the proposed effective date of such Alternate Credit Facility or Alternate Liquidity Facility, a notice of the mandatory tender.

APPLICATION OF BOND PROCEEDS

The proceeds of the Bonds are expected to be applied on the date of issue of the Bonds in the estimated amounts as follows (rounded to the nearest dollar):

Refunding the Refunded Bonds.....	\$41,732,500
Costs of Issuance*	<u>222,500</u>
TOTAL	\$41,955,000

*Includes Underwriter's discount.

SECURITY FOR THE BONDS

GENERAL

The following summary of the security for the Bonds is qualified in its entirety and reference is hereby made to Appendix D hereto and to the General Resolution, which set forth in further detail provisions relating to the security for the Bonds. For definitions of certain capitalized terms used but not defined herein, see Appendix D - "Summary of Certain Provisions of the General Resolution."

The Bonds constitute valid and binding general obligations of the Authority and the full faith and credit of the Authority is pledged to the payment of the principal and redemption price of and interest on the Bonds. The Authority is subject to suit, but its property is not generally subject to attachment or levy by execution to satisfy a judgment on the Bonds. The Authority has no taxing power.

Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal of or premium or interest on any Bond, and neither the faith and credit nor taxing power of the Commonwealth or of any political subdivision thereof is pledged to such payment.

The General Resolution provides for the issuance of senior revenue bonds and subordinated revenue bonds thereunder. The Authority may issue additional bonds on a parity with the senior revenue bonds issued to date (collectively, the "Senior Bonds") upon the satisfaction of certain conditions. See "Security for the Bonds - Outstanding and Additional Indebtedness," and Appendix D - "Summary of Certain Provisions of the General Resolution - Additional Indebtedness," "- Conditions Precedent to Delivery of a Series of Bonds," and "Conditions Precedent to Delivery of a Series of Parity or Senior Secured Bonds." All Senior Bonds are equally and ratably secured under the provisions of the General Resolution and by the Funds and Accounts established thereunder, and all Senior Bonds will be senior to the Bonds and other Subordinated Bonds.

The General Resolution also permits the issuance of Subordinated Bonds which are referred to herein, together with the Senior Bonds, as "Secured Bonds." The Bonds are Subordinated Bonds. Subordinated Bonds are secured by a pledge of the Revenues of the Authority subordinate to the pledge securing Senior Bonds (only the interest on commercial paper notes, which constitute Subordinated Bonds, is secured by the subordinated lien on Revenues). In the event of any Event of Default under the General Resolution, so long as there are any Senior Bonds Outstanding, directions to the Trustee with respect to remedies shall be given by a majority of the holders of the Outstanding Senior Bonds, excluding the holders of the Subordinated Bonds. See Appendix D - "Summary of Certain Provisions of the General Resolution - Events of Default," "- Proceedings Brought by Trustee," and "-Restrictions on Action by Holders of Secured Bonds."

The Act limits the total amount of the Authority's unrefunded bonds and notes that may be Outstanding at any time. See Appendix A - "Information Statement of the Authority - Financial Operations - Debt Limitation." For

a table showing the debt service on Outstanding Secured Bonds, see Appendix A - "Information Statement of the Authority - Financial Operations - Outstanding and Proposed Indebtedness."

SUBORDINATED NET REVENUE PLEDGE

In the General Resolution, the Authority pledges as security for Senior Bonds, (i) its Revenues, (ii) all moneys or securities held in any Fund or Account established under the General Resolution (except the Operating Fund, the Note Payment Fund, the Rebate Fund and any Subordinated Debt Service Reserve Fund) together with all investment earnings thereon (except to the extent such earnings are required to be deposited into the Rebate Fund), and (iii) all other moneys and securities to be received by the Authority or by any Fiduciary pursuant to the General Resolution. In the General Resolution, the Authority further pledges as security for the Bonds and other Subordinated Bonds the property described in clauses (i) through (iii) of the preceding sentence (except monies or securities in the Debt Service Fund and the Debt Service Reserve Fund), subject to the prior pledge for the payment of Senior Bonds described in the preceding sentence. Such pledges are subject to the provisions of the General Resolution regarding the application of Revenues and the other moneys pledged as security for Secured Bonds. For the definition of Revenues see Appendix D - "Summary of Certain Provisions of the General Resolution."

The General Resolution provides that the Authority shall promptly cause all Revenues received to be deposited in the Revenue Fund held by the Trustee and that prior to application to the Debt Service Fund, the Subordinated Debt Service Fund and the other Funds and Accounts established under the General Resolution, the Revenues on deposit in the Revenue Fund are to be applied to the Authority's expenses of maintaining, repairing and operating the Systems and engaging in other activities authorized by the Act.

The General Resolution provides that the funds on deposit in the Revenue Fund be transferred by the Trustee on the last Business Day of each month to the following funds and accounts in the following order:

First, to the Operating Fund, an amount necessary to make the amount on deposit therein equal to the Operating Expenses for the next succeeding three months as shown in the Operating Budget of the Authority on file with the Trustee.

Second, to the Debt Service Fund, the amounts necessary on a pro rata basis (i) to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate assumed in calculating the amount required for a prior deposit pursuant to the General Resolution, (ii) to increase the amount on deposit in each Subaccount of the Interest Account to equal interest included in Adjusted Debt Service next coming due on Outstanding Senior Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month after taking into account any available moneys in the corresponding Subaccount of the Capitalized Interest Account, (iii) to increase the amount on deposit in each Subaccount of the Principal Account to equal that portion of the Principal Installment included in Adjusted Debt Service next coming due (within 12 months) on Outstanding Senior Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month, (iv) to increase the amount on deposit in each Subaccount of the Redemption Account to equal the Redemption Price of Outstanding Senior Bonds of the applicable Series then called for redemption (other than Sinking Fund Installments) as of any date on or prior to the last day of the next succeeding month, and (v) on a pro rata basis to each Subaccount of the Interest Account established with respect to regularly scheduled payments under interest rate swap agreements or other hedge agreements ("regularly scheduled swap payments") relating to a Series of Senior Bonds, the amount (if any) necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the regularly scheduled swap payments next coming due with respect to such Series of Senior Bonds accrued and unpaid and to accrue to and including the last day of the next succeeding month.

Third, to the Subordinated Debt Service Fund, the amounts with respect to Subordinated Bonds determined in the same manner as the amounts in the Debt Service Fund described in the preceding paragraph with respect to Senior Bonds.

Fourth, to the Debt Service Reserve Fund, to the Common Account therein one-twelfth of the amount, if any, necessary to increase the amount on deposit in such Account, determined as of the first day of the Fiscal Year, to an amount equal to the Debt Service Reserve Fund Requirement (provided that no such deposit shall be required in a Fiscal Year following the funding of the Common Account in connection with the issuance of a Series of Senior Bonds), and (ii) the deposit required by any Supplemental Resolution to any Special Account.

Fifth, to the Subordinated Debt Service Reserve Fund, (i) an amount necessary to increase the amount on deposit in each Series Subaccount of the Common Account to equal the level required by any Supplemental Resolution, and (ii) the deposit required by any Supplemental Resolution to any Special Account.

Sixth, to the Commonwealth Obligation Fund, an amount equal to the amount of Commonwealth Obligations payable during the next succeeding month.

Seventh, to the Rebate Fund, the amount of the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Resolution.

Each fund and account must be funded from Revenues to the amount required under the General Resolution before Revenues are transferred to funds and accounts lower in the flow of funds.

On each December 31 and June 30 or, if such day is not a Business Day, on the next preceding Business Day, the Trustee is required under the General Resolution to transfer funds in the Revenue Fund to the Operating Reserve Fund, the Insurance Reserve Fund, the Renewal and Replacement Reserve Fund and the Water Pollution Abatement Fund in the amounts specified in the General Resolution, then to the Revolving Fund, as directed by the Authority, and the remainder to the General Fund except to the extent that the Authority directs that the remainder be retained in the Revenue Fund.

See Appendix D - "Summary of Certain Provisions of the General Resolution - Flow of Funds from the Revenue Fund" for a more detailed explanation of the flow of funds.

COVERAGE COVENANTS

Under the Act and the General Resolution, the Authority is required to meet the following three covenants with respect to Rates and Charges (collectively, the "Coverage Covenants").

Rate Covenant. Pursuant to the General Resolution, and as required by the Act, the Authority covenants that for each Fiscal Year it will maintain Revenues sufficient to pay Current Expenses, debt service on Indebtedness, required deposits to reserves, costs of maintenance, replacement or improvement of the Systems to be funded as Current Expenses, and all amounts which the Authority may be obligated to pay by any law or contract (the "Rate Covenant").

Coverage Ratio Covenants. In addition to the Rate Covenant, the Authority is required under the General Resolution to fix and adjust Rates and Charges sufficient to provide Revenues Available for Bond Debt Service in each Fiscal Year in an amount (i) at least equal to debt service for such Fiscal Year on all Outstanding Senior Bonds multiplied by the Primary Bond Coverage Ratio of 1.2 (the "Primary Bond Coverage Requirement"), and (ii) so long as any Parity Subordinated Bonds shall be Outstanding, for any 12-month period, at least equal to debt service during such 12-month period on all Outstanding Senior Bonds plus debt service during such 12-month period on all Outstanding Parity Subordinated Bonds multiplied by 1.1 (the "Secured Bond Coverage Ratio").

The Primary Bond Coverage Ratio may be adjusted by the Authority provided that such adjustment will not adversely affect the then current ratings, if any, assigned to any Series of Outstanding Secured Bonds by each Rating Agency. In any event, the Primary Bond Coverage Ratio shall not be less than 1.1. See Appendix D - "Summary of Certain Provisions of the General Resolution."

In addition, the Authority may provide for additional subordinated bond coverage requirements in supplemental resolutions authorizing the issuance of Subordinated Bonds (“Subordinated Bond Coverage Requirements”). In such event, the Authority also shall fix and adjust Rates and Charges sufficient to provide Revenues Available for Subordinated Debt Service in each Fiscal Year at least equal to the Subordinated Bond Coverage Requirement. At this time, there is no Subordinated Bond Coverage Requirement in effect in addition to the coverage requirements described in the preceding two paragraphs.

Covenant as to Establishment of Rates; Failure to Comply with Covenants. Under the General Resolution, the Authority covenants to adopt its Rates and Charges strictly in accordance with the Act as in effect on the original effective date of the General Revenue Bond Resolution (*i.e.*, January 24, 1990), which establishment shall be conclusive and final and not subject to supervision or regulation by the Commonwealth or any of its political subdivisions, at a level sufficient to satisfy the Coverage Covenants.

If in any Fiscal Year the Authority shall not comply with the Coverage Covenants, then the Authority shall not be deemed to be in default under the General Resolution so long as it shall specify to the Trustee the corrective steps that it has taken to ensure compliance with the Coverage Covenants for the then current Fiscal Year; retain the Consulting Engineer or a Rate Consultant to review the adequacy of the Authority’s charges with respect to the Systems and to recommend changes necessary for the Authority to be in compliance with the Coverage Covenants; and use its best efforts to effect such changes as recommended by the Consulting Engineer or Rate Consultant. See Appendix D - “Summary of Certain Provisions of the General Resolution - Covenants of the Authority - Covenant as to Rates and Charges; Debt Service Coverage Ratio.”

Operating Reserve Fund and Rate Stabilization Fund Transfers. The Authority may include moneys transferred from the Operating Reserve Fund and the Rate Stabilization Fund as Revenues Available for Bond Debt Service in meeting the Coverage Covenants, subject to certain limitations. See the definition of “Revenues Available for Bond Debt Service,” “Operating Reserve Fund,” and “Rate Stabilization Fund” in Appendix D - “Summary of Certain Provisions of the General Resolution.”

DEBT SERVICE RESERVE FUND

The General Resolution establishes a Debt Service Reserve Fund to be funded in an amount that equals the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Requirement is an amount, calculated as of the first day in each Fiscal Year or the date of issuance of a Series of Senior Bonds, equal to the least of (i) 50% of the maximum amount of Adjusted Debt Service due in any succeeding Fiscal Year on all Senior Bonds Outstanding on such date, (ii) 10% of the original net proceeds of such Senior Bonds, (iii) 125% of the average annual Debt Service on such Senior Bonds, or (iv) the maximum amount of Debt Service due on such Senior Bonds in any succeeding Fiscal Year. See Appendix D - “Summary of Certain Provisions of the General Resolution.”

Moneys in the Debt Service Reserve Fund are available for the payment of principal of and premium and interest on all Senior Bonds, but not Subordinated Bonds, equally and ratably. See Appendix A - “Information Statement of the Authority - Financial Operations - Outstanding and Proposed Indebtedness” for a table setting forth the debt service requirements on the Authority’s Outstanding Senior Bonds and Subordinated Bonds prior to the issuance of the Bonds. In the event that moneys are withdrawn from the Debt Service Reserve Fund, such withdrawal shall be replenished as nearly as practicable in 12 equal monthly installments commencing in the Fiscal Year following such withdrawal. See Appendix D - “Summary of Certain Provisions of the General Resolution - Flow of Funds from the Revenue Fund.”

OTHER RESERVES

The General Resolution also establishes an Operating Reserve Fund, an Insurance Reserve Fund and a Renewal and Replacement Reserve Fund. The annual requirement for each such reserve is funded in two installments on each December 31 and June 30. Under certain circumstances, moneys on deposit in each of these reserves are available to pay debt service on Secured Bonds. Additionally, other reserves and funds established under the General Resolution are generally available, with certain exceptions, to pay debt service on Secured Bonds in the event Revenues are insufficient. See Appendix D - “Summary of Certain Provisions of the General Resolution - Debt Service

Fund,” “- Subordinated Debt Service Fund,” “- Priority of Funds in the Event of Debt Service Fund Shortfall,” and “- Priority of Funds in the Event of Subordinated Debt Service Fund Shortfall.”

Operating Reserve Fund. The Operating Reserve Fund is funded from Revenues in the amount of the Operating Reserve Fund Requirement which must be at least one-sixth of the annual Operating Expenses set forth in the Operating Budget. Moneys in the Operating Reserve Fund may be transferred to the Operating Fund for the payment of Operating Expenses upon delivery of a Certificate of an Authorized Representative of the Authority. See Appendix C - “Summary of Certain Provisions of the General Resolution - Operating Reserve Fund.”

Insurance Reserve Fund. The Insurance Reserve Fund is funded from Revenues in the amount of the Insurance Reserve Fund Requirement. Moneys in the Insurance Reserve Fund may be applied by the Authority in the same manner as insurance proceeds, as provided in the General Resolution. See Appendix D - “Summary of Certain Provisions of the General Resolution - Insurance Reserve Fund.”

Renewal and Replacement Reserve Fund. The Renewal and Replacement Reserve Fund is funded from Revenues in the amount of the Renewal and Replacement Reserve Fund Requirement. Moneys in the Renewal and Replacement Reserve Fund may be applied to fund emergency repairs and replacements and other expenditures for repairs and replacements not provided for in the Operating Budget and the Capital Budget. See Appendix D - “Summary of Certain Provisions of the General Resolution - Renewal and Replacement Reserve Fund.”

The adequacy of each of the Operating Reserve Fund Requirement, the Insurance Reserve Fund Requirement and the Renewal and Replacement Reserve Fund Requirement is reviewed annually by the Authority. The adequacy of Operating Reserve Fund Requirement and the Renewal and Replacement Reserve Fund Requirement also is reviewed every third year by the Consulting Engineer and the adequacy of the Insurance Reserve Fund Requirement is reviewed every third year by the Consulting Engineer or an insurance consultant. The adequacy of the funding requirements has been confirmed for the Insurance Reserve Fund by the Authority’s insurance consultant in a report dated February 2023, and for the Operating Reserve Fund and the Renewal and Replacement Reserve Fund by the Consulting Engineer in its most recent triennial report dated October 2023 with respect to the Systems, prepared and delivered in accordance with the General Resolution.

See Appendix D - “Summary of Certain Provisions of the General Resolution.”

OUTSTANDING AND ADDITIONAL INDEBTEDNESS

The Authority has outstanding multiple series of Secured Bonds, aggregating approximately \$3.8 billion principal amount, as of October 1, 2025, which are secured under the General Resolution senior to or on parity with the Bonds. See Appendix A - “Information Statement of the Authority - Financial Operations - Outstanding and Proposed Indebtedness.” In addition, the Authority expects to continue to issue Secured Bonds and other indebtedness in the future, pursuant to the provisions of the General Resolution.

The General Resolution contains certain conditions precedent to the issuance of additional Senior Bonds, among them that the Authority shall have met its Primary Bond Coverage Ratio Covenant for the most recent period of 12 consecutive months for which data is available and that the Consulting Engineer shall certify that for the Fiscal Year of issuance and the Fiscal Year thereafter either (i) projected Revenues Available for Bond Debt Service will be sufficient to satisfy the Primary Bond Coverage Ratio Covenant (taking into account the Series of Senior Bonds to be issued and any other Series of Senior Bonds to be issued in such Fiscal Year), or (ii) projected Revenues Available for Bond Debt Service, including only increases in Rates and Charges then approved and including increases in Operating Expenses to the extent required by the General Resolution, will be sufficient to pay debt service on all Bonds (taking into account the Series of Senior Bonds to be issued) and certain required reserve deposits. The foregoing requirements need not be met for Senior Bonds issued to refund other Senior Bonds so long as debt service is not increased in any Fiscal Year and the latest maturity date of Secured Bonds is not extended. The General Resolution requires that upon the issuance of Bonds, for refunding purposes or otherwise, the Debt Service Reserve Fund (which secures Senior Bonds but not Subordinated Bonds) be fully funded to its applicable requirement.

The General Resolution provides certain conditions precedent to the issuance of Subordinated Bonds that are similar to the conditions required in connection with the issuance of additional Senior Bonds.

The General Resolution also permits the Authority to issue other Indebtedness including, but not limited to, revenue, grant and bond anticipation notes, Indebtedness secured by the General Fund and certain non-recourse Indebtedness.

See Appendix D - “Summary of Certain Provisions of the General Resolution - Additional Indebtedness,” “- Conditions Precedent to Delivery of a Series of Bonds,” and “- Conditions Precedent to Delivery of a Series of Parity or Senior Secured Bonds.”

PROPOSED MODIFICATIONS TO THE GENERAL RESOLUTION

The General Bond Resolution provides that it may be amended by the Authority subject to certain conditions. With certain exceptions, an amendment of the General Bond Resolution requires the consent of the holders of at least 51% of the aggregate outstanding principal amount of the Series of Secured Bonds that would be affected by such amendment, measured at the time such amendment becomes effective. Principal exceptions include the following: (i) certain specified amendments may be made by the Authority acting alone or by the Authority with the consent of the Trustee, (ii) no amendment of the General Bond Resolution may permit a reduction of principal or Redemption Price of or a change in the terms of redemption, maturity of principal or resolution of principal or Redemption Price of any Secured Bond, a reduction of the interest rate on any Secured Bond, or a change in the terms of redemption or maturity of principal of any installment of interest on any Secured Bond, in each case without the consent of the holder of such Secured Bond, (iii) no amendment of the General Bond Resolution may reduce the percentages or otherwise affect the classes of Secured Bonds required to consent to modifications to the General Bond Resolution without the consent of the holders of all the Secured Bonds, and (iv) no amendment of the General Bond Resolution may change or modify any of the rights or obligations of the Trustee unless the Trustee assents thereto. For a more complete description of the amendment provisions of the General Bond Resolution, see Appendix D - “Summary of Certain Provisions of the General Resolution - Supplemental Resolutions” and “- Amendments.” In addition, certain modifications to the General Bond Resolution may also be subject to consent by other financial institutions, such as credit enhancers and liquidity providers, pursuant to the terms of contracts between such financial institutions and the Authority.

In the resolution authorizing the Bonds, the Authority approved a modification to the General Resolution amending the definition of the term “Credit Facility” to eliminate the requirement that the issuer of a Credit Facility be required to have a senior long-term rating in one of the two highest rating categories. Such modification will be effective with respect to the Bonds upon the issuance thereof, and will be effective with respect to other Subordinate Bonds and Senior Bonds if and when the requisite consents have been obtained.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the Authority must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The Authority’s failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Authority will covenant to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain representations and certifications of the Authority and continuing compliance by the Authority with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds, (iii) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the Bonds generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these and any other tax consequences.

Bond Counsel also is of the opinion that, under existing law, interest on the Bonds and any profit on the sale of the Bonds are exempt from Massachusetts personal income taxes and that 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 of the Bonds 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 certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in the United States Congress or in the Massachusetts legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the

Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

On the date of delivery of the Bonds, Bond Counsel will issue an opinion substantially in the form attached hereto as Appendix E - "Proposed Form of Opinion of Bond Counsel."

FINANCIAL ADVISOR

PFM Financial Advisors LLC ("PFM") serves as financial advisor to the Authority for debt management and other financial matters. PFM has acted as independent financial advisor to the Authority with respect to the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

FINANCIAL STATEMENTS

CliftonLarsenAllen LLP, the Authority's independent auditor, has not been engaged to perform and has not performed, since the date of its report referenced therein, any procedures on the financial statements of the Authority at June 30, 2024 and 2023, and for the Fiscal Years then ended, included in Appendix B to this Official Statement. CliftonLarsenAllen LLP also has not performed any procedures relating to this Official Statement or the Bonds.

CONSULTING ENGINEER

CDM Smith Inc. serves as the Authority's engineering consultant. The Consulting Engineer's Triennial Report provides an independent engineering analysis of the Authority's Systems and a financial feasibility analysis of the Authority's current operations and CIP. The most recent triennial report, the 2023 Triennial Report, was completed in October 2023 and is available through EMMA. See Appendix A - "Information Statement of the Authority - Financial Operations - Reports." Attached hereto as Appendix C is the Consulting Engineer's October 2025 Report.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Greenberg Traurig, LLP, Boston, Massachusetts, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, for the Underwriter by its counsel, Nutter, McClennen & Fish, LLP, Boston, Massachusetts, and for the Bank by Kutak Rock LLP, Kansas City, Missouri.

RATINGS

The Bonds have been assigned long-term ratings of "AA" by Fitch Ratings, Inc. ("Fitch"), 33 Whitehall Street, New York, New York, and "Aa1" by Moody's Investors Service, Inc. ("Moody's"), 7 World Trade Center, New York, New York. The Bonds have been assigned short-term ratings of "F1+" by Fitch and "VMIG 1" by Moody's. The Authority has applied for long-term and short-term ratings on the Bonds from S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York, notice of which ratings will be posted on EMMA, following receipt thereof.

The ratings express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from the rating agency furnishing the same. 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.

UNDERWRITING

Goldman Sachs & Co. LLC, as the Underwriter, has agreed, subject to certain conditions set forth in a bond purchase agreement to be entered into by the Authority and the Underwriter, to purchase from the Authority the Bonds at an aggregate purchase price of \$ \$41,913,267 (which represents the par amount of Bonds less an Underwriter's discount of \$41,733). The Underwriter will be obligated to purchase all Bonds if any such Bonds are purchased. The Underwriter 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 pages hereof. The principal offering prices (or yields) set forth on the inside cover pages hereof may be changed from time to time after the initial offering by the Underwriter. The obligation of the Underwriter 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 Underwriter and its 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. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its 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 Authority.

The Underwriter and its 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.

Goldman Sachs & Co. LLC also will serve as Remarketing Agent for the Bonds.

CERTAIN CONSIDERATIONS RELATING TO REMARKETING THE BONDS

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject to the terms of the Remarketing Agreement). The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for Its Own Accounts. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own accounts. The Remarketing Agent, in its sole discretion, routinely acquires tendered bonds for its own inventory in order to achieve a successful remarketing of the bonds (i.e., because there are otherwise not enough buyers to purchase the bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase bonds, including the Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. If the Remarketing Agent purchases Bonds for its own accounts, it may offer those Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any, on and as of the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own accounts). The Remarketing Agreement requires that the Remarketing Agent use its best effort to sell tendered bonds at par, plus accrued interest. There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par, and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own accounts, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

Under certain circumstances, the Bank may fail to purchase tendered Bonds even when they are obligated to do so. In such case, tendered Bonds would be returned to the holders thereof and bear interest at 110% of the SIFMA Index from the date of such failed purchase until such Bonds can be remarketed. It is not certain that following a failure to purchase Bonds a secondary market for the Bonds will develop.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

CONTINUING DISCLOSURE

General. The Authority has undertaken for the benefit of the owners of the Bonds to provide certain continuing disclosure pursuant to the provision of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the “Rule”). Specifically, the Authority and U.S. Bank Trust Company, National Association, as successor Dissemination Agent (the “Dissemination Agent”) are parties to a Continuing Disclosure Agreement dated November 21, 1995 (the “CDA”) (as supplemented, the “Continuing Disclosure Agreement”), for the benefit of the owners of all bonds (including the Bonds) issued by or on behalf of the Authority that are designated by resolution of the Authority as subject to and having the benefits of the Continuing Disclosure Agreement. During the prior five years, certain notices regarding changes in ratings of certain Subordinated Bonds were not filed with respect to short-term rating changes on such Subordinated Bonds due to changes in the rating of the applicable liquidity providers, and a notice of incurrence of a financial obligation was filed late.

Annual Filings. Pursuant to the Continuing Disclosure Agreement, not later than January 1 of each year, commencing January 1, 1998, the Authority will, or will cause the Dissemination Agent to, provide an Annual Filing (as described below) to each nationally recognized municipal securities information repository (the “National Repositories”), which currently consists of the Municipal Securities Rulemaking Board (the “MSRB”) through EMMA, and any public or private repository or entity designated by the Commonwealth as a state information depository for the purpose of the Rule (a “State Depository” and, collectively with the National Repositories, the “Repositories”). 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 Continuing Disclosure Agreement. If the Dissemination Agent determines that the Authority has failed to comply with the undertaking regarding the Annual Filing, the Dissemination Agent will send a notice to that effect in a timely manner to the MSRB and the State Depository, if any.

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

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

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

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

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

Reporting of Listed Events. Pursuant to the Continuing Disclosure Agreement, whenever the Authority obtains knowledge of the occurrence of any of the following events with respect to the Bonds (each a "Listed Event"), the Authority will promptly notify the Dissemination Agent. The Dissemination Agent shall file a notice of such occurrence in a timely manner not in excess of ten Business Days after the occurrence of the event with the MSRB and the State Depository, if any.

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. Receipt by the Authority of an adverse tax opinion, the issuance by the IRS 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 the occurrence of other material events affecting the tax status of the Bonds.
7. Modifications to rights of any owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasance of the Bonds or any portion thereof.
10. Release, substitution or sale of property securing repayment of any Bonds, if material.
11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar proceeding of the Authority.*
13. The consummation of a merger, consolidation or acquisition involving the Authority or the sale of substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. The appointment of a successor or additional trustee, or the change of name of a trustee, if material.
15. The incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect Bondowners, if material.*
16. A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.†

Termination of Reporting Obligation. The Authority's and Dissemination Agent's obligations under the Continuing Disclosure Agreement will terminate upon the defeasance, prior redemption or payment in full of all of the bonds (including the Bonds) designated as subject to the agreement.

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

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

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

* For the purposes of the event identified in item 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other 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 the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or 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 the obligated person.

† For purposes of the events identified as items 15 and 16 above, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Disclosure Agreement shall be an action to compel performance of the defaulting party's obligations thereunder and not for money damages in any amount.

BONDS AS LEGAL INVESTMENTS

Under Section 14 of the Act, bonds and notes of the Authority are made securities in which all public officers and agencies of the Commonwealth and its political subdivisions, all insurance companies, trust companies in their commercial departments, savings banks, cooperative banks, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly invest funds, including capital in their control or belonging to them.

BONDS AS SECURITY FOR DEPOSIT

Under Section 14 of the Act, bonds and notes of the Authority are made securities that may properly be deposited with and received by any state or municipal officer of any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

MISCELLANEOUS

The summaries or descriptions herein of provisions of the Act, the Bonds, the Letter of Credit, the General Resolution and the Continuing Disclosure Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

The execution and delivery of this Official Statement have been duly authorized by the Massachusetts Water Resources Authority.

MASSACHUSETTS WATER RESOURCES AUTHORITY

By: /s/ Frederick A. Laskey
Executive Director

By: /s/ Thomas J. Durkin
Director of Finance

October 16, 2025

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INFORMATION STATEMENT

OF THE

MASSACHUSETTS WATER RESOURCES AUTHORITY

OCTOBER 16, 2025

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MASSACHUSETTS WATER RESOURCES AUTHORITY

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Paul E. Flanagan
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Frederick A. Laskey, *Executive Director*

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This Information Statement provides certain information concerning the Massachusetts Water Resources Authority (the “Authority” or “MWRA”) in connection with the issuance by the Authority of its Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series C, 2025 Series D, 2025 Series E, and 2025 Series F (the “2025 Bonds”). Capital terms not defined in this Appendix A are used as defined in the Official Statement to which it is appended.

THE AUTHORITY AND ITS SERVICE AREAS

PURPOSES AND POWERS

The Massachusetts Water Resources Authority (the “Authority” or “MWRA”) was established by the Massachusetts Water Resources Authority Act, Chapter 372 of the Acts of 1984 of The Commonwealth of Massachusetts (as amended, the “Act”), is a body politic and corporate, a public instrumentality and an independent public authority of The Commonwealth of Massachusetts (the “Commonwealth”). In 1985, the Authority assumed possession and control from the Metropolitan District Commission, a department of the Commonwealth (the “MDC”) (which became part of the Department of Conservation and Recreation (the “DCR”) in July 2003), of a water distribution system (the “Waterworks System”) and a sewer system (the “Sewer System”, and together with the Waterworks System, the “Systems”). Pursuant to the Act, the Authority has several main objectives: to construct and maintain sewage treatment facilities which ensure that the Sewer System’s wastewater discharges meet federal and state pollution control requirements; to maintain, operate and improve an adequate water supply distribution system and provide water in conformance with all applicable state and federal regulations; to establish programs for leak detection and reduction of infiltration and inflow within its service areas; to repair, replace, rehabilitate and extend the Systems and to finance the capital and operating expenses arising from their operations on a self-sustaining basis; to provide professional management and Systems-wide planning; and to establish and administer charges on a basis that will foster the conservation of water and improve the quality of the environment.

The Authority owns all personal property constituting the Systems. Real property, including all watersheds, reservoirs and other water rights relating to the Systems (the “DCR Watershed System”), is owned by the Commonwealth and administered by the DCR. Under the Act, the Authority has an exclusive right to utilize such quantities of water as may be safely yielded from the DCR Watershed System that are necessary to provide the Authority’s water supply. See “The Systems.”

Under the Act, the Authority may: issue revenue bonds and notes (subject to the debt limitation contained in the Act) (see “Financial Operations - Debt Limitation”); hire personnel and engage consultants and other experts; adopt budgets for its operations and capital improvement programs and establish, after it has held public hearings, rates and charges for its services; expand the service areas of the Waterworks System and the Sewer System subject to certain approvals and other conditions (see “The Systems”); acquire property by purchase, lease or, under certain limitations, eminent domain (other than water and water rights) and lease, sell, transfer or otherwise encumber its property (subject to legal restraints on the disposition of certain public property); and establish rates and charges for its services and commodities without supervision by other agencies of the Commonwealth or any other governmental body and enforce the collection thereof (see “Rates and Charges”).

The Act provides that the Authority’s existence shall continue until terminated by law, provided that no such law shall take effect so long as any bonds or notes of the Authority are outstanding unless adequate provision has been made for the payment or satisfaction of such obligations.

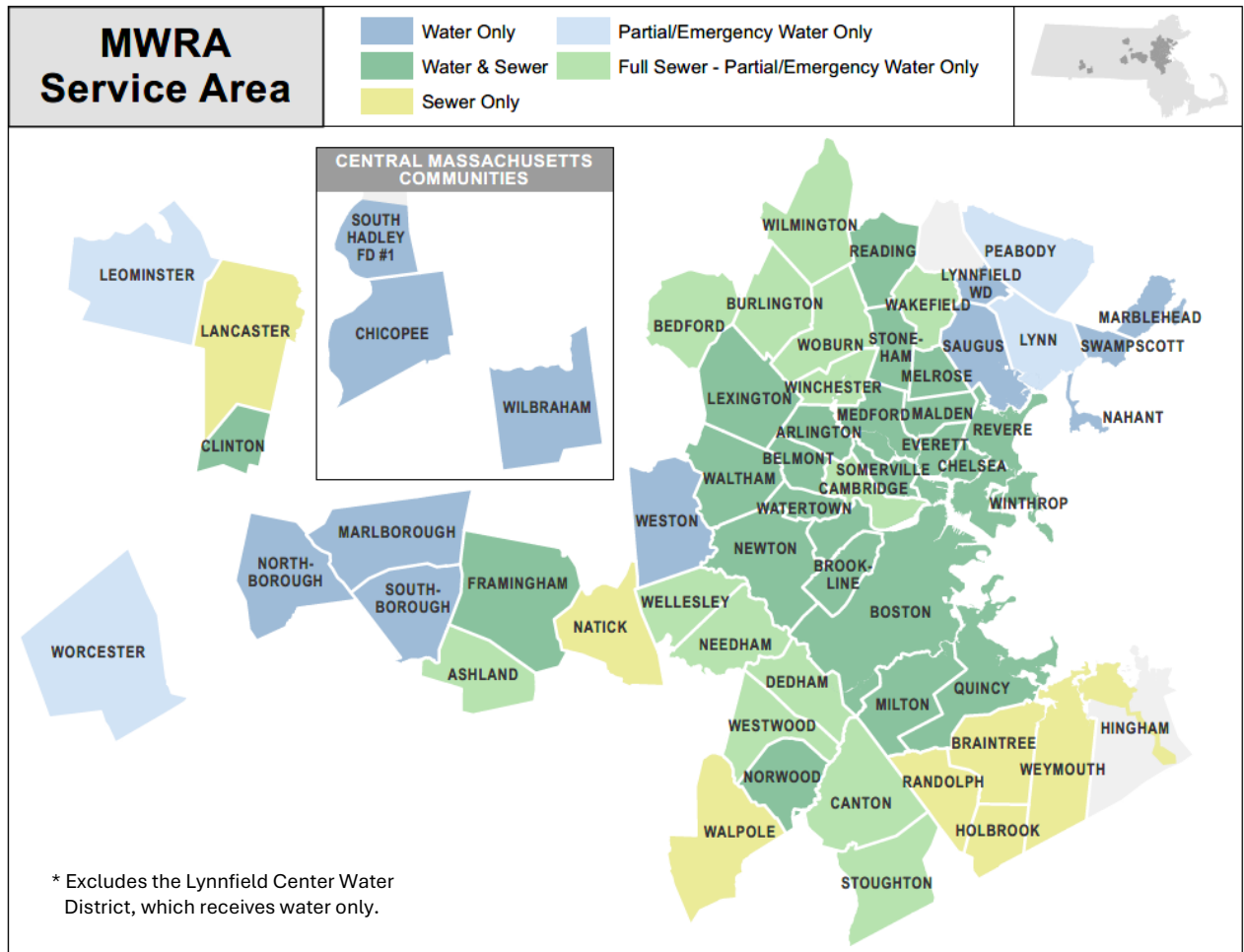
SERVICE AREAS AND MAP

Pursuant to the Act, the Authority is authorized to provide wholesale water and sewer services in service areas encompassing, in whole or in part, 64 communities located primarily in eastern Massachusetts, including most of the cities and towns in the metropolitan Boston area. Approximately 3.0 million people, or approximately 44% of the total population of the Commonwealth, live in the Authority’s service areas. Under certain circumstances, the Authority’s service areas may be expanded to include additional communities. See “The Systems.”

Fifty-six cities, towns and special purpose entities (collectively, “Local Bodies”) currently are authorized by the Act to receive water from the Waterworks System. Forty-three Local Bodies, included in the Act as originally adopted, connect their local sewer systems to the regional sewage collection and treatment facilities constituting the Sewer System. In addition, the Authority provides wholesale wastewater services to two communities in Central Massachusetts.

The below map shows the Authority’s current service areas for water and sewer services.

MAP OF THE AUTHORITY’S SERVICE AREAS



CHARGES TO LOCAL BODIES

The percentage of the Authority's revenues that has been derived from the rates and charges paid by the Local Bodies for the Authority's wholesale water and sewer services has varied over time. During the past 10 fiscal years, more than 95% of the Authority's revenues have been derived from such rates and charges. In Fiscal Year 2026, approximately 95.5% of the Authority's revenues are budgeted to be derived from such rates and charges. The Local Bodies in turn fund payment of the Authority's rates and charges from a variety of local sources. The obligation to pay the Authority's rates and charges is a general obligation of each Local Body, supported by its full faith and credit and payable from all revenue sources. See "Local Bodies."

The Act originally authorized 46 Local Bodies to be served by the Waterworks System, 32 of which currently derive their entire municipal water supply from the Waterworks System. Eleven currently receive a portion of their water supply from the Waterworks System. Three - Cambridge, Leominster and Worcester - do not generally receive water from the Authority, although in the Authority's Fiscal Years 2023 and 2024, Cambridge did purchase water from the Authority. In addition to those Local Bodies originally authorized by the Act to be served by the Waterworks System, the Authority's Board of Directors has approved additional members of the Waterworks System - the Towns of Bedford (which receives its water through the Town of Lexington), Stoughton, Reading, Wilmington, Burlington, Ashland, as well as the Lynnfield Center Water District and the Dedham-Westwood Water District (which previously had received a portion of its water supply from the Waterworks System). In addition, the Town of North Reading and the North Sherborn Water and Sewer District have been authorized by the legislature to be served by the Waterworks System, once all necessary approvals to receive water from the Waterworks System have been obtained. The Authority from time to time considers the further addition of members to the Waterworks System. See "The Systems - The Waterworks System - Extension and Contraction of Waterworks Service Area." The allocation among Local Bodies of the Authority's water charges for each Fiscal Year generally is based upon water consumption in the preceding calendar year. See "Rates and Charges – General."

The Act authorizes 43 Local Bodies to be served by the Sewer System, all of which currently receive service from the Authority. The Authority also provides wholesale wastewater services to the Town of Clinton and the Lancaster Sewer District through the Clinton Wastewater Treatment Plant. The North Sherborn Water and Sewer District has been authorized by the legislature to be served by the Sewer System, once all necessary approvals to receive sewer services have been obtained. The Authority's sewer charges are allocated on a proportional basis utilizing, among other factors, total metered flow, contributing population and census population. See "Rates and Charges – General."

Five Local Bodies, of which the Boston Water and Sewer Commission ("BWSC") is the largest, are budgeted to account for approximately 46.4% of the aggregate rates and charges assessed in Fiscal Year 2026. Fiscal Year 2026 charges for these five Local Bodies are set forth below:

	Percent of Total FY 2026 Authority Water Charges*	Percent of Total FY 2026 Authority Sewer Charges*	Percent of Total FY 2026 Authority Charges*
Boston Water and Sewer Commission	34.9%	27.6%	30.1%
City of Newton	4.8	4.6	4.7
City of Quincy	4.8	4.2	4.4
City of Cambridge	0.0	5.9	3.8
City of Somerville	<u>3.4</u>	<u>3.3</u>	<u>3.4</u>
Total	47.9%	45.6%	46.4%

* Totals may not sum due to rounding.

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The following table sets forth the Fiscal Year 2026 charges assessed by the Authority to each Local Body, except charges to certain Local Bodies and certain governmental users with special arrangements with the Authority.

FISCAL YEAR 2026 SYSTEMS CHARGES BY LOCAL BODY¹

<u>Local Body</u>	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>	Percent of Total FY 2026 <u>Charges</u>
Arlington	\$6,087,599	\$9,607,850	\$15,695,449	1.79%
Ashland	0	3,059,045	3,059,045	0.35%
Bedford	0	3,950,878	3,950,878	0.45%
Belmont	3,608,362	5,740,003	9,348,365	1.06%
Boston Water and Sewer Commission ²	112,816,245	152,091,678	264,907,923	30.15%
Braintree	0	10,548,153	10,548,153	1.20%
Brookline	8,986,468	13,172,037	22,158,505	2.52%
Burlington	2,573,260	6,369,082	8,942,342	1.02%
Cambridge	0	32,988,091	32,988,091	3.75%
Canton	2,690,642	5,327,610	8,018,252	0.91%
Chelsea	6,200,998	10,260,239	16,461,237	1.87%
Dedham	0	6,358,854	6,358,854	0.72%
Dedham-Westwood Water District ³	1,734,437	0	1,734,437	0.20%
Everett	7,072,297	10,587,729	17,660,026	2.01%
Framingham	10,197,614	15,742,436	25,940,050	2.95%
Hingham Sewer District	0	2,107,708	2,107,708	0.24%
Holbrook	0	2,236,223	2,236,223	0.25%
Leominster	0	0	0	0.00%
Lexington	8,650,822	9,333,555	17,984,377	2.05%
Lynn Water & Sewer Commission ⁴	121,220	0	121,220	0.01%
Lynnfield Water District ³	947,614	0	947,614	0.11%
Malden	9,243,076	14,572,763	23,815,839	2.71%
Marblehead	3,195,219	0	3,195,219	0.36%
Marlborough	7,280,864	0	7,280,864	0.83%
Medford	8,387,383	13,768,213	22,155,596	2.52%
Melrose	3,762,588	6,828,033	10,590,621	1.21%
Milton	4,294,618	7,283,496	11,578,114	1.32%
Nahant	550,871	0	550,871	0.06%
Natick	0	6,950,548	6,950,548	0.79%
Needham	1,776,283	7,763,087	9,539,370	1.09%
Newton	15,601,358	25,494,669	41,096,027	4.68%
Northborough	1,607,902	0	1,607,902	0.18%
Norwood	4,842,022	9,595,999	14,438,021	1.64%
Peabody	1,948,049	0	1,948,049	0.22%
Quincy	15,546,511	23,477,168	39,023,679	4.44%
Randolph	0	7,609,601	7,609,601	0.87%
Reading	3,089,421	5,075,578	8,164,999	0.93%
Revere	6,847,418	12,903,732	19,751,150	2.25%
Saugus	5,357,267	0	5,357,267	0.61%
Somerville	11,051,015	18,396,138	29,447,153	3.35%
Southborough	1,234,149	0	1,234,149	0.14%
Stoneham	4,019,561	6,135,875	10,155,436	1.16%
Stoughton	95,933	5,897,834	5,993,767	0.68%
Swampscott	2,429,832	0	2,429,832	0.28%
Wakefield	3,685,827	6,724,353	10,410,180	1.18%
Walpole	0	4,828,356	4,828,356	0.55%
Waltham	13,409,660	15,082,080	28,491,740	3.24%
Watertown	4,688,527	7,675,590	12,364,117	1.41%
Wellesley	3,710,550	7,355,370	11,065,920	1.26%
Weston	2,935,214	0	2,935,214	0.33%
Westwood	0	3,065,348	3,065,348	0.35%
Weymouth	0	14,288,678	14,288,678	1.63%
Wilmington	1,102,504	3,385,069	4,487,573	0.51%
Winchester	2,410,018	5,755,305	8,165,323	0.93%
Winthrop	2,047,059	4,209,668	6,256,727	0.71%
Woburn	5,759,665	11,559,336	17,319,001	1.97%
Total	\$ 323,597,942	\$ 555,163,058	\$ 878,761,000	100.00%

- ¹ The table above excludes six communities, the revenues received from which are accounted for by the Authority as other charges for services, rather than as rates and charges. These excluded communities include four of the 24 communities that currently receive water pursuant to contracts: Chicopee, South Hadley (served by South Hadley Fire District No. 1) and Wilbraham (collectively, the “CVA Communities”) and Worcester. Worcester currently only receives water services on an emergency basis. The fifth excluded community is Clinton, which receives its first 800 million gallons of water per year at no charge pursuant to a special act, and typically consumes less than 800 million gallons annually, but would be charged generally applicable rates for any amounts in excess thereof. Clinton also receives wastewater services provided by the Clinton Wastewater Treatment Plant and charges for this service are excluded from this chart. The sixth excluded community, Lancaster (served by the Lancaster Sewer District), receives wastewater services provided by the Clinton Wastewater Treatment Plant. The six excluded communities are budgeted to account for approximately \$7.2 million in Authority revenues in Fiscal Year 2026. The chart also excludes Leominster, which, although named in the Act to be served by the Waterworks System, has taken no water from the Authority since January 1991, and North Reading, which was authorized through an amendment to the Act to receive water from the Authority, but to which services are not currently provided. The chart also excludes North Sherborn Water and Sewer District, which was authorized through an amendment to the Act to receive water and sewer treatment from the Authority, but to which services are not currently provided. Burlington and Ashland, originally named in the Act to receive wastewater services only, have been authorized pursuant to amendments to the Act to receive water services; such services have not yet commenced in Ashland, but have in Burlington.
- ² The Authority’s services to the City of Boston are provided through and assessed to the BWSC. The BWSC is a body politic and corporate and independent political subdivision of the Commonwealth. The City of Boston is not liable for the rates and charges imposed on the BWSC by the Authority.
- ³ The Authority provides water services of the Town of Lynnfield through the Lynnfield Water District and Lynnfield Center Water District, both of which are a body corporate of the Commonwealth, and to the Towns of Dedham and Westwood through the Dedham-Westwood Water District, a body politic and corporate of the Commonwealth. The Town of Lynnfield and the Towns of Dedham and Westwood are not liable for the rates and charges imposed by the Authority on the Lynnfield Water District, Lynnfield Center Water District and the Dedham-Westwood Water District, respectively.
- ⁴ The Authority’s services to a single large industrial user in Lynn are provided through and assessed to the Lynn Water and Sewer Commission (the “LWSC”). The LWSC provides service to the rest of Lynn from its own resources without obtaining service from the Authority. The LWSC is a body politic and corporate and independent political subdivision of the Commonwealth. Neither the City of Lynn nor the retail industrial user is liable for the rates and charges imposed on the LWSC by the Authority.

Subject to applicable federal and state regulations and certain regulatory powers of the Authority, Local Bodies continue to exercise control over their respective retail water distribution and wastewater collection systems. Except in an emergency, written notice of any proposed local rules and regulations regarding use of the retail systems must be furnished to the Authority prior to adoption. Regulatory powers for monitoring and regulating Local Bodies conferred by the Act upon the Authority relate to matters such as water conservation and development of local water supply sources, implementation of federal and state toxic waste and pretreatment laws, reduction of infiltration and inflow of ground and surface waters into the Sewer System, and installation of water meters. See “The Systems.”

By state legislative action or with the Authority’s approval, Local Bodies currently served by the Authority could seek to develop alternative water or wastewater delivery systems, although such systems would need to comply with all applicable federal and state environmental standards. The Authority believes that such alternatives are likely to be prohibitive in cost for most of the Local Bodies and, particularly in the case of alternative sewage treatment facilities, would take many years to implement.

RATES AND CHARGES

GENERAL

For Fiscal Year 2026, approximately 95.5% of the Authority’s budgeted revenues are expected to be derived from wholesale rates and charges assessed to the Local Bodies. The remaining revenues are expected to be derived primarily from investment income and miscellaneous income, including assessments to certain Local Bodies not included as rates and charges. The Act requires that the Authority set its rates and charges at levels sufficient to pay, among other things, its current expenses and its debt service, and to provide the debt service coverage required by the General Bond Resolution. See “Security for the Authority Trust Obligations - Coverage Covenants.”

In accordance with the Act, the Authority’s rate setting is exercised independently by its Board of Directors without being subject to the approval of any department, agency or other instrumentality of the Commonwealth or any other governmental body. The Authority’s rates and charges are adopted annually generally in June, after notice and

public hearing, and review of non-binding recommendations by the Authority's Advisory Board. The level of the Authority's rates and charges assessed to Local Bodies is not subject to the limitations set forth in Proposition 2½. For a discussion of the effect of Proposition 2½ on the ability of Municipal Local Bodies to raise revenues to pay assessed rates and charges through property tax levies, see "Local Bodies - Municipal Sources of Revenue."

The Authority's charges for services are billed directly to Local Bodies on a wholesale basis. The Authority notifies each Local Body of its annual charges on or about July 1 of each year. To assist Local Bodies with their respective annual budget or rate-setting processes, the Authority furnishes them with preliminary estimates of their respective rates and charges for the following Fiscal Year in February of each year. Authority charges are payable in 10 equal installments due on or before the first business day of each month, excluding January and July, of each Fiscal Year. There is an interest charge of 1% per month for late payments.

As required by the Act, the Authority establishes charges of general application separately for the services provided by the Waterworks System and the Sewer System. In setting water rates, the Authority first identifies through its budgeting process the total amount of revenue that must be raised through water rates in a given Fiscal Year, net of other anticipated sources of revenue, such as investment income, receipts from water supply contracts and other special arrangements. Generally, charges for water services are computed by the Authority on the basis of the proportional metered water use of each Local Body for the immediately preceding calendar year. Accordingly, with certain exceptions, the Fiscal Year 2026 water charges are based on the Local Bodies' metered water use in calendar year 2024.

Sewer charges are computed on a proportional allocation basis utilizing, among other things, total flow, contributing population and census population for each Local Body. Consistent with the initial step in setting water rates, the Authority first determines the total amount of revenue required to be raised from sewer charges. The total amount of required revenue for the Sewer System is allocated either to operating costs or capital costs. Operating costs are allocated to each Local Body based on the average of the prior three calendar years' total flow, with adjustments for strength of flow to take into account above-average concentrations of total suspended solids and biochemical oxygen demand. Capital costs, including debt service, are allocated to each Local Body based on a combination of (i) the average of the prior three years' peak month wastewater flow and average concentrations of total suspended solids and biochemical oxygen demand, (ii) the proportion of the population of the Local Body that is served by the local sewer system (the "contributing population") to the total contributing population in the Sewer System, and (iii) the proportion of the Local Body's U.S. census population, based upon the Commonwealth's most recent bi-annual update (the "census population"), to the total census population in the Sewer System.

Beginning in Fiscal Year 2017, the Authority implemented a rate smoothing mechanism that allows the rate revenue requirement related to capital financing expenses to be smoothed between the charges for the Waterworks System and the Sewer System, mitigating annual volatility. This approach allows for more certain predictability by the Local Bodies of rate increases.

HISTORICAL RATES AND CHARGES

The Authority's rates and charges have increased at an average annual rate of approximately 2.7% for the period from Fiscal Year 2022 through Fiscal Year 2026. Since the Authority's inception, in all but two instances, the Authority has collected from the Local Bodies 100% of its rates and charges within 30 days of their due dates. The following table sets forth the aggregate budgeted charges of the Authority from Fiscal Year 2022 through Fiscal Year 2026, and the percentage change from the prior Fiscal Year.

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**HISTORICAL RATE REVENUE
AND PERCENT INCREASES¹**
(dollar amounts in millions)

Fiscal Year	Water		Sewer		Combined	
	Amount	Increase	Amount	Increase	Amount	Increase
2022	\$277.4	3.5%	\$514.7	2.7%	\$792.1	3.0%
2023	288.3	3.9	526.3	2.3	814.6	2.8
2024	299.7	3.9	534.6	1.6	834.3	2.4
2025	311.4	3.9	544.1	1.8	855.5	2.5
2026	323.6	3.9	555.2	2.0	878.8	2.7

¹ Does not include revenues received by the Authority from Local Bodies pursuant to contracts or special acts that are accounted for as other charges for service rather than as rates and charges.

The costs of the CIP projects primarily have been funded through the proceeds of long-term indebtedness, including such major projects as the Boston Harbor Project, the MetroWest Water Supply Tunnel, and the John J. Carroll Water Treatment Plant. As a result, the debt service on such indebtedness is a significant portion of the Authority's Current Expense Budget ("CEB"). Approximately 55.3% of the total expenses included in the Fiscal Year 2026 Current Expense Budget ("FY26 CEB") is for capital financing expenses. In recent years, the Authority has managed rate increases through the use of commercial paper, refinancing existing debt at lower interest rates, the use of revenues to defease debt, undertaking additional borrowing at subsidized interest rates from the Massachusetts Clean Water Trust (the "Trust"), and various efficiency and cost control strategies. Commencing in Fiscal Year 2006 to date in Fiscal Year 2026, the Authority has used revenues to defease more than \$938 million of Secured Bond debt service. The Authority's efforts have resulted in mitigating rate increases to date and in leveling out anticipated rate increases due to increasing debt service costs. Nonetheless, the Authority's rates and charges will continue to increase as the Authority's operating expenses increase and as the Authority continues to undertake capital improvements to upgrade and maintain the Systems. See "Future Rates and Charges" below.

The Authority is eligible to receive funding from the Commonwealth's Sewer Rate Relief Fund (the "Fund"), in the form of debt service assistance, in order to mitigate increases in rates. The amount of such debt service assistance is subject to annual appropriation by the Commonwealth and varies annually. In prior fiscal years, the Commonwealth had reduced or eliminated appropriations to the Fund. Accordingly, for planning purposes, in preparing the CEB, the Authority generally assumes that it will not receive any additional debt service assistance. The Authority cannot predict the amount, if any, of additional debt service assistance that will be appropriated in future years. The FY26 CEB does not include any such debt service assistance.

FISCAL YEAR 2026 RATES AND CHARGES

The FY26 CEB, approved by the Board of Directors in June 2025, assumed an increase in combined rates and charges for Fiscal Year 2026 of 2.7%.

As is the case for every fiscal year, the Authority's goal for Fiscal Year 2026 was to utilize a multi-year rate management strategy to provide sustainable, and predictable rate increases to the Local Bodies. The Authority continued to employ conservative budgeting and fiscal discipline in developing the FY26 CEB, and the combination of these measures resulted not only in a 2.7% increase for Fiscal Year 2026, but also in projected rate increases of not more than 3.0% for the next several fiscal years, as further discussed below. As part of its multi-year rate management strategy, the Authority anticipates not making a withdrawal from the Rate Stabilization Fund in Fiscal Year 2026. See "Future Rates and Charges" and "Management's Review of Operating Results – Fiscal Year 2026 Current Expense Budget" below.

FUTURE RATES AND CHARGES

While the Authority expects to continue to seek and adopt measures to moderate its future rate increases, the Authority's rates and charges are expected to continue to increase to meet the increased debt service costs necessary to finance the projects included in the CIP, and to fund increased operating expenses resulting from the operation of the Systems.

The table below sets forth the Authority's estimates of its rate revenue requirement for Fiscal 2026 and its future rate revenue requirements for Fiscal Years 2027 through 2030, based on the FY26 CEB and the Fiscal Year 2026 CIP (the "FY26 CIP"). The estimates assume that the Authority will not receive debt service assistance during the projection period. The estimates also assume an inflation rate of 2.5% for capital projects that are not yet under contract, and that annual capital expenditures will be made in accordance with the FY26 CIP and will be capped at \$700 million for Fiscal Years 2029 through 2032, \$300 million in 2036 and thereafter. The Authority's estimates, based on the FY26 CIP, assume the issuance of \$2.6 billion of additional Secured Bonds from Fiscal Year 2026 through Fiscal Year 2030 to finance the FY26 CIP, and approximately \$117.5 million in pay-as-you-go capital expenditures during the same period. The estimates assume that the Authority's future long-term bond financings will consist of 25-year debt. Long-term debt is assumed to bear fixed rates of interest of 5.0% in Fiscal Year 2026 and 6.0% thereafter. Variable rate indebtedness of the Authority is assumed to bear interest at 4.25% in Fiscal Year 2026 and 4.0% in all subsequent fiscal years. Loans from the Trust are assumed to bear interest at an effective rate of 2.15% with a 20-year term. Generally operating expenses (other than labor costs) are inflated at 3.0% annually; labor costs are inflated at 2.7% annually. The estimates also assume that the Authority will make withdrawals from the Rate Stabilization Fund to offset rate increases. The Authority deposited \$6.5 million into the Rate Stabilization Fund in Fiscal Year 2018 as a reserve for the increased costs expected in connection with the construction of a replacement power cable serving the Deer Island Treatment Plant. The Authority used \$1.5 million of these funds in the Fiscal Year 2021 CEB, \$1.3 million in the Fiscal Year 2022 CEB, \$1.0 million in the Fiscal Year 2023 CEB, \$0.3 million in Fiscal Year 2024 CEB, and \$0.0 in Fiscal Years 2025 and 2026. The projections assume that the Authority will utilize \$0.8 million in Fiscal Year 2027 to offset these anticipated increased costs. The Authority believes that the estimates are based upon realistic cost estimates and other assumptions, and include adequate provision for contingencies. See "Historical Rates and Charges", above, and "Management's Review of Operating Results", below. However, as discussed below, there can be no assurance that actual revenue requirements or expenditures will not vary from current estimates and cause actual rates and charges to be different from current estimates. For a discussion of risk factors that could lead to higher costs in the CIP, see "Capital Improvement Program - Factors Affecting the Capital Projects."

ESTIMATED FUTURE RATE REVENUE REQUIREMENTS AND PERCENTAGE INCREASES (dollar amounts in millions)

<u>Fiscal Year</u>	<u>Rate Revenue</u>	<u>Percentage Increase</u>
2026	878.8	-
2027	904.8	3.0%
2028	931.6	3.0
2029	959.9	3.0
2030	988.9	3.0

Actual retail rate increases of specific Local Bodies vary considerably because of different practices among Local Bodies in the extent to which the Authority's rates and charges are incorporated into retail user charges and the disparity in levels of the local water and sewer costs of the Local Bodies. Based upon the most recent survey conducted by the Authority's Advisory Board of Local Bodies' rates and charges (the "2024 Survey"), which reflects the Local Bodies' charges for calendar year 2023, and assuming annual household water usage of 90,000 gallons, the 2024 Survey estimates that the annual average household combined water and sewer bill in those Local Bodies that receive full water and sewer services from the Authority is approximately \$2,018. Actual annual bills vary from this average, in part due to the fact that there are certain Local Bodies that in the past raised their own retail rates at paces different from the Authority's rate increases and to the fact that actual annual household usage in many Local Bodies is less than 90,000 gallons. See October 2023 Report of the Consulting Engineer - Section 5.4.3 Retail Customer Impacts. For said report, see <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P11291927>.

The Local Bodies fund their payment of the Authority's rates and charges in a variety of ways, so that it is difficult to generalize about the effect of the Authority's future rate increases on retail ratepayers, including households and businesses in the service area. Provision for and payment of increasing rates and charges will depend on a number of factors, including the Local Bodies' methods of funding Authority charges and the availability of local sources of revenue.

From time to time, public concern is expressed regarding the increasing level of the Authority's rates and charges. The Authority believes that public awareness of several factors will continue to mitigate public opposition. These factors include: (i) the federal and state legal and regulatory mandates (including legal enforcement orders issued by courts or administrative agencies) to which the Authority is subject, (ii) the importance of improvements to the Systems to support future regional economic growth, (iii) public support for meeting environmental protection and public health goals, and (iv) the Authority's success in mitigating rate increases in the past, including average annual increases of approximately 2.7% in Fiscal Years 2022 through 2026.

The Authority believes that the considerations described above contributed to the Authority receiving substantial financial assistance, from both the federal and state governments, to help finance the CIP. This financial assistance - in the form of capital grants, loans from the Trust at subsidized interest rates, and debt service assistance - helped in the past to mitigate rate increases. The Authority will continue to pursue financial assistance for its programs through legislative and other avenues to help mitigate future rate increases, however, there can be no assurance as to the receipt or continuation of state or federal support.

ENFORCEMENT

The Authority has adopted, and is authorized by the Act to enforce, billing and collection procedures and regulations, including requirements for the submission to the Authority of relevant information regarding the provision of retail services by Local Bodies. In the event any charge to a Local Body is not paid when due, the Act authorizes the Authority to recover the amount due, together with interest and other actual damages, by action in the state superior court.

Without suit, the Authority may use an intercept mechanism (the "local aid intercept") established by the Act to recover amounts unpaid by a Local Body. To trigger this mechanism, the Authority must certify to the State Treasurer the amount of any unpaid charge, whereupon the State Treasurer is required by the Act to deduct such unpaid charge from all amounts payable to the Local Body by the Commonwealth, if any, regardless of their intended use (including state reimbursements, grants and general local aid funds) and to pay such amount to the Authority. For a description of general local aid funds as a source of revenue available to Local Bodies to pay Authority charges, see "Local Bodies - Municipal Sources of Revenue." The Authority has covenanted in the General Bond Resolution to use this enforcement mechanism in the event that a Local Body fails to make timely payment. Although the Authority successfully has used the local aid intercept in the past, the Authority has not needed to use the local aid intercept in more than 25 years.

Distributions of local aid payable to the municipalities served by Special Purpose Local Bodies, including the BWSC, would not be available to meet unpaid charges due the Authority through the local aid intercept. Municipalities served by such Special Purpose Local Bodies are budgeted to account for approximately 30.6% of the Authority's combined rates and charges assessed for Fiscal Year 2025.

Under the laws of the Commonwealth, there are currently several other similar local aid intercept mechanisms that may affect the amounts available for intercept on behalf of the Authority. The State Treasurer is authorized to deduct from a Local Body's local aid distributions amounts owed by such Local Body to the Commonwealth for certain assessments and charge-backs. In addition, under the so-called Qualified Bond Act, cities and towns in the Commonwealth, including certain Local Bodies, may secure their bonds and notes by authorizing the State Treasurer to intercept from their respective local aid distributions the amount necessary to pay principal and interest on such debt. Under state law, the amounts available for intercept on behalf of the Authority also may be affected by actions taken by or on behalf of the Massachusetts Department of Revenue, the Massachusetts School Building Authority, and the Massachusetts Bay Transportation Authority, among others, with respect to amounts owed to or by a Local Body. Finally, under the Commonwealth legislation establishing the Trust, the State Treasurer may, under certain circumstances, deduct from a community's local aid distribution (i) the amount of charges owed by the community to

the Trust, (ii) the amount of charges owed by the community to any entity that provides wastewater or drinking water service to the community and has a repayment obligation to the Trust (a “Regional Unit”) that the Regional Unit has not fulfilled by reason of the default of such community in its payment obligations to the Regional Unit, and (iii) the community’s pro rata share of any payment obligation of a Regional Unit to the Trust that has not been fulfilled but not due to the default of any particular community or communities served by the Regional Unit. Since the Authority is a Regional Unit under the Trust’s enabling act, failure by the Authority to pay debt service on its loans from the Trust would permit the Trust to exercise its intercept against the Local Bodies. As of September 1, 2025 the Authority had outstanding approximately \$811.2 million in aggregate principal amount of loans from the Trust. The Trust also has made loans to or purchased local governmental obligations from 40 Local Bodies in an approximate aggregate principal amount of \$619.6 million outstanding as of June 30, 2025, the debt service on which also is subject to intercept.

In addition to the possibility of a Municipal Local Body’s local aid being accessed by another offset mechanism prior to the Authority’s attempt to intercept it, the availability of local aid in the future to satisfy unpaid charges imposed by the Authority will be dependent upon, among other things, the aggregate amount actually appropriated by the state legislature and distributed by the Governor in a fiscal year. For a discussion of these and other factors affecting local aid, see “Local Bodies - Municipal Sources of Revenue.”

OTHER SOURCES OF REVENUE

The Authority receives revenues from other sources, including water supply contracts and other arrangements between the Authority and certain Local Bodies under which amounts paid to the Authority are not accounted for by the Authority as assessed rates and charges (although such contract revenues are included in the definition of Rates and Charges for purposes of the General Bond Resolution). Such revenue is budgeted to be approximately \$10.9 million in Fiscal Year 2026. See “Local Bodies - Special Arrangements.” The Authority also receives investment earnings on various funds that it holds, which are budgeted to total approximately \$23.3 million in Fiscal Year 2026. Revenues from permits, fines, fees and other miscellaneous sources are budgeted to total approximately \$6.7 million in Fiscal Year 2026. The Authority anticipates no withdrawal from the Rate Stabilization Fund in Fiscal Year 2026 as discussed above under “Future Rates and Charges.”

LOCAL BODIES

GENERAL

The Authority provides services to Local Bodies on a wholesale basis. The obligation of the Local Bodies to pay for these services is a general obligation payable from any and all sources of revenue available to the Local Bodies. The legal structure of a Local Body determines which revenue sources are available to it under state law. The revenues available to Special Purpose Local Bodies, each a retail system operator, are limited primarily to retail user fees and charges and investment income. Such entities have no taxing power and do not ordinarily receive distributions of local aid. Revenues of Municipal Local Bodies used to pay the Authority’s rates and charges are derived primarily from retail user charges, property taxes, and local aid. All Municipal Local Bodies have instituted retail user charges, although there are substantial differences in the proportion of its full costs that each Municipal Local Body recovers through its retail user charges.

BOSTON WATER AND SEWER COMMISSION

The BWSC is budgeted to account for approximately 30.2% of the Authority’s combined rates and charges assessed for Fiscal Year 2026. Established in 1977 as a public instrumentality, a body politic and corporate and a political subdivision of the Commonwealth, the BWSC is responsible for the retail operation of the water distribution and wastewater collection and storm water drainage systems of the City of Boston (the “City”) and for the maintenance and improvement of such systems. The BWSC purchases its water in bulk from the Authority. Such water is delivered through 29 active metered connections located at various points throughout the BWSC’s water distribution system. The BWSC’s sewer system transports the City’s wastewater to the Authority’s interceptor sewers, which convey the wastewater to the Deer Island Treatment Plant for treatment and disposal.

The Authority's charges to the BWSC constitute general obligations of the BWSC. The BWSC has no taxing power but funds its operations through the collection of user fees and charges. Chapter 436 of the Acts of 1977 of the Commonwealth (the "BWSC Act") requires the BWSC to establish its rates and charges at levels sufficient to (i) pay the current expenses of the BWSC (including the Authority's rates and charges), (ii) pay all BWSC debt service, (iii) create and maintain reasonable reserves required by any bond resolution, (iv) provide funds for paying the cost of all necessary repairs, replacements and renewals of the BWSC's systems, and (v) pay or provide for any and all amounts that the BWSC may be obligated to pay or provide for by law or contract. The BWSC's rates and charges are independently set by the BWSC and are not subject to regulation or approval by any other governmental body.

The BWSC serves approximately 96,000 accounts for water, sewer and stormwater services. Its 20 largest users as of June 30, 2025 are estimated to have accounted for approximately 23.9% of the BWSC's aggregate retail user charges for the six months ended June 30, 2025. Its customers include many large commercial entities, governmental agencies and not-for-profit institutions including its five largest customers: the Boston Housing Authority, Boston University, the Massachusetts Port Authority, Mass General Brigham, and Medical Area Total Energy Plant (MATEP). The BWSC has realized surpluses from its operations in each year since its inception.

As of September 25, 2025, the BWSC had approximately \$622 million aggregate principal amount of revenue bonds outstanding. The BWSC has granted a security interest in its revenues as security for its revenue bonds. The BWSC's bond resolutions also provide that debt service on the BWSC's revenue bonds and operating expenses of the BWSC shall be paid prior to the Authority's rates and charges. As of September 25, 2025, the BWSC had combined loans/grants from the Authority outstanding in the amount of approximately \$41.4 million.

The single largest component of the BWSC's expenses has been assessments to the BWSC by the Authority. Authority assessments for the costs of water supply and wastewater treatment services provided to the BWSC have continued and, based on BWSC projections, will continue to increase as a percentage of the BWSC's total expenses. The BWSC estimates that the Authority's assessments to the BWSC will be 54.1% of the BWSC's total expenses in calendar year 2025.

MUNICIPAL SOURCES OF REVENUE

General. Cities and towns in the Commonwealth are limited by state law as to the types of revenues that they can raise to support local spending, including for the rates and charges of the Authority. Under current state law, the Municipal Local Bodies may derive their revenues from several sources, including water and sewer user charges, property taxes, local aid distributions, certain excise receipts (including motor vehicle excises and local option excises), departmental revenues (including parking fines and building permit fees), and investment income. Some of the revenue sources discussed in this subsection are not available to Special Purpose Local Bodies, including the BWSC.

User Fees and Charges. Each Municipal Local Body owns and operates a distribution system of pipes for water and a collection system for sewage. Each Municipal Local Body is authorized by state law to charge just and equitable retail user charges to cover the respective costs of providing these municipal services, including operation and maintenance of the Municipal Local Body's system, replacement of capital components of the system over time, and the Authority's annual charges to such Municipal Local Body. These retail user charges are not subject to the limitations of Proposition 2½. Under the Act, Local Bodies may establish rates and charges for retail services on a flat rate basis or on an ascending unit rate based on quantity, and may permit adjustments in their local rates for the age, infirmity or poverty of their retail customers.

The Act also permits the Authority, subject to federal and state constitutional restrictions on the impairment of contracts in effect on the effective date of the Act, to require Local Bodies to adopt systems of rates and charges that comply with applicable federal and state law and with Authority policies designed to promote water conservation, full local cost recovery, the elimination of infiltration and inflow of ground and surface waters, and the pretreatment of industrial wastes.

The revenues received by a Municipal Local Body through its retail user charges are not pledged to the payment of any costs of the local systems, including the payment of the rates and charges of the Authority. A Municipal

Local Body may elect, however, to segregate such retail user charges and apply them only to the costs of the respective local systems.

Enforcement remedies are available under state law to Municipal Local Bodies to collect unpaid retail user charges. A Municipal Local Body may terminate water and sewer service to any retail user who has not paid the respective charges. In addition, if a Municipal Local Body accepts the applicable statutory sections, unpaid water and sewer charges become a lien upon the associated real estate by operation of law and are added to the property tax bill for such real estate. In general, the laws relating to the imposition of interest on unpaid real estate taxes and the foreclosure of title to real estate for nonpayment of taxes apply equally to unpaid water and sewer charges.

Among the Municipal Local Bodies, different local policies, including each Municipal Local Body's decision about the extent to which the costs of operating its local system are recovered through its retail rates, and the complexity of its rate structure and its accounting methodologies, result in divergent retail user charges. Currently, while all Municipal Local Bodies have instituted retail user charges, certain Municipal Local Bodies may not recover the entire cost of providing retail services through user charges. The Authority is able to offer technical assistance to the Municipal Local Bodies to help them establish systems of retail user charges and identify costs that can be recovered through such charges.

Property Taxes. Property taxes are raised through assessments against real and personal property in a municipality. State law mandates a revaluation of all taxable property every three years. These revaluations are reviewed and certified by the Commonwealth. In the years between the revaluations, the Commonwealth permits municipalities to establish new values for year-to-year increases in assessments on the basis of market trends, using the most recent revaluation as a basis. These new values, together with the municipalities' proposed tax rates, are subject to annual certification by the Commonwealth. The property tax levy generally is certified by the Commonwealth in the fall. Most municipalities adopt a quarterly payment schedule for property taxes, with installments due on August 1, November 1, February 1 and May 1.

Proposition 2½ generally constrains levels of property taxation, one of the primary sources of revenue for cities and towns in the Commonwealth, and limits the charges and fees imposed on cities and towns by certain governmental entities. The law is not a constitutional provision and accordingly is subject to amendment or repeal by the state legislature. Proposition 2½ contains limitations on the revenues that may be collected by certain governmental entities, including a limitation on the property taxes that may be levied by any city or town in any fiscal year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein, and (ii) 2.5% over the previous year's levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. Proposition 2½ also limits any increase in the charges and fees assessed by certain governmental entities on cities and towns to the sum of (i) 2.5% of the total charges and fees imposed in the preceding fiscal year, and (ii) any increase in charges for services customarily provided locally or services obtained by the city or town at its option.

Any property tax increase in excess of the limits imposed by Proposition 2½ must be approved by a vote of the municipality. However, amendments to Proposition 2½ enacted in 1994 permit a Municipal Local Body, and a Special Purpose Local Body through agreement with the municipalities it serves, to offset increases in user charges resulting from increases in water and sewer debt service costs (including increases in the Authority's debt service costs incorporated into the Authority's rates and charges to such Local Body) through the assessment of property taxes in excess of the limits imposed by Proposition 2½, subject to certain conditions, without requiring a vote of the municipality.

Local Aid. Local aid is the generic term used to describe all distributions made by the Commonwealth to cities and towns. Certain local aid distributions are earmarked for specific programs, e.g., a large portion of local aid has been earmarked for public education, but the bulk of such distributions are available to the municipality to be applied to any authorized expenditures. Except for amounts distributed to municipalities pursuant to state law from state lottery receipts, all local aid is subject to annual appropriation by the state legislature. The major formula used by the state legislature in determining the payment level to each city and town tends to provide proportionately more local aid to communities with relatively lower per capita income and with higher service cost levels in order to compensate for the gap between certain fixed costs incurred by a municipality and its revenue-raising capacity. The bulk of the local aid distributions are, by state law, made monthly. From time to time legislation and voter initiative petitions are approved that affect the amount of local aid to be distributed by the Commonwealth.

Under the Massachusetts Constitution and state finance law, the State Treasurer and the Governor have the authority to withhold or delay local aid payments under certain circumstances. Any available moneys in the state treasury, including amounts appropriated for local aid, may be used as a matter of last resort by the State Treasurer if required to pay Commonwealth notes. Moreover, the statute governing the Commonwealth's distribution of school aid (which constitutes a portion of the local aid distribution) provides that such payments are due only to the extent that sufficient funds are available therefor.

The amount of local aid distributions varies, based on the Commonwealth's budget constraints, and there can be no assurance that local aid will not be reduced in the future. However, the Authority believes that the availability of its various enforcement mechanisms, including its statutory authority to intercept local aid distributions, will adequately provide for the payment of its rates and charges. For a comparison of the Authority's rates and charges with respect to each Municipal Local Body, see "The Authority and Its Service Areas" and "Charges to Local Bodies." For a discussion of the Authority's enforcement mechanisms and the possible limits on the availability of the local aid intercept, see "Rates and Charges – Enforcement."

SPECIAL ARRANGEMENTS

Twenty-six Local Bodies currently are charged for water services pursuant to contracts between the Local Bodies and the Authority or by special legislative acts. Of these Local Bodies, 21 pay for water services at the full water rates. Various arrangements are in effect for five Local Bodies, which in the aggregate are budgeted to account for approximately 4.8% of total consumption in Fiscal Year 2026. The three CVA Communities have a separate assessment. Southborough receives its first 110 million gallons per year at no charge. Clinton receives its first 800 million gallons of water per year at no charge pursuant to a special act, and typically consumes less than 800 million gallons annually, but would be charged generally applicable rates for any amounts in excess thereof.

Pursuant to Authority regulations, continuation of water supply services to any Local Body under special acts or contracts shall be made on such reasonable terms and charges as the Authority shall determine, provided in each instance the Authority determines that (i) the safe yield of the DCR Watershed System, on advice of the DCR Division of Water Supply Protection, is sufficient to meet the projected demand (provided that any Local Body previously receiving water supply services on a contract basis shall not be denied continuation of service if it has no other local water supply capable of being developed), (ii) no existing or potential local water supply has been abandoned, (iii) the Local Body has adopted a water management plan approved by the state Water Resources Commission, (iv) the Local Body has adopted effective demand management, leak detection and water system rehabilitation measures, (v) a local water source feasible for development has not been identified by the Local Body or the Massachusetts Department of Environmental Protection ("DEP"), and (vi) a water use survey has been completed identifying all local users in the Local Body consuming in excess of 20 million gallons per year.

The provision of sewer services by the Sewer System, in contrast to the special acts and contractual arrangements governing a portion of the services provided by the Waterworks System, is governed solely by the Act and other applicable federal and state environmental quality laws and regulations.

MANAGEMENT AND ORGANIZATION OF THE AUTHORITY

BOARD MEMBERSHIP

The Authority is governed by an 11-member Board of Directors (the "Board") chaired by the Secretary of Energy and Environmental Affairs for the Commonwealth. The Secretary and two other members are appointed by the Governor – one resident of a Connecticut River basin community and one resident of a Merrimack River basin community who represent water resources protection interests (terms coterminous with the Governor). At least one of the three gubernatorial appointments must be a representative of a minority group. One member is appointed by the Mayor of Quincy (term coterminous with the Mayor) and one member is appointed by the Winthrop Town Council by majority vote (four-year term). Three members of the Board are appointed by the Mayor of Boston (terms coterminous with the Mayor), and three are appointed by the Advisory Board (staggered three-year terms). See "Advisory Board" below. Six members of the Board constitute a quorum, and the affirmative vote of six members is required to approve any matter put to a vote of the Board. A member of the Board continues to serve until a successor is appointed.

The present members of the Board, their occupations, appointment categories, the dates of their original appointment and the dates of expiration of their terms as members of the Board are set forth on the following table.

BOARD OF DIRECTORS

<u>Member</u>	<u>Occupation</u>	<u>Date and Source of Original Appointment</u>	<u>Current Term Expires</u>
Rebecca Tepper, <i>Chair</i>	Secretary of Energy and Environmental Affairs <i>Ex Officio</i>	January 5, 2023	Coterminous with term as Secretary
Andrew M. Pappastergion, <i>Vice Chair</i>	Commissioner, Department of Public Works, Town of Brookline (Retired)	June 25, 1997; Advisory Board	June 30, 2027
Brian Peña, <i>Secretary</i>	Water Treatment Superintendent, Town of Andover	June 22, 2015; Governor	Coterminous with Governor
Paul E. Flanagan	Fire Chief, Town of Winthrop (Retired)	October 15, 2012; Winthrop Town Council	April 30, 2027
Joseph C. Foti	Deputy Administrator and Chief of Operations and Maintenance, MassDOT Highway Division	August 8, 2001; Advisory Board	June 30, 2028
Brian Swett	Chief Climate Officer, City of Boston	May 2024	Coterminous with Mayor
Louis M. Taverna	Chief Engineer, City of Newton (Retired)	June 1, 2023; Advisory Board	June 30, 2026
Henry F. Vitale	Executive Director, Boston Water and Sewer Commission	January 15, 2013; Mayor of Boston	Coterminous with Mayor
John J. Walsh	Manufacturing Engineer (Retired)	June 3, 2009; Mayor of Quincy	Coterminous with Mayor
Patrick J. Walsh	President, Laborers Local 223	February 9, 2021; Mayor of Boston	Coterminous with Mayor
Jennifer L. Wolowicz	Town Administrator, Town of Monson	March 18, 2013; Governor	Coterminous with Governor

ORGANIZATION, MANAGEMENT AND STAFF

The staff of the Authority is headed by an Executive Director who is responsible for the implementation of Authority programs, policies and procedures at the direction of the Board. There are four divisions and several departments that report directly to the Executive Director, including the Affirmative Action Compliance Unit, the Internal Audit Department, Public Affairs, Security and the Tunnel Redundancy Program.

The Chief Operating Officer heads the Operations Division. Although the Operations Division provides some services on a consolidated basis to more efficiently support both the Waterworks System and the Sewer System, the costs for providing water and sewer services are separately tracked in order to comply with the Act.

The Authority has established the Tunnel Redundancy Program to manage and direct the design, construction, engineering and procurement activities for the Tunnel Redundancy Project through a Director and staff dedicated to the project. See “Capital Improvement Program - Capital Projects in FY26 CIP - Waterworks Projects - Transmission System.”

The Finance Division, headed by the Director of Finance, comprises four departments - Treasury, Rates and Budget, Controller, and Risk Management.

The Administration Division, headed by the Director of Administration, comprises six departments - Human Resources, Management Information Systems, Procurement, Occupational Health and Safety, Fleet Services, and Facilities Management.

The Law Division addresses legal and regulatory issues involving the Authority.

Brief resumes of the Authority’s senior management appear below:

Frederick A. Laskey, *Executive Director*

Mr. Laskey was appointed Executive Director in May 2001. Before joining the Authority in June 2001, Mr. Laskey served as Commissioner of the Massachusetts Department of Revenue from 1999 to 2001, managing the Commonwealth’s tax administration, child support enforcement and local services. He served as Secretary of Administration and Finance from 1998 to 1999. As Secretary, he was the Governor’s chief fiscal advisor, with oversight of the state’s annual budget and managed the Cabinet Secretariat that oversees the entire state workforce. Before joining the Cabinet, Mr. Laskey served as Senior Deputy Commissioner of the Massachusetts Department of Revenue from 1994 to 1998, and was designated by the Commissioner to serve on the Board of Bank Incorporation. From 1993 to 1994, he served as Assistant Secretary in the Executive Office for Administration and Finance. Mr. Laskey holds a Bachelor of Arts degree in political science and history from University of Massachusetts, Boston. Mr. Laskey has a contract with the Authority that expires in June 2030.

Kathleen M. Murtagh, *Chief Operating Officer*

Ms. Murtagh was appointed Chief Operating Officer in July 2025. Previously, she served as the Director of the then newly created Tunnel Redundancy Program in April 2018. She has more than 28 years of geotechnical engineering experience overseeing a broad range of civil engineering projects. Prior to her appointment, Ms. Murtagh served as a Vice President at CDM Smith Inc. Earlier in her career she was a geotechnical engineer at Haley and Aldrich, Inc. Ms. Murtagh has extensive underground and tunneling engineering experience, having worked on a wide range of tunneling projects of varying sizes and employing a variety of construction methods. Ms. Murtagh is a Massachusetts Registered Professional Engineer and holds a Bachelor of Science degree in Civil Engineering from the University of New Hampshire and a Master of Science in Civil Engineering from Virginia Polytechnic Institute and State University. Ms. Murtagh has a contract with the Authority that expires in June 2028.

Thomas J. Durkin, *Director of Finance*

Mr. Durkin was appointed Director of Finance in January 2015; he previously had served as Treasurer of the Authority since January 2008. Prior to joining the Authority, Mr. Durkin was the Deputy City Manager for the City of Chelsea, Massachusetts. Mr. Durkin also served as Finance Director for the Cities of Chelsea and Beverly, Massachusetts and as Treasurer for the City of Peabody, Massachusetts. Mr. Durkin holds a Master of Science degree in Corporate Finance from Bentley College and a Bachelor of Arts degree from the University of Massachusetts, Lowell.

Michele S. Gillen, *Director of Administration*

Ms. Gillen was appointed Director of Administration in January 2015, formerly serving as Deputy Director of Administration and Finance of the Authority since October 2009. Prior to her appointment as Deputy Director of Administration and Finance, Ms. Gillen served as Director of Real Property and Environmental Management (2005 to 2009). Ms. Gillen also has held several positions within the Authority's Public Affairs Department. Ms. Gillen holds a Bachelor of Arts degree from Fordham University and a Master of Science degree from the University of Massachusetts at Boston.

Matthew R. Horan, *Deputy Director, Finance/Treasurer*

Mr. Horan was appointed Deputy Director, Finance/Treasurer in October 2019, formerly serving as Treasurer of the Authority since January 2015. Mr. Horan also served as Deputy Treasurer of the Authority (2008 to 2015) and as the Authority's Project Manager, Debt and Finance (2003 to 2008). Mr. Horan also has held several positions within the Authority's Operations Division. Mr. Horan holds a Bachelor of Science degree and a Master of Science degree from Boston College.

Carolyn M. Francisco Murphy, *General Counsel*

Ms. Francisco Murphy was appointed General Counsel in July 2018, to be effective in September 2018. Ms. Francisco Murphy joined the Authority in January 2016 as the Director of Procurement. Prior to joining the Authority, Ms. Francisco Murphy had practiced law with the firm of Corwin & Corwin, LLP since September 1995. Prior to entering private practice, Ms. Francisco Murphy served as a law clerk to the Justices of the Massachusetts Superior Court. Ms. Francisco Murphy holds a law degree from Suffolk University and a Bachelor of Arts degree from Emmanuel College.

EMPLOYEES

As of September 1, 2025, the Authority had approximately 1,073 employees, including persons with professional qualifications in the fields of construction, engineering, environmental science, accounting, finance, law and management. The Authority believes that future staffing needs to support facilities constructed under the CIP are adequately reflected in its projected revenue requirements.

Under Massachusetts law, employees of the Authority have certain organizational and representational rights which include the right to organize, to bargain collectively by representatives of their choosing on questions of wages, hours and other terms and conditions of employment and to engage in lawful concerted activities for bargaining or other mutual aid or protection. The law prohibits strikes by Authority employees.

As of September 1, 2025, approximately 1,003 of the Authority's employees were organized into five collective bargaining units: Unit 1 is represented by United Steelworkers Local 9358; Unit 2 is represented by the American Federation of State, County and Municipal Employees Council 93 Local 1242; Unit 3 is represented by the National Association of Government Employees, Local R1-168; Unit 6 is represented by United Steelworkers Local 9360; and Unit 9 is represented by the Massachusetts Organization of State Engineers and Scientists.

The Authority's collective bargaining agreement with Unit 2 expires on March 31, 2027. The Authority's collective bargaining agreements with Units 1, 3, 6 and 9 expire on June 30, 2027.

The Act provides that no collective bargaining agreement entered into by the Authority shall limit inherent management rights including (i) employment, assignment and promotion of employees, (ii) termination and discharge of employees for other than arbitrary, capricious or unreasonable grounds, (iii) determination of the Authority's levels of service and staffing and the methods, means and personnel for performing operations, (iv) supervision, control, evaluation and establishment of productivity standards, and (v) use of part-time regular employees and independent contractors and vendors.

The Authority believes that its relationships with its employees and their union representatives are generally good.

ADVISORY BOARD

The Advisory Board to the Authority was established by the Act to serve as a liaison between the Authority and the Local Bodies. It is composed of one representative from 60 of the 61 original Local Bodies named in the Act (Lancaster is not represented on the Advisory Board), one from the Metropolitan Area Planning Council (a legislatively-created, comprehensive regional planning organization), and six persons appointed by the Governor to include an expert in environmental protection, one representative each from the Connecticut River basin, the Quabbin/Ware watershed areas and the Wachusett watershed area, and two persons qualified by membership or affiliation in organizations directly concerned with the recreational or commercial uses of Boston Harbor.

The Advisory Board, whose staff is headed by an executive director, is empowered by the Act to do the following:

- Name three members to the Authority's Board;
- Approve, subject to other requirements of the Act, extension of service to additional communities;
- Make recommendations to the Authority on annual expense budgets, capital facility programs and expenditure budgets and user charges;
- Hold hearings on matters relating to the Authority; and
- Make recommendations to the Governor and the state legislature regarding the Authority.

The Advisory Board actively monitors the Authority's programs from the perspective of the Authority's rate payers. In addition to participating in the process of formulating the Authority's current expense budgets and capital improvement programs, the Advisory Board has pursued legislative support for debt service assistance, watershed protection and other measures of interest to the Local Bodies. The Advisory Board works with the Authority to enhance community assistance programs and share technical information and resources. The Advisory Board also developed the sewer rate methodology upon which the Authority's Sewer System annual rates and charges are based. See "Rates and Charges - General."

The Authority and Advisory Board share the goals of improved service to the Local Bodies and additional financial assistance for the Authority's programs.

RETIREMENT SYSTEMS AND EMPLOYEE BENEFITS

All employees of the Authority are members of a contributory retirement system for public employees. The Act provides that all employees transferred to the Authority from the MDC on July 1, 1985 who were members of the State Employees' Retirement System (the "State System") shall remain members of the State System. All other employees of the Authority are members of a separate retirement system established in the Act known as the Massachusetts Water Resources Authority Employees' Retirement System (the "Authority System"). The Authority System is managed by a five-member board consisting of the Secretary of the Authority, *ex officio*, two members

elected each for three-year terms by the present and retired members of the Authority System, a member appointed by the Authority for a three-year term, and another member selected by the other four members.

Neither the Authority nor the Authority System has any liability for retirement benefits paid to members of the State System. For these individuals, the total cost of benefits earned while employed by the Authority is paid by the Commonwealth and by the employees' own contributions. As of September 1, 2025, 9 employees of the Authority were members of the State System. While employees of the DCR Division of Water Supply Protection are not members of the Authority System and the Authority is not directly responsible for the payment of benefits, the cost of such benefits are included in the computation of the expenses of the Division that are reimbursable in part by the Authority. See "The Systems - The Waterworks System."

The retirement benefits of employees of the Authority System are funded in part by employee contributions and investment returns, and in part by the Authority. As of September 1, 2025, there were 1,027 active members, 178 inactive members, and 902 retirees in the Authority System. The Act requires the Authority to pay annually to the Authority System any amounts needed to finance any pension benefits earned by its members. The most recently completed actuarial study of the Authority System is as of January 1, 2025 (the "2025 Pension Study"). The actuarial unfunded accrued liability reported in the 2025 Pension Study is estimated to be approximately \$111.9 million, resulting in the Authority System being approximately 87.1% funded, assuming a 6.9% investment return assumption. The expected unfunded liability in the 2025 Pension Study increased from the amount included in the 2024 Pension Study primarily due to actuarial losses due to wage inflation, mortality, number of retirements and prior period investment losses. The Authority's contributions to the Authority System for Fiscal Years 2019 through 2024 were approximately \$7.0 million, \$7.3 million, \$10 million, \$11.2 million, \$12.6 million and \$14.1 million respectively. The Authority's current policy is to reach full funding by the end of Fiscal Year 2030. For Fiscal Year 2025, on the basis of the 2024 Pension Study, the Authority included in the FY25 CEB a \$21.3 million contribution to the Authority System. The Fiscal Year 2025 payment is comprised of the \$16.1 million required contribution and an additional \$5.2 million deposit. The FY26 CEB included a \$26.3 million contribution to the Authority System. The Fiscal Year 2026 payment is comprised of the \$18.3 million required contribution and an additional \$8.0 million deposit. The 2025 Pension Study includes additional optional payments of \$6.5 million in Fiscal Years 2027 and 2028.

Employee contributions to both the State System and Authority System range from 5% of salary to not more than 11% of salary depending upon salary and the initial date of becoming a member of a system. Employees of the Authority do not participate in the federal Social Security Administration System.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was effective for the Fiscal Year ending June 30, 2007. The Authority began to implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the Fiscal Year ending June 30, 2008.

In addition to providing the pension benefits described above, the Authority provides other postemployment health care and life insurance benefits ("OPEB") for retired employees through the Group Insurance Commission ("GIC"). GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan (the "OPEB Plan"). The benefits, benefit levels, employee contributions and employer contributions are governed by and can be amended by the Authority. As of January 1, 2024, the most recent actuarial evaluation date for the Authority's OPEB liability, approximately 1,056 retirees and survivors and 1,061 active employees met the eligibility requirements for the OPEB Plan and the unfunded actuarial accrued liability was determined to be \$95.8 million. The increase in the unfunded actuarial accrued liability over the last report was driven by higher projected future healthcare costs and a higher number of family plans experienced versus the actuarial assumption. The Authority previously decided not to fund any OPEB liability until the Authority System was fully funded. Based on the actuarial study of the Authority System completed as of January 1, 2015, which showed the Authority System was 98.3% funded, in Fiscal Year 2015 the Authority established an irrevocable OPEB trust (the "OPEB Trust"). The Authority began funding the OPEB Trust in April 2015 with an initial deposit of \$10.8 million, including \$10 million released from reserves in connection with certain modifications to the General Bond Resolution that became effective in April 2015, and \$800,000 that had been segregated by the Authority toward its OPEB liability in Fiscal Year 2010. In Fiscal Years 2018 through 2024, \$5.0 million, \$5.6 million, \$6.0 million, \$6.2 million, \$4.7 million, \$4.8 million, and \$2.8 million, respectively, was deposited to the OPEB Trust, which deposits represented 50% of the actuarial determined contribution (the "ADC") for the applicable fiscal year based on the then current actuarial evaluation. The FY26 CEB

includes \$5.3 million for deposit to the OPEB Trust, which represents 50% of the ADC for Fiscal Year 2026, based on the January 1, 2024 actuarial evaluation. The Authority currently expects that the OPEB Trust will be funded annually at 50% of the ADC for the applicable fiscal year, based on the most current actuarial evaluation. In Fiscal Years 2018 through 2024, the total amount of Authority current benefit payments plus the applicable deposit to the OPEB Trust set forth above, represented 89%, 90%, 121%, 126%, 165%, 176.5%, and 186.6% (as calculated under GASB 75), respectively, of the ADC based on the then applicable current actuarial evaluation. As of June 30, 2025, the OPEB Trust had a balance of \$95.2 million.

PUBLIC AFFAIRS

The Authority maintains strong relationships with the various constituencies it serves, including the Local Bodies, the Advisory Board, elected and appointed officials, interest groups, and the public at-large. Public outreach and education - critical to building support for the Authority's operational and environmental objectives - are accomplished through a wide variety of activities, including community assistance programs, technical assistance to industrial customers, the Authority's website, social media, rapid response to public inquiries, facility tours, informational publications, school education programs, intergovernmental and media liaisons, and targeted programs for communities impacted by Authority facilities.

FINANCIAL OPERATIONS

GENERAL

As required by the Act, the Authority's operations for sewage collection, treatment and disposal and for delivery of water are treated separately for accounting and billing purposes, and revenues, expenses, assets and funds pertaining to these two operations are segregated by function. Indirect administrative costs and capital costs are allocated to water or sewer operations, as appropriate. The Authority's Fiscal Year commences on July 1.

The Authority uses a budgetary system of accounting in setting its rates and charges and preparing its annual budget (the "Current Expense Budget" or "CEB") for its current expenses, including operating costs and direct and indirect administrative costs (collectively, "Current Expenses"). United States of America generally accepted accounting principles ("GAAP") are used by the Authority in preparing its monthly internal and annual audited financial statements.

Current and Capital Expense Budgets. In accordance with the Act, the Authority adopts annually a Current Expense Budget, which may be amended under certain circumstances. While the Authority's Current Expense Budget must be submitted to the Advisory Board for comment and recommendation not less than 60 days prior to its adoption, and amendments to the budget must be submitted to the Advisory Board no less than 30 days prior to their adoption, the Authority's Current Expense Budget is not subject to approval by any board (including the Advisory Board), department, agency or other instrumentality of the Commonwealth or any other governmental body.

The Act requires that the Authority adopt and update capital facilities programs for the Systems and capital expense budgets to implement and finance such programs. See "Capital Improvement Program."

MANAGEMENT AND FINANCIAL CONTROLS

The Authority uses a performance-based budgeting format for its Current Expense Budget, which provides a basis for measuring operating activities, strengthens managerial accountability for each of the departments and provides a framework for the apportionment of resources. The Authority also uses a system of monthly and quarterly reports on key management indicators. Presentation formats allow for month-to-month, year-to-date, and year-to-year comparisons.

The Authority uses a variety of fiscal management systems to monitor and control Current Expenses. In addition to weekly cash reports, the Authority monitors its spending through monthly variance reports for each of its cost centers. Variance explanations are prepared at the end of the first quarter of the Fiscal Year, and monthly

thereafter. Starting with results through January of each Fiscal Year, the budget variance reports include updated forecasts of year-end expenditures.

The Authority has instituted a set of fiscal controls for the CIP. The Authority prepares monthly and quarterly reports on capital budget performance and semi-annual variance analysis reports on the capital budget. From time-to-time, as necessary, the Authority follows its established budget amendment policy to make adjustments to the capital budget. Procurements are processed by a central department to ensure uniform contract language, standard safeguards and competitive bids for the Authority. Contract amendments and construction change orders are subject to critical review and evaluation by field and budget staff, procurement officers, and legal counsel. Resident inspectors monitor all construction in progress to ensure quality of material and workmanship. Claims by contractors are reviewed and may be negotiated by the Authority's construction and legal staff. The Authority also has instituted audit procedures to examine wage, overhead and profit rates on professional service contracts.

The Authority has an integrated management information system for its financial functions, including general ledger, budget, accounts receivable, debt management, cash management, procurement, accounts payable, and payroll systems. The Authority regularly upgrades and enhances this system to ensure the ongoing efficiency of its operation.

The Authority's business plan defines critical operational goals and objectives, as well as related activities and improvements in support of these objectives. The Authority also has developed annual performance targets that provide a quantifiable standard against which to measure progress towards achieving these objectives.

OUTSTANDING AND PROPOSED INDEBTEDNESS

As of October 1, 2025, the Authority had Outstanding approximately \$2.6 billion of Bonds, \$760.2 million of Subordinated Bonds issued to the Trust ("SRF Bonds"), \$256.2 million of Multi-Modal Subordinated General Revenue Bonds and Subordinated General Revenue Refunding Bonds (the "Variable Rate Bonds"), a \$100 million revolving credit facility (the "Revolving Loan") (which, together with the SRF Bonds and the Variable Rate Bonds, constitute Subordinated Bonds), and \$139.2 million in commercial paper notes ("CP Notes"). The CP Notes constitute Subordinated Parity Bond Anticipation Notes. The interest on the CP Notes, but not the principal thereof, is secured by a lien on Revenues on parity with the lien securing other Subordinated Bonds. See Note 6 to the Authority's Financial Statements for additional information on the Authority's Outstanding indebtedness. As of October 1, 2025, \$30 million was drawn under the Revolving Loan.

The Authority has in place several credit and liquidity facilities from commercial banking institutions providing credit or liquidity, or both, support for certain of the Variable Rate Bonds, aggregating approximately \$166.8 million in principal amount as of October 1, 2025. In addition, several other series of Variable Rate Bonds, aggregating approximately \$89.4 million in principal amount as of October 1, 2025, were purchased directly and are held by commercial banking institutions ("direct purchasers"). The credit and liquidity providers are secured on the same basis under the General Bond Resolution as the owners of the Subordinated Bonds, including the direct purchasers. The Authority's agreements with the credit and liquidity providers and the direct purchasers contain the same financial covenants and liens on Revenues that are provided to all owners of Subordinated Bonds under the General Bond Resolution. See Note 6 to the Authority's Financial Statements for additional information on the Authority's Variable Rate Bonds. The 2025 Bonds are being issued to refund all of the Variable Rate Bonds held by direct purchasers, one series of other Variable Rate Bonds, and to repay outstanding CP Notes previously issued to refund other Variable Rate Bonds.

In July 2025, the Authority authorized the expansion of CP Notes capacity to a not to exceed principal amount of \$300 million from the existing \$150 million and expects to complete such expansion by then end of calendar year 2025.

The following table sets forth debt service on the Authority's Outstanding Secured Bonds for each Fiscal Year in which such Secured Bonds will be Outstanding.

SECURED BOND DEBT SERVICE
(in thousands of dollars)¹

Fiscal Year	Debt Service On General Revenue Bonds		Debt Service On Subordinated Bonds ²		Total Secured Bond Debt Service
	Principal	Interest	Principal	Interest	
2026	\$178,685	\$113,021	\$110,862	\$28,868	\$431,436
2027	140,285	106,585	138,056	24,694	409,620
2028	151,595	100,000	105,446	21,102	378,142
2029	159,125	93,202	96,770	17,932	367,030
2030	176,400	85,841	67,885	15,406	345,532
2031	188,165	77,269	54,898	13,665	333,998
2032	177,095	69,291	53,613	12,218	312,217
2033	174,210	62,145	48,960	10,925	296,241
2034	158,440	55,181	49,176	9,739	272,536
2035	118,295	49,365	49,194	8,560	225,414
2036	124,850	44,414	47,186	7,332	223,782
2037	142,350	38,684	44,938	6,089	232,060
2038	153,255	32,372	40,682	2,805	229,115
2039	169,520	25,861	23,430	1,955	220,766
2040	157,210	19,375	17,452	1,500	195,536
2041	111,205	14,103	14,581	1,144	141,034
2042	60,285	10,608	10,724	828	82,446
2043	42,195	8,334	10,970	587	62,085
2044	40,145	6,407	8,168	354	55,074
2045	33,185	4,695	5,955	173	44,008
2046	23,595	3,328	1,517	39	28,479
2047	13,040	2,400	-	-	15,440
2048	13,440	1,725	-	-	15,165
2049	17,900	924	-	-	18,824
2050	9,305	233	-	-	9,538
Total	\$2,733,775	\$1,025,365	\$1,000,464	\$185,912	\$4,945,516

Totals may not sum due to rounding.

¹ Variable Rate bonds are carried at an assumed interest rate of 4.0% per annum.

² Includes debt service on the SRF Bonds net of subsidy amounts. Does not include debt service on (i) CP Notes or (ii) the Revolving Loan. Includes the Secured Bonds refunded by the 2025 Bonds, but excludes the 2025 Bonds.

The Authority expects to issue additional Secured Bonds in the future. The projected issuances from Fiscal Year 2026 through Fiscal Year 2030 to finance the CIP are included in the projected rates under “Rates and Charges – Future Rates and Charges.” The Authority’s future borrowing needs will be based on the actual size and timing of capital expenditures, which vary based on actual project schedules. The Authority’s current expectations regarding the timing and amount of additional indebtedness also assume that a portion of the CIP will be funded through pay-as-you-go capital expenditures. The estimates further assume legislative approval of adequate and timely increases in the Authority’s debt limit, if needed. See “Debt Limitation” below. Changes in the CIP or the ability of the Authority to fund the current planned level of pay-as-you-go capital expenditures could impact the Authority’s current expectations regarding future indebtedness.

INTEREST RATE EXCHANGE AGREEMENTS

From time to time the Authority has entered into interest rate exchange agreements (“swaps”) with respect to certain of its Variable Rate Bonds. In November 2023, the Authority voluntarily terminated all of its existing swaps. A voluntary notice regarding such swap terminations was posted on EMMA and can be found at <https://emma.msrb.org/P11705661-P11311371-P11743131.pdf>.

DEBT LIMITATION

The Act contains a limitation on the total amount of unrefunded bonds and notes of the Authority that may be outstanding at any one time. The debt limit is currently \$6.45 billion. As of October 1, 2025, the Authority had outstanding approximately \$3.8 billion of bonds.

The Authority periodically has requested and received increases in its debt limit to allow for the issuance of bonds to finance the CIP. The Authority expects to seek additional increases in the limit, if necessary, in order to finance the CIP in the future. Any such increase is subject to legislative approval. Failure to secure increases in the debt limit sufficient to finance the CIP as planned would require the Authority to adjust its construction plans and schedules and seek alternative sources of funding.

REPORTS

In accordance with the Act, the Authority prepares annual financial reports, which contain financial statements relating to its operations maintained in accordance with GAAP and audited by independent certified public accountants. The Authority also prepares five-year progress reports for the Governor, the President of the state Senate, the Speaker of the state House of Representatives, the Advisory Board and the Chairpersons of the state Senate and House Committees on Ways and Means. The five-year progress reports are prepared with the participation of an independent citizen panel, documenting activities of the prior period, and anticipated challenges for the future. The most recent five-year progress report was completed in September 2016 for the period ending December 2015. The Authority is working on the most recent progress report.

Included in Appendix B the Official Statement are the audited financial statements of the Authority at June 30, 2025 and June 30, 2024 and for the Fiscal Years then ended, audited by CliftonLarsenAllen LLP, independent accountants. See “Financial Statements.”

Pursuant to the General Resolution, the Authority files with the Trustee a triennial report of the Consulting Engineer, setting forth a detailed analysis of the Authority’s Systems, the CEB and the CIP, including recommendations as to reserve requirements and other matters. The most recent triennial report, the 2023 Triennial Report, was completed in October 2023 and has been posted on EMMA and can be found at <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P11291927>. Appendix C to the Official Statement includes the Consulting Engineer’s October 2025 Report.

The Authority also files other reports and information from time to time with federal and state governmental authorities in accordance with legislative and regulatory requirements.

MANAGEMENT’S REVIEW OF OPERATING RESULTS

HISTORICAL REVENUES, EXPENSES AND FUND DEPOSITS

The following table is prepared in accordance with the General Bond Resolution and sets forth a summary of the Authority’s historical revenues, expenses and fund deposits for Fiscal Years 2021 through 2024 and unaudited information for Fiscal Year 2025. For financial statements prepared in accordance with GAAP regarding Fiscal Year 2024, see the Authority’s Financial Statements that have been posted on EMMA at <https://emma.msrb.org/P11809448-P11387117-P11826663.pdf>.

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HISTORICAL REVENUES, EXPENSES AND FUND DEPOSITS

(in thousands of dollars)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	(Unaudited) <u>FY 2025</u>
Revenues					
Rates and Charges	\$778,828	\$803,047	\$829,105	\$844,947	\$866,398
Investment Income ¹	4,242	5,435	25,614	32,981	30,026
Transfer from Rate Stabilization Fund	1,500	1,250	980	305	-
Other Income	8,579	9,990	9,037	6,771	6,895
Total Revenues	<u>\$793,149</u>	<u>\$819,722</u>	<u>\$864,736</u>	<u>\$885,004</u>	<u>\$903,319</u>
Operating Expenses ²	\$298,396	\$296,959	\$319,458	\$354,928	\$372,802
Capital Lease	3,217	3,217	3,217	3,217	3,217
Net Operating Revenues	<u>\$491,536</u>	<u>\$519,546</u>	<u>\$542,061</u>	<u>\$526,859</u>	<u>\$527,300</u>
Debt Service on Bonds	\$281,064	\$261,060	\$313,377	\$318,360	\$329,821
Other Debt Service ³	175,082	203,439	159,622	153,289	146,786
Debt Prepayment	3,900	5,609	5,500	4,000	5,500
Amount Available After Operations and Debt Service	<u>\$ 31,490</u>	<u>\$ 49,438</u>	<u>\$ 63,562</u>	<u>\$ 51,210</u>	<u>\$45,193</u>
Fund Deposits					
Reserve Funds	\$ 1,815	\$ 1,413	\$ 2,418	\$7,347	\$1,906
Construction Fund ⁴	\$ 16,745	\$ 18,554	\$ 22,033	\$26,547	26,296
Rate Stabilization	-	-	-	-	-

¹ Unrealized gains or losses recorded on investments are excluded.

² Includes payment of certain Commonwealth Obligations, that are paid after Debt Service on Secured Bonds and that are not included in Operating Expenses for purposes of calculating certain Coverage Covenants; excludes depreciation.

³ Includes debt service on Variable Rate Bonds and SRF Bonds. Excludes amortized issuance expenses, refinanced principal payments and interest on CP Notes.

⁴ Includes deposits from current revenue to fund capital projects.

FISCAL YEAR 2021

The Fiscal Year 2021 CEB (the “FY21 CEB”) was adopted by the Board in May 2020. The FY21 CEB totaled \$791.4 million, a decrease of 0.11% over the FY20 CEB. Non-rate revenue totaled \$22.0 million, resulting in a rate revenue requirement of \$769.4 million, an increase of 1.0% over Fiscal Year 2020. The FY21 CEB assumed that the Authority would not receive any additional state debt service assistance in Fiscal Year 2021 or thereafter. However, the Authority received approximately \$1.3 million of debt service assistance in Fiscal Year 2021, which the Authority applied to offset rates and charges in Fiscal Year 2022. The FY21 CEB utilized \$1.5 million of rate stabilization funds, which represents a portion of the \$6.5 million of funds deposited in Fiscal Year 2018 in preparation for additional expenses relating to a replacement cross-harbor power cable servicing the Deer Island Treatment Plant.

Total expenses in the FY21 CEB decreased by \$0.9 million, or 0.11%, from the FY20 CEB, with a decrease in capital financing expenses of \$11.2 million, an increase in direct expenses of \$3.9 million, and an increase in indirect expenses of \$6.4 million. The FY21 CEB included \$252.2 million of direct expenses, \$57.3 million of indirect expenses, and \$481.9 million of capital financing expenses. Capital financing expenses represented 61.1% of total expenses in the FY21 CEB.

Total actual expenses in Fiscal Year 2021 were approximately \$13.0 million, or 1.6% less than budgeted, direct expenses of \$239.5 million were 5.0% less than budgeted, indirect expenses of \$58.9 million were 2.9% more than budgeted, and capital financing expenses of \$480.0 million (including optional cash defeasances totaling \$25.6 million of certain of Bonds) were 0.4% less than budgeted. Direct expenses were less than budgeted due primarily to maintenance expenses, wages and salaries, professional services, utilities, other materials, fringe benefits, chemicals, workers’ compensation, overtime, other services, and training and meetings being less than budgeted.

Total actual revenues for Fiscal Year 2021 were approximately \$1.8 million or 0.01% more than budgeted.

FISCAL YEAR 2022

The FY22 CEB was adopted by the Board in June 2021. The FY22 CEB totaled \$813.0 million, an increase of 2.7% over the FY21 CEB. Non-rate revenue totaled \$20.9 million, resulting in a rate revenue requirement of \$792.1 million, an increase of 2.95% over Fiscal Year 2021. The FY22 CEB assumed that the Authority would not receive any additional debt service assistance in Fiscal Year 2022 or thereafter. However, the Authority received approximately \$1.2 million in debt service assistance in Fiscal Year 2022, which the Authority applied to offset rates and charges in Fiscal Year 2023. The FY22 CEB utilized \$1.25 million of rate stabilization funds, which represents a portion of the \$6.5 million of funds deposited in Fiscal Year 2018 in preparation for additional expenses relating to a replacement cross-harbor power cable servicing the Deer Island Treatment Plant.

Total expenses in the FY22 CEB increased by \$21.6 million, or 2.7%, from the FY21 CEB, with an increase in capital financing expenses of \$14.6 million, an increase in direct expenses of \$7.6 million, and a decrease in indirect expenses of \$0.6 million. The FY22 CEB included \$259.8 million of direct expenses, \$56.7 million of indirect expenses, and \$496.5 million of capital financing expenses. Capital financing expenses represent 61.1% of total expenses in the FY22 CEB.

Total actual expenses for Fiscal Year 2022 were approximately \$24.2 million, or 3.0% less than budgeted, direct expenses of \$241.7 million were 7% less than budgeted, capital financing expenses of \$491.9 million (including optional cash defeasances totaling \$25.4 million of certain bonds) were 0.9% less than budgeted, and indirect expenses of \$55.3 million were 2.4% less than budgeted. Direct expenses were less than budgeted and were driven by lower spending for wages and salaries, maintenance, other materials, fringe benefits, professional services and workers' compensation, partially offset by higher spending on utilities.

Total actual revenues for Fiscal Year 2022 of \$819.7 million were \$6.7 million or 0.8% higher than budgeted.

FISCAL YEAR 2023

The FY23 CEB was adopted by the Board in June 2022. The FY23 CEB totals \$840.2 million, an increase of 3.3% over the FY22 CEB. Non-rate revenue totals \$25.5 million, resulting in a rate revenue requirement of \$814.6 million, an increase of 2.85% over Fiscal Year 2022. The FY23 CEB assumes that the Authority will not receive any additional debt service assistance in Fiscal Year 2023 or thereafter. The FY23 CEB utilizes \$1.0 million of rate stabilization funds, which represents a portion of the \$6.5 million of funds deposited in Fiscal Year 2018 in preparation for additional expenses relating to a replacement cross-harbor power cable servicing the Deer Island Treatment Plant.

Total expenses in the FY23 CEB increased by \$27.2 million, or 3.3%, from the FY22 CEB, with an increase in capital financing expenses of \$9.4 million, an increase in direct expenses of \$13.9 million, and an increase in indirect expenses of \$3.8 million. The FY23 CEB includes \$273.7 million of direct expenses, \$60.5 million of indirect expenses, and \$506.0 million of capital financing expenses. Capital financing expenses represent 60.2% of total expenses in the FY23 CEB.

Total actual expenses for Fiscal Year 2023 were approximately \$17.0 million, or 2.0% less than budgeted, direct expenses of \$261.3 million were 4.5% less than budgeted, capital financing expenses of \$503.7 million (including optional cash defeasances totaling \$21.8 million of certain bonds) were 0.4% less than budgeted, and indirect expenses of \$58.1 million were 3.9% less than budgeted. Direct expenses were less than budgeted and were driven by lower spending for wages and salaries, other materials, other services, fringe benefits, professional services and workers' compensation, partially offset by higher spending on chemicals, utilities, and maintenance.

Total actual revenues for Fiscal Year 2023 of \$864.7 million were \$24.5 million or 2.9% higher than budgeted.

FISCAL YEAR 2024

The FY24 CEB was adopted by the Board in June 2023. The FY24 CEB totals \$874.1 million, an increase of 4.0% over the FY23 CEB. Non-rate revenue totals \$39.9 million, resulting in a rate revenue requirement of \$834.3 million, an increase of 2.4% over Fiscal Year 2023. The FY24 CEB assumes that the Authority will not receive any additional debt service assistance in Fiscal Year 2024 or thereafter. The FY24 CEB utilizes \$0.3 million of rate stabilization funds, which represents a portion of the \$6.5 million of funds deposited in Fiscal Year 2018 in preparation for additional expenses relating to a replacement cross-harbor power cable servicing the Deer Island Treatment Plant.

Total expenses in the FY24 CEB increased by \$34.0 million, or 4.0%, from the FY23 CEB, with an increase in direct expenses of \$42.3 million, an increase in indirect expenses of \$10.0 million and a decrease in capital financing expense of \$18.2 million. The FY24 CEB includes \$316.0 million of direct expenses, \$70.4 million of indirect expenses, and \$487.8 million of capital financing expenses. Capital financing expenses represent 55.8% of total expenses in the FY23 CEB.

Fiscal Year 2024 total expenses were approximately \$854.2 million, or 2.3% less than budgeted, direct expenses of \$285.3 million were 9.7% less than budgeted, capital financing expenses of \$499.2 million (including a cash tender and cash defeasance of certain outstanding bonds totaling \$32.2 million) were 2.4% greater than budgeted, and indirect expenses of \$70.0 million were 1.0% less than budgeted. Direct expenses were less than budgeted due primarily to lower wages and salaries, other services, chemicals, professional services, fringe benefits, maintenance, other materials, and training and meetings. These were partially offset by higher spending on utilities, overtime, and worker's compensation.

Total Fiscal Year 2024 revenue of \$885.0 million was \$10.9 million or 1.2% higher than budgeted.

FISCAL YEAR 2025 (UNAUDITED)

The FY25 CEB was adopted by the Board of Directors in June 2024. The FY25 CEB totals approximately \$900.6 million, an increase of 3.0% over the FY24 CEB. Non-rate revenue totals \$45.1 million, resulting in a rate revenue requirement of \$855.5 million, an increase of 2.5% over Fiscal Year 2024.

Total expenses in the FY25 CEB increased by \$26.5 million, or 3.0%, over the FY24 CEB, with capital financing expenses increasing by \$16.4 million, an increase in direct expenses of \$5.0 million, and an increase in indirect operating expenses of \$5.1 million. The FY25 CEB includes \$321.0 million of direct expenses, \$75.4 million of indirect expenses, and \$504.2 million of capital financing expenses. Capital financing expenses represent 56.0% of total expenses in the FY25 CEB.

For Fiscal Year 2025, total expenses were approximately \$880.1 million, or 2.3% less than budgeted, direct expenses of \$300.5 million were 6.4% less than budgeted, capital financing expenses of \$507.3 million were 0.6% greater than budgeted (including a cash defeasance of certain outstanding bonds totaling \$25.7 million), and indirect expenses of \$72.3 million were 4.2% less than budgeted. Direct expenses were less than budgeted due primarily to lower spending for Wages & Salaries, Professional Services, Other Services, Fringe Benefits, Chemicals, Overtime, and Training & Meetings, partially offset by higher spending on Other Materials, Maintenance, Utilities, and Worker's Compensation. Total revenue for Fiscal Year 2025 of \$903.3 million was \$2.7 million or 0.3% higher than budgeted.

FISCAL YEAR 2026 CURRENT EXPENSE BUDGET

The FY26 CEB was adopted by the Board of Directors in June 2025. The FY26 CEB totals approximately \$919.7 million, an increase of 2.1% over the FY25 CEB. Non-rate revenue totals \$40.9 million, resulting in a rate revenue requirement of \$878.8 million, an increase of 2.7% over Fiscal Year 2025. The FY26 CEB continues to assume that the Authority will receive no additional state debt service assistance in Fiscal Year 2026 or thereafter. The FY26 CEB does not utilize rate stabilization or bond redemption funds.

Total expenses in the FY26 CEB increased by \$19.1 million, or 2.1%, over the FY25 CEB, with capital financing expenses increasing by \$4.5 million, an increase in direct expenses of \$7.0 million, and an increase in

indirect operating expenses of \$7.6 million. The FY26 CEB includes \$328.0 million of direct expenses, \$83.0 million of indirect expenses, and \$508.7 million of capital financing expenses. Capital financing expenses represent 55.30% of total expenses in the FY25 CEB.

DEBT SERVICE COVERAGE

The Authority has met or exceeded the Coverage Covenants, as required by the General Bond Resolution, in each of the last five fiscal years, as shown in the following table.

	HISTORICAL COVERAGE (in thousands of dollars)				
	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	(Undaudited) <u>FY 2025</u>
Operating Revenues	\$ 786,119	\$ 811,854	\$ 836,955	\$ 851,718	\$872,293
Interest Income	4,242	5,435	25,614	32,981	30,026
Transfers from Rate Stabilization Fund ¹	1,500	1,250	980	305	-
Total Revenues	\$ 791,861	\$ 818,539	\$ 863,549	\$ 885,004	\$903,318
Operating Expenses	\$(283,600)	\$(280,006)	\$(300,332)	\$(338,550)	\$(372,858)
Commonwealth Obligations ²	25,845	25,963	26,151	28,986	28,964
OPEB ³	(13,495)	(17,327)	(20,893)	(8,516)	-
Pollution Remediation	514	1,787	4,185	-	1,963
Capital Lease	(3,217)	(3,217)	(3,217)	(3,217)	(3,217)
Net Revenues	\$ 517,908	\$ 545,739	\$ 569,443	\$ 563,707	\$ 558,170
Revenues Available for Bond Debt Service (A)	\$ 517,908	\$ 545,739	\$ 569,443	\$ 563,707	\$ 558,170
Required Senior Debt Service Fund Deposits(B)	\$ 255,429	\$ 234,363	\$ 290,415	\$ 284,993	\$298,142
Required Subordinated Debt Service Deposits(C)	\$ 175,082	\$ 204,728	\$ 160,805	\$ 148,285	\$142,485
Coverage:					
Primary Bond Coverage Ratio ⁴	203%	233%	196%	198%	187%
Secured Bond Coverage Ratio ⁵	120%	124%	126%	130%	127%

¹ Amounts transferred from the Rate Stabilization Fund to the Revenue Fund are included as Revenues for coverage purposes in the year of such transfer up to an amount equal to 0.1 times Required Debt Service Fund Deposits for such year. Consistent with this treatment, in calculating coverage for a Fiscal Year, moneys transferred to the Rate Stabilization Fund are not included as Revenues.

² Commonwealth Obligations are paid after debt service on Bonds and are, therefore, excluded from Operating Expenses in calculating coverage.

³ Represents the Authority's OPEB liability under GASB 45.

⁴ A divided by B.

⁵ A divided by the sum of B and C.

THE SYSTEMS

THE WATERWORKS SYSTEM

History. Boston and surrounding communities have one of the oldest public water supply systems in the United States, dating to 1652 when the “Water Works Company” was incorporated to construct Boston’s first waterworks facility. Facilities were added over the years to meet increasing demand, and by the mid-1800s, a large scale water supply system utilizing cast iron pipes from a series of area reservoirs had been fully developed. In 1895, after a major study of the existing Boston metropolitan water supply and demand forecasts, work was begun on a major expansion project, the Wachusett Reservoir and Aqueduct. Construction of the Wachusett Reservoir, finished in 1908, more than doubled the system’s yield. In 1919, after the state legislature commissioned a second major water supply study, planning was begun for the Quabbin Reservoir. Construction of the Quabbin Reservoir, completed in 1939 and filled to capacity by 1946, represented the last major expansion of the system’s water supply, increasing the reservoirs’ total storage capacity from 78 billion gallons to approximately 490 billion gallons, and the watershed area from approximately 185 square miles to approximately 467 square miles.

Water Supply. The Act granted to the Authority the exclusive right to utilize for water supply purposes all of the water from the existing DCR Watershed System as may be safely yielded. The safe yield is defined to be the average quantity of water that can be supplied on a continuous basis through a drought period. Under present operating rules the Authority’s water sources can supply a safe yield of approximately 300 million gallons per day (“mgd”). The Authority’s statutory right to utilize water derived from the DCR Watershed System includes the delivery, distribution and sale of water and the receipt by the Authority of revenues from charges relating to such delivery, distribution and sale.

DCR’s Division of Water Supply Protection (the “Division”) is responsible for management and maintenance of the DCR Watershed System, including a mandate to construct, maintain and operate a system of watersheds, reservoirs, water rights and rights in sources of water supply, and to supply a sufficient supply of pure water to the Authority. Other DCR responsibilities include forestry and wildlife management; conservation of water, land and other natural resources; preservation of the environment; and operation of a visitor’s center at the Quabbin Reservoir. The Authority must pay the Commonwealth for the Division’s watershed management and maintenance costs.

The present major sources of water to the Waterworks System are the watersheds of the Quabbin Reservoir, the Ware River and the Wachusett Reservoir. Other standby sources include the Sudbury Reservoir and the Framingham Reservoir No. 3. The Quabbin Reservoir, located approximately 65 miles west of Boston, is one of the largest reservoirs in the world built exclusively for water supply purposes, covering 39 square miles with a capacity of 412 billion gallons. Water for the Quabbin Reservoir is derived from the impounded Swift River, a tributary of the Connecticut River, with a runoff from 186 square miles of watershed. In addition, a limited quantity of the runoff from 98 square miles of the Ware River watershed is diverted to the Quabbin Reservoir.

The Wachusett Reservoir is located in central Massachusetts, approximately 35 miles west of Boston. The Wachusett Reservoir has a capacity of 65 billion gallons and a surface area of approximately 6.5 square miles. The Sudbury Reservoir, in the Sudbury River watershed, has an 8.4 billion gallon capacity and a surface area of approximately two square miles. Framingham Reservoir No. 3, also in the Sudbury River watershed, has a capacity of 1.2 billion gallons and a surface area of approximately one-half of a square mile. The Sudbury and Framingham Reservoirs are currently maintained off-line for emergency use only.

In close conjunction with the Authority, DCR has developed and implemented Watershed Protection Plans for the Quabbin, Wachusett and Ware watershed areas to protect water quality in the reservoirs. Components of this program include a land acquisition program funded by the Authority targeting critical lands over 15 years, a completed sewer project to improve tributary water quality, public access controls around the reservoir, state regulations on development in critical areas along tributaries, and a substantial water quality monitoring and research program. Updated five-year protection programs for all three watersheds, covering 2024 through 2028, have been approved by DEP. The plans focus on continuing protection efforts to minimize the level of pathogens and nutrient pollution entering the reservoir.

Water Transmission and Distribution. Because of the variety of local conditions and elevations, six water pressure zones are required for the Waterworks System's service area. These six zones are supplied through tunnels and aqueducts from the two active source water reservoirs and water is distributed through pumping and major transmission and storage facilities, all of which are owned and maintained by the Authority. Major system components include approximately 350 miles of aqueducts, tunnels and mains, 12 active distribution storage reservoirs and standpipes, 11 active pumping stations, and four active hydro-electric power stations.

Water from the Quabbin Reservoir, which has an elevation 530 feet above the base elevation of Boston, is delivered to the Wachusett Reservoir by the Quabbin Aqueduct, a 24.6-mile tunnel. From the Wachusett Reservoir, water is delivered through the eight-mile Cosgrove Tunnel, built in the 1960s, and the Wachusett Aqueduct, first used in 1898, to the Hultman Aqueduct intake structure in Marlborough and to the Weston Reservoir via the Weston Aqueduct. The Hultman Aqueduct, in service since the 1940s, connects with the Cosgrove Tunnel and continues the delivery of water 17.8 miles into the Boston area. Water from the Wachusett Reservoir and the back-up Sudbury Reservoir can be delivered in an emergency through the 17.5-mile Sudbury Aqueduct, built in 1878, to the Chestnut Hill Reservoir which is now off-line. The Chestnut Hill Emergency Pump Station can pump from the Chestnut Hill Reservoir into the transmission and distribution system in an emergency. With the completion of the 17.6-mile MetroWest Water Supply Tunnel, the Hultman Aqueduct was rehabilitated in phases and now provides redundancy for large segments of the MetroWest Water Supply Tunnel. The Authority is undertaking several additional projects designed to provide further redundancy to the water transmission system, including having completed the construction of a new pump station at the Wachusett Aqueduct. In addition, the Authority is undertaking preliminary design and geotechnical investigations for two deep rock tunnels that will provide significant redundancy for the water transmission system serving the metropolitan Boston area. See "Capital Improvement Program - Capital Projects In FY26 CIP - Waterworks Projects – Transmission System."

The major links of the water supply distribution system in the Boston area are the Authority's 5.4 mile City Tunnel, a 7.1 mile City Tunnel Extension serving communities north of Boston, and the Dorchester Tunnel, a 6.4 mile tunnel providing distribution to communities south of Boston. The Authority provides water supply to each Local Body through one or more metered connections and through certain non-metered connections that are used on an emergency basis only. Less than 5% of monthly water consumption is estimated, rather than metered, due to the necessary use of an emergency connection or to a faulty meter or other system malfunction. The water distribution system has a total of 160 metered connections and approximately 73 non-metered emergency connections. The Authority is responsible for the maintenance of the water distribution system to and including the metered connection or, in the case of an emergency connection, the emergency valve. Local Bodies distribute water to their retail customers through approximately 6,000 miles of community-maintained water pipelines.

Water Quality. Due to the high quality of its source waters and its well protected watersheds, the Authority received a waiver from DEP of filtration requirements for water supplied from the Wachusett Reservoir to the metropolitan Boston area. To meet the waiver requirements and to comply with applicable SDWA regulations, the Authority constructed the John J. Carroll Water Treatment Plant (previously referred to as the Walnut Hill Water Treatment Plant) (the "Carroll Water Treatment Plant") in Marlborough, and later a second primary disinfection treatment process at the Carroll Water Treatment Plant. See "Environmental Regulation and Litigation - Water Supply - Drinking Water Regulation." The Carroll Water Treatment Plant has a maximum daily design capacity of 405 mgd and an average daily design capacity of 270 mgd.

The Authority has eliminated the use of open distribution reservoirs, which are vulnerable to airborne contaminants and allow the growth of bacteria, plants and algae, by constructing covered storage facilities. Approximately 2.4 billion gallons of open reservoirs have been replaced with more than 200 million gallons of covered storage downstream of the Carroll Water Treatment Plant.

The Authority also received a waiver from DEP of filtration requirements for water supplied to the three CVA Communities by the Chicopee Valley Aqueduct from the Ware River/Quabbin Reservoir supply system. To meet the waiver conditions and improve disinfection to assure water quality and SDWA compliance, the Authority constructed a disinfection facility, the William A. Brutsch Water Treatment Facility (the "Brutsch Treatment Facility") at Ware, and two 12.5 million gallon concrete water storage tanks to replace the open Nash Hill Reservoir. See "Environmental Regulation and Litigation - Water Supply - Drinking Water Regulation."

The Authority's Local Water System Assistance Program, which began in Fiscal Year 2001, provides interest free loans to eligible Local Bodies to replace, rehabilitate, and maintain components of their waterworks systems.

The Authority works with state and local officials to increase awareness of water quality issues affecting the water distribution systems operated by the Authority and the Local Bodies, and collaborates with Local Bodies to deal with local water quality problems as they arise. The Authority has established a program to provide interest free loans and grants, in an aggregate amount up to \$200 million, to Local Bodies to assist them in replacing lead service lines in their local water distribution systems. See "Capital Improvement Program - Capital Projects In FY26 CIP – Waterworks Projects – Other Waterworks Projects."

Water Demand. At the time the Authority assumed responsibility for the Waterworks System in 1985, the average daily withdrawal of water from the system had exceeded the safe yield of 300 mgd in each year since 1969. To address the problem, the Authority established programs for detecting and repairing leaks, encouraging conservation and reduced water use, preserving and developing local supply sources, and implementing a drought response plan. In large part as a result of the Authority's programs, water use declined by over 100 mgd since 1987, and since 1989 average daily withdrawals have been within the safe yield. Demand continues to decline due to continued improvements in water use efficiency in plumbing fixtures and appliances. The Authority's withdrawals from the Waterworks System have averaged 200 mgd for the last five years, which is over 100 mgd below the safe yield. Barring a drought more severe than any on record and assuming continuing conservation efforts and proper maintenance of the transmission and distribution system, the Authority projects that its existing supplies will be more than sufficient for its water supply needs through at least the year 2060. The Authority currently has no plans to develop any new sources of water. For a description of certain of the environmental and regulatory constraints involved in the process of augmenting the Authority's water supply, see "Environmental Regulation and Litigation - Water Supply - Expansion of Water Supplies."

Extension and Contraction of Waterworks Service Area. Under the Act, the Authority may extend the Waterworks System to additional communities not currently served on such reasonable terms as the Authority may determine. Such an extension of service requires that the Authority first make certain findings similar to those required to be made in connection with the continuation of water supply services to communities currently served under special acts or contracts. See "Local Bodies - Special Arrangements." Any extension of the Waterworks System is subject to the approval of the Governor, the state legislature, the Advisory Board, and the regulatory bodies within the Commonwealth's Executive Office of Energy and Environmental Affairs ("EOEEA") having jurisdiction. Extension of the Waterworks System to any community not currently served by the Authority also requires the approval by majority vote of its city council or town meeting, as the case may be. The Authority also is authorized to enter into arrangements not involving an extension of the Waterworks System to provide water supply services to any community or any agency or facility of the Commonwealth or the United States not currently served, provided (i) no such arrangement shall extend for a period greater than six months without the approval of the Advisory Board, and (ii) the Authority finds that the arrangement will not jeopardize its ability to service its existing statutory and contractual supply agreements. In cases of water supply emergency, as determined by DEP, the Authority may approve a connection to an adjoining community.

The Authority has extended services to eight additional Local Bodies since commencing operations of the Waterworks System in 1985. One additional community also has been authorized, through amendments to the Act, to receive water services, subject to first obtaining all required approvals. The Authority is in active discussions with several additional communities regarding the possible extension of the Waterworks System service area, in part due to the excess of supply available to the Authority's service area. The Authority does not expect that any additional admissions to the service area will result in the use of water demand above the safe yield of 300 mgd, and expects water usage to remain significantly under the safe yield for the foreseeable future.

A community requesting admission to the Waterworks System is required to pay an entrance fee for its proportional share of historic investments in the system, a connection fee to cover all costs associated with establishing a connection to the Waterworks System, and the prevailing water rate for all annual water consumption pursuant to the Authority's policy. The policy further requires a community that requests a temporary connection to the Waterworks System to pay a cost per million gallons which includes the prevailing water rate, a proportional asset value contribution, and, in certain recurring cases, a surcharge on the then-prevailing water rate (as well as the asset value contribution) of up to 10%. Should such a community ultimately seek admission to the Waterworks System,

any asset value contribution would be credited to its entrance fee, but the surcharge would be nonrefundable and would not be credited to other costs. In June 2022 the Advisory Board voted to recommend that the Authority temporarily waive its entrance fee for communities entering the Waterworks System or purchasing additional water through the end of calendar year 2027, subject to certain conditions. In particular, the entrance fee waiver is limited to the first 20 mgd of water provided to communities that are not currently members of the Waterworks System. In addition, communities seeking the entrance fee waiver are required to demonstrate that they are seeking admission to or additional water supply from the Authority because their local water sources are impacted by water quality issues, their water supply is located in a stressed basin, or local economic development is significantly constrained by their existing water supply. In September 2022, the Board approved the proposed entrance fee waiver program. The Authority waived entrance fees for Wilmington, Burlington, and the Dedham Westwood Water District in connection with additional water supply and the entrance fee for the Lynnfield Center Water District in connection with admission. See “Water Demand” above. At this time, the Authority cannot predict how many other communities, if any, will elect to take advantage of the entrance fee waiver.

A Local Body specified in the Act as eligible for receiving water supply services could seek to withdraw from the Waterworks System by state legislative action. However, in the opinion of the Authority and its Consulting Engineer, the cost and time required to implement adequate alternative water supply sources in accordance with existing and anticipated state and federal environmental laws and regulations generally would preclude this course of action as a practical matter for any substantial portion of the Waterworks System’s service area.

THE SEWER SYSTEM

History. The Authority’s existing wastewater facilities include certain components constructed as early as 1884, when the Boston Main Drainage System was originally placed in operation. At that time, combined sewage was pumped by a pump station constructed in 1884 to Moon Island in Boston Harbor, where sewage was held in storage tanks before being released on the outgoing tides. In 1898, the Neponset Valley Sewer System was completed, with flows sent to Moon Island through the Boston Main Drainage System. Also in 1898, a pump station was constructed on Deer Island in Boston Harbor to pump sewage from the metropolitan area north of Boston to Deer Island, where it was held in storage tanks before being released on the outgoing tides. In 1904, the original South Sewerage System was completed, conveying flow from the Charles River Watershed, the Neponset River Watershed and areas south of the Boston Main Drainage System. After screening at Nut Island, flows from the South Sewerage System were discharged into Boston Harbor. Some flow from the Boston Main Drainage System also was redirected to Nut Island. In response to concerns about water pollution, a primary wastewater treatment plant was constructed on Nut Island in 1952 to treat the discharge from the South Sewerage System and, in 1968, a second primary wastewater treatment plant at Deer Island was completed and flow from the Boston Main Drainage System began to be diverted to Deer Island.

Wastewater Collection. The Sewer System is divided into a northern system and southern system, serving a total population of approximately 2.3 million. The 43 Local Bodies within the Sewer System’s service area own and operate approximately 5,400 miles of local sewers, which connect to the Authority’s approximately 240 miles of large interceptor sewers located to parallel the natural drainage patterns of the Mystic, Charles and Neponset River Watersheds. Approximately one-third of the sewage treated by the Authority originates in the BWSC’s wastewater conveyance system. The Authority operates and maintains the regional wastewater transport and treatment system, including 240 miles of interceptor sewer, 11 pumping stations, five headworks, four CSO treatment facilities, and the treatment plants at Deer Island and Clinton. Local Bodies’ sewer collection systems, some of which are combined sanitary and storm sewers, connect to the Authority’s wastewater transport system through more than 1,800 connections.

The northern system includes four pumping stations that pump wastewater into interceptors, which carry the wastewater to four headworks where large debris is screened out and grit is removed. From the headworks, the wastewater flows down vertical shafts into one of two deep rock tunnels 300 feet under Boston Harbor, through which the wastewater is carried to Deer Island. Flow also is conveyed to Deer Island by means of a 10-foot diameter interceptor through Winthrop. At Deer Island a large pumping station, substantially rehabilitated in 1995, lifts the flow from the tunnels into the treatment plant.

The southern system includes seven pumping stations that pump wastewater into interceptors, which carry the wastewater to the High Level Sewer and ultimately to the Nut Island Headworks. At Nut Island, the headworks facility removes grit and screenings before the flow enters the Inter-Island Tunnel for transport to Deer Island, where it is lifted by pumps at the South System Pump Station to the treatment plant.

Wastewater Treatment. The Deer Island Treatment Plant includes, at Deer Island, pumping, headworks, odor control, disinfection, primary and secondary treatment and residual facilities, utilities (including a hydropower plant), a 4.8-mile deep rock inter-island tunnel that brings south system flows from Nut Island to Deer Island for treatment, and a 9.5-mile deep rock effluent outfall tunnel. Primary treatment design capacity at the Deer Island Treatment Plant allows for an average daily flow of approximately 361 mgd and a peak hourly flow of 1,270 mgd. Since the startup of the new primary treatment facilities at Deer Island in 1996, the Authority has consistently been in compliance with the discharge limitations specified in its National Pollutant Discharge Elimination System (“NPDES”) permit issued under the Clean Water Act. Effluent wastewater is disinfected and discharged into Massachusetts Bay through a series of diffusers located at the end of the 9.5 mile effluent outfall tunnel, which has a maximum discharge capacity of 1,270 mgd at mean high tide. Sludge resulting from the treatment process is anaerobically digested and then piped to and processed at the dewatering and pelletization facility located at the Fore River Shipyard in Quincy. See “Residuals Management” below.

The wastewater treatment plant in Clinton serves an area adjoining the Wachusett Reservoir watershed lands in central Massachusetts made up of the towns of Clinton and Lancaster (served by the Lancaster Sewer District) and includes an advanced secondary treatment facility with a design capacity for an average flow of three mgd.

The Authority’s Toxics Reduction and Control Department administers a permitting and inspection effort that allows for control and limitation of the volume and type of industrial waste discharged into the Sewer System so that both sludge and effluent from the treatment plants meet applicable environmental standards.

The Authority’s sewer use regulations, which give the Authority the ability to assess civil and financial penalties directly against violators of its regulations and permits, have been coupled with vigorous enforcement measures.

Residuals Management. The Authority operates sludge dewatering and pelletization facilities located on a portion of the site of the former Fore River Shipyard in Quincy. Digested liquid sludge is piped to the site from Deer Island and is processed for use as fertilizer in agriculture, horticulture and turf management. Sludge cake or pellets that are not used as fertilizer are landfilled. The Authority entered into a new contract in January 2024 with New England Fertilizer Company (“NEFCo.”) for both the operation and management of the plant and the disposition, through sale or otherwise, of the sludge. The current NEFCo. contract expires in December 2033.

Combined Sewer Overflows; Infiltration and Inflow. Many older areas of Boston, Cambridge, Chelsea, and Somerville are served by combined sewers, which are pipes that carry both sanitary flow and stormwater runoff. These sewers, built mostly before 1910, were designed to discharge combined flows in excess of the sewer systems’ capacity into nearby waterways during heavy rainstorms to protect the system, as well as homes and businesses connected to it, from flooding. The Authority’s and the Local Bodies’ interceptors, trunk sewers, and pumping systems serving the combined sewer areas are not capable of fully handling combined flows generated by large storm events. Combined flows in excess of the sewer systems’ capacities historically were diverted and discharged through overflow conduits into Boston Harbor, Dorchester Bay, the Charles, Mystic and Neponset Rivers, and Alewife Brook. These overflows had been a source of pollution in Boston Harbor and its tributary rivers. In connection with a Federal action brought against the MDC, as predecessor to the Authority, and others under the Clean Water Act (the “Clean Water Act Case”), the Authority developed, and the court approved, the CSO Control Plan, a long-term plan for control of CSO discharges. The CSO Control Plan was developed to address discharges at those CSO outfalls hydraulically related to the Authority’s Sewer System. The CSO Control Plan required that the Authority close certain outfalls and achieve specific, numerical long-term levels of control at each of the CSO outfalls that were permitted to remain open under the Plan. In December 2015, the Authority achieved substantial completion of the construction of the projects included in the CSO Control Plan. Under the CSO Control Plan, 29 outfalls were required to be closed to CSO discharges, five outfalls along the South Boston Beaches are considered effectively closed (designed to not activate up to a 25-year storm at the time of construction) and the discharge frequency and volume at the remaining outfalls have been significantly reduced. Additional CSO control has been achieved as a result of separate actions undertaken

by certain Local Bodies with CSO permits, resulting in seven more CSO outfalls being closed. The CSO Control Plan also required the Authority to construct or improve and upgrade four treatment facilities that provide screening, disinfection, and dechlorination at those CSO outfalls that discharge the majority of the remaining CSO volume. Certain further system improvements have been implemented after completion of the required CSO Control Plan. As a result of these efforts, the total annual volume of CSO discharge, as of the end of 2024, in a typical rainfall year has been reduced by approximately 88%, from 3.3 billion gallons in 1988 to 0.4 billion gallons, with 94.5% of the remaining overflow volume receiving treatment at the Authority's four CSO facilities. See "Environmental Regulation and Litigation – Wastewater Management" for additional information regarding the CSO Control Plan, including current milestones and reporting under the Clean Water Act Case.

Extension and Contraction of Wastewater Service Area. The Act authorizes the Authority to provide sewer service for a limited term to any person within or outside its service area not currently connected to the Sewer System, provided any such arrangement does not entail an extension of the Sewer System or have a term in excess of six months (unless a longer term is approved by the Advisory Board). The Act authorizes the Authority to extend the Sewer System to additional local bodies, provided such extension is approved by the Governor, the state legislature, the Advisory Board and DEP. Extension of the Sewer System to any community not currently served by the Authority also requires the approval by majority vote of its city council or town meeting, as the case may be. Prior to extending the Sewer System to any new local body, the Authority must determine that (i) the safe capacity of the Sewer System as so extended will be sufficient to meet ordinary wet weather demand, (ii) all feasible measures have been taken by the local body to limit infiltration and inflow of surface and ground waters into the Sewer System, and (iii) the local body has adopted an industrial pretreatment program in accordance with applicable law. At the present time, the Authority does not anticipate adding any communities to the Sewer System.

Although a Local Body could withdraw from the Sewer System by state legislative action, in the opinion of the Authority and its Consulting Engineer, existing and anticipated state and federal environmental laws and regulations would cause any alternative to the Authority's wastewater collection services for a Local Body to be prohibitively expensive as a practical matter since it would require the construction of new treatment facilities in accordance with state and federal environmental laws.

CYBERSECURITY, OTHER SECURITY AND EMERGENCY PREPAREDNESS

The Authority completed a Vulnerability Assessment and Emergency Response Plan ("VAERP"), both mandated by the federal Bioterrorism Act of 2002, and maintains individual Emergency Action Plans for each facility, and event-driven plans for every reasonably foreseeable contingency. The Authority has reviewed and updated the Vulnerability Assessments, now referred to as Risk and Resiliency Assessments ("RRAs") and certified their completion to the U.S. Environmental Protection Agency ("EPA") by March 31, 2025, as required under the federal America's Water Infrastructure Act (AWIA) of 2018. The Authority updated its Emergency Response Plans as required under AWIA and certified compliance with the AWIA requirement prior to the required deadline of September 30, 2025. AWIA requires that both the RRA and VAERP be reviewed and certified on a five year schedule. An Emergency Services Unit, established and funded through several Homeland Security grants, is trained and equipped to provide rapid response to any incidents of water system contamination. This Unit is equipped with boats, a boom deployment unit and a mobile laboratory, enabling it to respond to spills at any of the Authority's open reservoirs and facilities. The Authority also utilizes a state-of-the-art, real-time contaminant monitoring system ("CMS") at a number of locations throughout the Waterworks System, from the source reservoirs through to the distribution system. The system performs continual water quality testing and sends an alarm to the Authority's operations and control center if a test indicates conditions outside of a normal range. In addition to the fixed location of the CMS system, the Authority has implemented a mobile water contaminant testing system which can be deployed anywhere within the Authority's region. The Authority has contracted with cyber-security firms to perform an assessment of the Authority's information systems and to co-manage and monitor them 24x7 for potential threats. The Authority ensures that employees and contractors who use information systems are provided with cybersecurity training both when they begin work at the MWRA, as well as, on an annual basis. Additionally, the Authority conducts periodic unannounced email "Phishing" drills and provides additional training to users who do not successfully pass the exercise. When necessary, the Authority provides Physical and Cybersecurity updates and awareness bulletins to its employees and contractors. The Authority's facilities are patrolled by the Massachusetts State Police, and a private security service provides additional protection at the Deer Island Treatment Plant, the Authority's Chelsea facility, and the Carroll Water Treatment Plant. Contract Security Forces also monitor cameras, intrusion alarms, key card

access and fire alarms for the vast majority of facilities at a central security monitoring point in Chelsea. The Authority uses extensive liaison efforts within the U.S. Intelligence and Law Enforcement Communities, as well as, Information Sharing and Analysis Centers such as, the Water ISAC, Electricity ISAC, MS-ISAC, and InfraGard to identify emerging and future potential threats. The Authority first developed in 2005 and has kept updated a Pandemic Emergency Action Plan (“EAP”), which was followed and updated as appropriate, in connection with the COVID-19 pandemic.

CLIMATE CHANGE

Included among the Authority’s long-term planning efforts has been a review of the potential impacts of climate change on the facilities comprising the Systems, as well as its operations. The Deer Island Treatment Plant was designed in 1989 to account for the then projected two feet sea level rise; the entire Plant was raised up and the effluent outfall tunnel was made slightly larger to protect the Plant and preserve its design capacity. The Plant also is protected by a massive seawall, portions of which the Authority expects to undergo rehabilitation, the final design of which is underway. The Authority also examined its other coastal wastewater facilities and identified approximately 18 of them that could be affected by storm surge flooding with the projected rise in sea level. The Authority has implemented short-term actions for almost all the vulnerable facilities. Longer-term modifications are being programmed into planned and anticipated rehabilitation projects for the identified facilities as part of the Authority’s Master Plan and ongoing CIP planning process. Such modifications have been completed at several facilities, including the Chelsea Creek Headworks, Chelsea Creek Screen House and Alewife Brook Pump Station. MWRA also coordinates with communities as they undertake climate resiliency actions to cost effectively further reduce risk to MWRA facilities. The Authority also has undertaken improvements to the dams in the Waterworks System as part of its ongoing CIP.

CAPITAL IMPROVEMENT PROGRAM

MASTER PLAN

The Authority prepared a 40-year master plan for the Systems in 2006 and has updated it approximately every five years since, most recently in 2018 to cover Fiscal Years 2019 through 2058. The Master Plan is intended to be a companion document to the CIP. The goal of the Master Plan is to take a broad view of longer-term System needs in order for the Authority to make informed decisions on capital priorities during the development of the CIP. The Master Plan also helped to guide development of the current five-year capital spending cap. The Master Plan covers four spending periods – the two CIP program periods of Fiscal Years 2019 through 2023 and Fiscal Years 2024 through 2028, as well as an additional 10-year period (Fiscal Years 2029 through 2038), and 20-year period (Fiscal Years 2039 through 2058). The Master Plan includes and prioritizes the projects currently included in the CIP, and projects identified and recommended for inclusion in future CIPs. The Master Plan includes approximately \$5.75 billion in capital project needs over the next 40 years, including approximately \$2.58 billion for the Waterworks System and approximately \$3.17 billion for the Sewer System. For the Waterworks System, 69% of the capital project needs are attributable to the costs of completing major redundancy projects, including the Metropolitan Tunnel Redundancy Project, the largest Waterworks Project included in the planning period, and 31% of the capital project needs are attributable to ongoing asset protection, including the rehabilitation and replacement of existing facilities. More than 94%, or \$2.99 billion, of the capital project needs for the Sewer System are attributable to ongoing asset protection, including rehabilitation or replacement of existing infrastructure assets that are at the end of their useful lives. The remaining capital needs of the Sewer System are for new equipment and projects to optimize existing systems, add capacity, and upgrade technology. The Authority is currently in the process of updating the Master Plan.

CAPITAL IMPROVEMENT PLANNING

The Act requires the Authority to adopt and update capital facilities programs for the Systems and capital expense budgets to implement and finance such programs. The Authority annually prepares and updates the CIP. In June 2025, the Board approved the FY26 CIP, which includes and updates spending for Fiscal Years 2024 through 2028, and projections beyond Fiscal Year 2028. The FY26 CIP reflects the Authority’s ongoing efforts to manage rate increases to the Local Bodies while continuing to upgrade and maintain the Systems, and the Authority’s effort to align its project prioritization process with the Master Plan.

The CIP describes all ongoing capital projects and new projects to be initiated during a 10-year planning period. The costs shown for each project in the CIP include any payments made on such project prior to the commencement of the 10-year planning period, the expected costs for such project for each year of a five-year budget period, and the expected balance of such costs through completion of the project, if completion is beyond the five-year budget period. The Authority updates the CIP annually and rolls it forward every five years. The five-year budget period included in the FY26 CIP is the period from Fiscal Year 2024 through Fiscal Year 2028 (the “Current Budget Period”).

The Authority also establishes a five-year baseline cap corresponding to the five-year budget period included in the CIP. The Authority established at such time a baseline cap at \$1.4 billion for Fiscal Years 2024 through 2028 (the “Current Cap Period”), in connection with the adoption of the CIP in Fiscal Year 2024 for the Current Budget Period. The baseline cap does not include expenditures for the Authority’s two community financial assistance programs – the Local Water System Assistance Program and the Infiltration/Inflow control program and for the Chicopee Valley Aqueduct system projects.

During the course of the Fiscal Year, the Authority’s financial information system produces monthly statements of capital spending compared to the budget plan. The Authority reports on capital program progress in its monthly management indicators report and dollar variances in its monthly financial update. At mid-year and at year-end progress, project schedules and variances are summarized and reported. The Authority reviews and revises, as necessary, the scope and anticipated cost of the projects included in the CIP periodically during the course of the Fiscal Year.

FISCAL YEAR 2026 CIP

The FY26 CIP was adopted by the Board of Directors in June 2025. The FY26 CIP covers the third year of the five-year CIP budget period of Fiscal Year 2024 through Fiscal Year 2028. A re-projected spending cap of \$1.4 billion is included in the FY26 CIP for the five-year budget period.

Total projected spending during Fiscal Year 2026, as contained in the FY26 CIP, is \$298.3 million, excluding contingency, of which \$175.1 million is allocated to Wastewater System Improvements, \$173.9 million is allocated to Waterworks System Improvements, and \$31.8 million is allocated to Business and Operations Support. The FY26 CIP continues to reflect the Authority’s capital spending priorities in the areas of asset protection and water system redundancy, which account for 57.7% and 17.9%, respectively, or \$1.5 billion of the total \$2.0 billion projected to be expended over the five-year period covered by the FY26 CIP. The FY26 CIP includes approximately \$355.7 million for the five-year period covered by the FY26 CIP and approximately \$2.3 billion for the period beyond Fiscal Year 2028 to address critical redundancy improvements to components of the metropolitan water tunnel system.

FISCAL YEAR 2026 CAPITAL IMPROVEMENT PROGRAM EXPENDITURE FORECAST FOR FISCAL YEARS 2026-2028^{1,2} (in millions of dollars)

	Total Contract Amount	Payments through FY23²	FY24	FY25	FY26	FY27	FY28	Total FY24-FY28	Beyond FY28
Wastewater System Improvements	\$5,927.1	\$2,552.4	\$94.0	\$153.4	\$175.1	\$308.0	\$454.5	\$1,184.9	\$2,283.7
Waterworks System Improvements	\$5,694.7	\$2,530.8	\$105.0	\$125.0	\$173.9	\$149.6	\$163.3	\$716.7	\$2552.1
Business & Operations Support	\$234.3	\$150.0	\$9.3	\$12.8	\$31.8	\$23.2	\$12.6	\$89.7	\$3.9
Total³	\$11,856.0	\$5,233.3	\$208.2	\$91.1	\$380.8	\$480.8	\$630.4	\$1,991.3	\$4,839.7

¹ Does not include program contingency of \$99.4 million.

² Reflects FY26 CIP as adopted by the Board in June 2025; updated for Fiscal Year 2025 actual expenditures.

³ Totals may not sum due to rounding.

CAPITAL PROJECTS IN FY26 CIP

The majority of spending in the FY26 CIP reflects the Authority's primary focus on asset protection, water system redundancy, water pipeline replacement and rehabilitation, and community assistance programs. A description of the most significant projects included in the FY26 CIP follows, including the approximate costs for the Current Budget Period (Fiscal Years 2024 through 2028), except where noted.

Wastewater Projects

A substantial portion of the Authority's capital expenditures to date have been for improvements to the Sewer System, particularly the Boston Harbor Project. The FY26 CIP includes substantial funding in the area of asset protection to maintain the facilities constructed as part of the Boston Harbor Project, as well as other projects designed to maintain and improve the Sewer System. A description of the most significant projects included in the FY26 CIP follows.

Interception and Pumping. The Authority has undertaken several major projects to extend, enlarge and rehabilitate large sewer interceptors to alleviate sewer surcharging and overflow problems. These projects were necessitated by the age of the systems and their inadequate capacity to serve existing or projected populations. The Authority is now developing projects to ensure the proper maintenance and protection of these and other interception and pumping facility assets, including equipment replacement, facility improvements, and utility and process control system upgrades and improvements. Interception and pumping asset protection is the second largest Wastewater Project included in the FY26 CIP (\$211.1 million).

Treatment. To protect the investment of MWRA ratepayers in the Deer Island Treatment Plant Project by ensuring timely replacement of Plant systems, which contain more than 60,000 pieces of equipment with an approximate value of \$1.0 billion, the Authority is continuing its significant asset protection program through maintenance and capital improvements at the Deer Island Treatment Plant, including equipment and system replacement and upgrades (the "DITP Asset Protection Project"). The DITP Asset Protection Project is the largest project in the FY26 CIP (\$683.0 million), representing approximately 34.3% of total spending during the Current Budget Period.

Combined Sewer Overflows. Discharges of combined wastewater and stormwater runoff from CSO outfalls in the Authority's system and four of the Local Bodies' systems (Boston, Cambridge, Chelsea and Somerville) historically compromised the water quality in Boston Harbor, Dorchester Bay, the Charles, Mystic and Neponset Rivers, and Alewife Brook. Under the Clean Water Act Case, the Authority had the responsibility for developing and implementing the CSO Control Plan, addressing the discharges from 86 CSO outfalls present in the late 1980s within the service area of and hydraulically related to the Authority's Sewer System. The construction component of this project is complete; in December 2021 the Authority completed a performance assessment of the CSO Control Plan and filed a final performance assessment report in the Clean Water Act Case. In December 2024, the Authority filed a supplement to the final performance assessment report in the Clean Water Act Case. The FY26 CIP includes \$22.1 million remaining to be spent to support further planning, design and construction efforts. See "Environmental Regulation and Litigation - Wastewater Management - NPDES Permits and Variances" and "- Boston Harbor: Clean Water Act Case" for additional information regarding the CSO Control Plan including performance assessment, current milestones and reporting under the Clean Water Act Case.

Other Wastewater Projects. Included in the FY26 CIP is additional funding for the Authority's Infiltration/Inflow Local Financial Assistance Program, which provides financial assistance to Local Bodies for the rehabilitation of their local collection systems, with the goal of structurally reducing infiltration/inflows into their local sewer systems and thereby reducing the volume of wastewater treated by the Authority at the Deer Island Treatment Plant (\$242.1 million, after crediting loan repayments expected during the Current Budget Period).

Waterworks Projects

Capital projects for the Waterworks System are designed to upgrade and extend the useful life of the water supply, transmission and distribution systems in order to assure a satisfactory and consistent level of water quality and

distribution throughout the Waterworks System. Certain of these projects are mandated by federal regulatory requirements.

Drinking Water Quality Improvements. The Authority is undertaking a series of projects to protect reservoir watersheds, provide and improve water treatment facilities, and upgrade distribution storage and pipelines. The projects, as a whole, are designed to improve each aspect of the Waterworks System from the watersheds to the consumer to ensure that high quality water reliably reaches the Authority's customers' taps. The FY26 CIP includes \$19.4 million for these projects.

Transmission System. Critical needs of the Authority's aqueduct system include the provision of redundancy for critical sections of the transmission system, particularly in the areas to the north and south of Boston. The Metropolitan Tunnel Redundancy Project, the largest project included in the CIP over the 10-year planning period, will provide critical redundancy for the City Tunnel, the City Tunnel Extension and the Dorchester Tunnel. The FY26 CIP includes \$327.0 million for the Current Budget Period, and \$2.1 billion for the period beyond Fiscal Year 2028 to fund this project. The project is expected to consist of two deep rock tunnels and related facilities and to be implemented over at least a 15-year period. The project is in the final design stage. Given the magnitude of the project, the Authority has elected to follow the project management model used in the Boston Harbor Project, and has engaged a Director of the Tunnel Redundancy Program, who reports directly to the Executive Director. The director oversees and directs the design, construction, engineering and procurement activities for the project through a staff dedicated to the project. Interim improvements to the metropolitan water distribution system are being undertaken to protect and improve critical facilities while the Metropolitan Tunnel Redundancy Project is being undertaken. The FY26 CIP includes total expenditures of \$75.0 million for these projects during the Current Budget Period.

Distribution and Pumping. The FY26 CIP continues the rehabilitation, upgrade or new construction of pipelines, pumping facilities, valves and meters. Several large projects included in the FY26 CIP, consisting of improvements to the distribution and pumping systems designed to improve system performance and reliability, as well as provide extra storage and redundancy, include projects for the Revere & Malden Pipeline Improvements (\$46.6 million), New Connection Mains – Shaft 7 to WASM 2 (\$58.9 million) and the Northern Extra High Service Area (\$46.8 million).

Other Waterworks Projects. Among these projects are the Authority's Local Water System Assistance Program (\$128.8 million, after crediting loan repayments expected during the Current Budget Period), which provides financial assistance to Local Bodies to undertake pipeline relining and replacement projects for their retail water distribution systems, including a program to provide interest-free loans to assist Local Bodies in replacing lead service lines, and Waterworks System facility asset protection (\$39.4 million).

Business and Operations Support and Contingency

Business and Operations Support. Business and operations support projects include vehicle and security equipment purchases, technical assistance contracts, funds for the upgrade of the Authority's Management Information Systems, "green energy" projects, and security improvements.

Contingencies. In each budget cycle project contingency is estimated for a five-year period. The contingency is established as a percentage of the expected capital expenditure cash outlays in each of the Fiscal Years: 15.0% for tunnel construction and 7.0% for all other projects.

FACTORS AFFECTING THE CAPITAL PROJECTS

The following is not intended as a complete summary, but describes some of the uncertainties that may affect the Authority's capital programs. Unforeseen circumstances affecting the projects may result in delays or cost escalations not currently provided for in the Authority's projections.

The Authority must complete its capital projects in a complex legal and political environment. Many of its projects require special coordination among engineering, legal, and regulatory activities requiring the assistance and cooperation of federal, state and local governmental agencies. They may be governed by court-ordered or

administrative deadlines or requirements. Many of the Authority's projects also involve impacts on surrounding communities, extensive permitting and concerns for environmental mitigation.

The scope and complexity of many of the Authority's capital projects makes the timetable and expenditure forecasts for the CIP subject to change. Such factors as future environmental or other legal mandates, as well as traditional construction risks could alter the Authority's forecasts. In preparing estimates of future revenue requirements for the CIP, the Authority has included inflation assumptions for the purposes of projecting the level of project expenditures when expected to be made or contracted for in accordance with each project's cash flow projections.

SOURCES AND USES OF CAPITAL FUNDS

The Authority expects to finance its capital expenditures principally from the proceeds of revenue bonds issued under the General Bond Resolution. Certain capital improvements are eligible for federal grants and loans under the Clean Water Act and the SDWA's revolving fund program. The Authority also plans a gradual increase in the use of current revenues to fund certain capital projects.

ENVIRONMENTAL REGULATION AND LITIGATION

The Authority's Waterworks System and Sewer System are subject to significant regulation under federal and state environmental laws.

WATER SUPPLY

In the maintenance and expansion of water supply, the Authority is subject to environmental and regulatory oversight chiefly in the areas described below.

Drinking Water Regulation. Under the SDWA, EPA regulates the level of contaminants allowed in drinking water by establishing national drinking water standards so that drinking water will be protected against microbiological or chemical contaminants. Standards include maximum levels, treatment techniques, and other performance standards for contaminants such as coliform bacteria, and lead and copper. Enforcement of drinking water standards in Massachusetts under the SDWA has been delegated to DEP, which also acts under authority of state law and has adopted Massachusetts Drinking Water Standards.

In accordance with SDWA requirements, the Authority eliminated all uncovered distribution storage and, based on annual reviews, DEP continues to find that the Authority's water supply meets federal criteria for unfiltered sources. The Authority undertook a staged compliance schedule for capital improvements to modify treatment processes at the Carroll Water Treatment Plant and the Brutsch Treatment Facility, to meet regulations promulgated in January 2006 under the SDWA that require all unfiltered water systems to have two means of primary disinfection beginning in calendar year 2014. Based on findings from pilot testing and other research, the Authority selected ultraviolet light disinfection ("UV disinfection") for the second means of disinfection as the most sound and cost-effective method. The Authority met the deadlines for implementation of the UV disinfection systems as required under the SDWA.

Under EPA's Lead and Copper Rule (the "LCR") the Authority is required to conduct sampling in conjunction with the Local Bodies to detect the presence of lead in their customers' tap water. Improved corrosion control was implemented in 1996, and lead levels have dropped approximately 90% from initial testing in 1992. Authority system-wide levels in its most recent annual sampling round, conducted in September 2024, were again below the lead action level, as they have been since 2004. The Authority's system also continues to meet the copper standard. The Authority has been actively involved in the development and review of EPA's proposed revisions to the LCR. EPA promulgated revisions to the LCR in January 2021, which subsequently were further reviewed and a revised final LCR was promulgated in December 2021 (so-called, "LCRR"), with an effective date of October 2024. EPA also announced at that time its intention to issue additional changes to the LCRR in 2024. These changes, the Lead and Copper Rule Improvements ("LCRI"), were issued in final form in October 2024, with a compliance date of November 1, 2027. The LCRR and LCRI impose no specific substantive new requirements directly on the Authority,

although a review of corrosion control doses or chemicals will likely be required depending on local community lead sampling results. The Authority has proactively begun that process. Local Bodies whose systems are above the lead action level are currently required by DEP to conduct lead education and lead service line replacement programs. Under the LCRR, Local Bodies were required to conduct complete inventories of their lead service line by October 2024. All MWRA communities met that deadline, reporting that approximately 2.8 percent of all service lines are lead. The LCRI will require that communities provide additional customer outreach, develop plans for replacing all lead service lines no later than 2037, and conduct additional sampling in schools and childcare facilities. The Authority anticipates continuing to provide laboratory services to Local Bodies as they meet those new requirements. Under the LCRI, EPA offers an option for water systems that exceed the new Action Level of 10 parts per billion to defer or avoid adding additional corrosion control if the system agrees to replace all its lead service lines within five years of the rule compliance date of November 2027. The Authority anticipates availing itself of that option, and has expanded its Local Water System Assistance Program to include additional financial assistance to Local Bodies for the replacement of lead service lines. Working with its Advisory Board, the Authority added an additional \$100 million to its Lead Service Line Replacement loan program, and added a 25 percent grant portion for those communities that replace the portion of the lead service line on private property at no cost to the owner to facilitate Local Bodies' compliance with this requirement. See "The Systems - The Waterworks System - Water Quality" and "Capital Improvement Program - Capital Projects In FY26 CIP - Waterworks Projects."

DEP issued drinking water regulations for six Per- and Polyfluoroalkyl Substances ("PFAS") effective in January 2021. Compliance testing by the Authority of the newly-regulated PFAS compounds indicate that MWRA's levels were well below the DEP standards. MWRA does not anticipate any treatment changes as a result of the DEP PFAS regulations. EPA has also released rules for six PFAS compounds (four of which overlap with the state standards) which were finalized in April 2024. EPA has announced its intention to remove some of the requirements under that new Rule. Current data indicates that MWRA and all fully-supplied Local Bodies meet the new EPA PFAS standards without the need for any treatment changes. Each partially-supplied Local Body will need to individually review its data, and may need to make source or treatment changes to meet the standards.

Water Resources Management. Pursuant to the State Water Management Act (the "WMA"), water users with surface or ground water withdrawals of more than 100,000 gallons per day must have a WMA Permit or Registration, depending upon whether the withdrawal was existing at the time the WMA was enacted. Under the WMA, the Authority is registered to withdraw 312.82 mgd in the aggregate from the Nashua and Chicopee Rivers. WMA Registrations are renewed every 10 years, and currently extend through April 2033. The conditions of the Registration require best management practices that build upon the Authority's existing conservation programs. In January 2023, DEP finalized revisions to current water management regulations that will require registered users to comply with the requirements in the Commonwealth's drought management plan based on regionally designated drought conditions. The regulations include a provision that allows for locally designed and triggered drought responses for surface water systems with multi-year reservoir storage. MWRA is eligible under that provision and updated and submitted a revised drought plan to DEP for acceptance by the deadline of April 2025.

Expansion of Water Supplies. While the WMA and other state laws and regulations would govern any substantial structural enlargement of the Authority's water supply system, the Authority does not foresee any circumstances requiring expansion or augmentation of the system. The Authority's current service area water demand is approximately 200 mgd, compared to a safe yield of the Waterworks System of 300 mgd. Accordingly, the Authority believes its current water supply sources are adequate to support the existing Waterworks System's service area, as well as the addition of new member communities as currently contemplated. See "The Systems - The Waterworks System - Extension and Contraction of Waterworks Service Area."

WASTEWATER MANAGEMENT

Sewage Collection, Treatment and Disposal. The Clean Water Act imposes several permit and regulatory requirements on wastewater treatment systems. Public sewage treatment plant owners and operators such as the Authority are required to provide secondary treatment as established by federal regulation for all wastewater discharge from treatment plants into waters of the United States. Under the Clean Water Act, individual states, with EPA approval, also establish surface water quality standards classifying water body uses and pollutant control criteria to protect those uses. All sewage system discharges require NPDES permits specifying applicable technology-based requirements, as well as any more stringent controls required to achieve the water quality standards established by the

state pursuant to federal regulations. The current NPDES permit for the Deer Island Treatment Plant was issued jointly by DEP and EPA. The Clinton Wastewater Treatment Plant is regulated by both a NPDES General Permit issued by EPA and a separate similar General Permit issued by DEP. See “NPDES Permits and Variances” below. Major wastewater treatment systems also must adopt and enforce pretreatment regulations for industries and other non-domestic sources discharging into sewers. Treatment plants are also subject to the Clean Water Act and state regulations governing sludge use and disposal.

The Clean Water Act is enforced by EPA and DEP through administrative orders and procedures. Violations also may be the basis for federal law suits brought on EPA’s behalf by the United States Department of Justice (the “DOJ”) or by private citizens. In 1985, DOJ brought such an action against the Authority and others, referred to herein as the Clean Water Act Case and described below.

NPDES Permits and Variances. The Authority operates its sewage system, including the Deer Island Treatment Plant and CSO outfalls, under a NPDES permit (the “DITP Permit”), which became effective in August 2000. The DITP Permit incorporates federal secondary treatment requirements, other technology-based requirements, and other limits necessary for discharges to meet water quality standards established by the Commonwealth and approved by EPA. The DITP Permit includes extensive water quality monitoring requirements, including a contingency plan (the “Contingency Plan”) to identify and respond to water quality changes that could potentially be related to effluent discharges from the effluent outfall tunnel, and numerous other requirements for pollution prevention, facility best management practices, management of infiltration/inflow, and restrictions on dry day flow.

The quality of wastewater effluent discharged from the Deer Island Treatment Plant is monitored by the Authority to assess compliance with water quality standards and pollutant limits set forth in the DITP Permit. Because of the intermittent operation of CSO treatment facilities, ongoing upgrades and improvements to the collection system and the challenge of providing treatment in rapidly fluctuating flows, excursions from effluent limits applicable to treated CSO discharges under the DITP Permit have occurred, although none to date have resulted in administrative penalties. CSO outfalls that discharge to the Lower Charles River/Charles River Basin and the Alewife Brook/Upper Mystic River (the “Variance Waters”) currently operate under DEP-adopted regulatory variances to the Massachusetts Surface Water Quality Standards. The variances recognize that it is not feasible to fully attain the Class B water quality standard (which effectively require no CSO discharges) currently applicable to these Variance Waters. The most recent variances were issued by DEP on August 30, 2024, for the period September 1, 2024, to August 31, 2029 (“Variances”). The Variances are subject to EPA approval. While the CSO outfalls that discharge to the Variance Waters (the “Variance Waters CSO Outfalls”) are included within the CSO Control Plan, among the requirements included in the Variances is the requirement that each of the Authority and the Cities of Cambridge and Somerville prepare and implement an updated CSO control plan (or a joint plan) for their respective Variance Waters CSO Outfalls. The Variances include the requirement that a draft updated CSO control plan(s) be submitted to DEP and EPA by December 31, 2025, and that such draft plan(s) include, among other requirements, a recommended plan(s), an evaluation of CSO control alternatives up to and including full elimination, an affordability analysis, and documentation necessary to support further issuance of variances or reclassification of the Massachusetts Surface Water Quality Standards to permit limited CSO discharges in the Variance Waters. MWRA, Cambridge, and Somerville have developed and evaluated CSO control alternatives with preliminary estimated capital costs ranging from approximately \$380 million to \$6.6 billion. Such preliminary estimated costs are planning level capital cost estimates, in today’s dollars, that are not escalated to the mid-point of construction and do not include land acquisition, extensive permitting, or operation and maintenance costs. The Authority, Cambridge, and Somerville have begun discussions regarding potential cost allocation among the three entities. Authority staff expect to recommend to the Board, for its review and subject to its approval, that the Authority submit with Cambridge and Somerville a joint draft updated CSO control plan that includes recommended CSO control work with estimated planning level capital costs of less than \$1 billion, the payment of which to be split among the Authority, Cambridge and Somerville in a proportion to be determined. The Variances include the requirement to submit, following a public comment period, a final updated CSO control plan(s) by January 31, 2027, for review by the Massachusetts Environmental Policy Act (MEPA) office. Pursuant to the Variances, between the period of January 31, 2027 and August 31, 2029, DEP, in coordination with EPA, will review the final updated CSO control plan(s) and take action to approve or disapprove the plan(s).

The Variances also require that discharges from Variance Waters CSO Outfalls be limited to those set forth in the CSO Control Plan goals, with allowance for any conditions that exceed “Typical Year” conditions (a metric

based on a long-term period of historic average annual rainfall and defined in the Supplemental Report defined and described below under “Boston Harbor: Clean Water Act Case.”). As reported in the below-described Clean Water Act Case, certain outfalls have not met their CSO Control Plan goals. The Authority filed notices of claim for adjudicatory appeal and requests for adjudicatory hearing with DEP’s Office of Appeal and Dispute Resolution and a certiorari action in Superior Court to challenge the discharge limit requirement in the Variances with respect to certain outfalls.* These actions are pending. At this time, the Authority cannot predict the outcome of the actions. See “THE SYSTEMS - The Sewer System - Combined Sewer Overflows; Infiltration and Inflow” and “Boston Harbor: Clean Water Act Case.”

The Authority placed on-line in September 2000 the 9.5 mile effluent outfall tunnel at the Deer Island Treatment Plant, which discharges to Massachusetts Bay, and as a result implemented a comprehensive Ambient Monitoring Plan that has been attached to the DITP Permit since that time. The monitoring includes water column, sediment quality, and fish and shellfish, and is overseen by an independent panel of scientists. The results of the monitoring have shown only a localized signature of the outfall discharge, and no adverse impacts to Massachusetts Bay, while Boston Harbor’s ecosystem has rebounded.

The Authority submitted its renewal application for the DITP Permit in February 2005. The nominal five-year term of the current DITP Permit expired in August 2005. The DITP Permit remains in effect until a succeeding permit becomes final. In 2020, EPA terminated its joint NPDES permitting agreement with DEP. The permits are now issued separately by EPA and DEP. On May 31, 2023, EPA issued a draft DITP Permit and the public comment period ended November 28, 2023. Among other things, the draft DITP Permit includes new seasonal limits for *Enterococcus* (due to changes in state water quality standards), monitoring requirements for PFAS compounds, modifications to Massachusetts Bay water quality monitoring, and requirements for developing storm and flood event plans. The draft DITP Permit does not specifically identify the current DITP secondary process flow limit of 700 mgd, a threshold that is an important operational aspect of the wastewater system. This threshold provides that bypassing secondary treatment for flows in excess of the 700 mgd secondary process limit is not an unauthorized bypass, consistent with the EPA policy and related guidance. The draft DITP Permit adds the Local Bodies that comprise the Sewer System as “Co-permittees” and the four CSO Local Bodies as “CSO-responsible Co-permittees.” The draft DITP Permit incorporates the requirements of the CSO Control Plan goals for Typical Year CSO outfall activations and volumes as DITP Permit limitations, as well as the current variances for the Variance Waters CSO discharges. In November 2023, the Authority submitted comments on the draft DITP Permit that included concerns and objections to certain provisions including, among others, the failure to specifically identify the current secondary process flow limit of 700 mgd and the inclusion of co-permittees. The Authority also objected to the incorporation of the CSO Control Plan goals for outfall activations and volumes as DITP Permit limitations due to, among other reasons, the status of certain outfalls not meeting their goals and concern regarding permit noncompliance and risk of enforcement action. See “Combined Sewer Overflows; Infiltration and Inflow” and “Boston Harbor: Clean Water Act Case” for additional information regarding CSO outfalls and CSO Control Plan goals. The Authority requested revisions and modifications to the draft DITP Permit relating to these and other provisions of the draft Permit. DEP issued a draft state surface water discharge permit on May 31, 2023, that generally incorporates EPA’s draft DITP Permit by reference and adds certain state-specific requirements relating to monitoring of PFAS compounds and reporting. The Authority submitted comments on the draft state surface water discharge permit. The Authority cannot predict whether EPA or DEP will make revisions to the draft DITP Permit or draft state surface water discharge permit, respectively, as a result of comments received. See “THE SYSTEMS - The Sewer System - Combined Sewer Overflows; Infiltration and Inflow” and “Boston Harbor: Clean Water Act Case.”

The Authority submitted its renewal application for the NPDES Permit associated with the Clinton Wastewater Treatment Plant (the “Clinton WTP”) in August 2021. Since the Authority submitted its renewal application in a timely fashion, the Clinton WTP NPDES Permit was administratively continued beyond its nominal five-year term, which expired in February 2022. In February 2022, EPA issued a draft NPDES General Permit for the discharge of wastewater from medium-sized wastewater treatment facilities in the Commonwealth, which was

* See *In the Matters of Massachusetts Water Resources Authority Challenge to Certain Conditions in Alewife Brook/Upper Mystic River Basin and Lower Charles River/Charles River Basin Variances*, OADR Nos. 2024-029 and 2024-030 and *Massachusetts Water Resources Authority v. Massachusetts Department of Environmental Protection*, Suffolk Sup. Ct. No. 2484CV02837.

subsequently issued as a final NPDES General Permit in September 2022. Facilities eligible for coverage under the General Permit include those in Massachusetts with a design flow between one and five million gallons per day, which includes the Clinton WTP. DEP issued a similar General Permit under state law in October 2022. On December 1, 2022, the Authority submitted to EPA and DEP a Notice of Intent to discharge under the General Permit and authorization to discharge was received from EPA and DEP in late February 2023, with an effective date of the new permit of April 1, 2023.

Boston Harbor: Clean Water Act Case. The DOJ, acting at the request of EPA and certain citizen groups, brought a consolidated action in 1985 in the United States District Court for the District of Massachusetts (the “District Court”) against the MDC, the Commonwealth, BWSC and others, captioned U.S. v. M.D.C. et al., No. 85-0489-RGS and referred to in this Information Statement as the Clean Water Act Case. Plaintiffs sued for violations of NPDES permit conditions and certain terms of outstanding administrative orders previously issued by EPA. In connection with the Clean Water Act Case and pursuant to multiple orders of the District Court over a period of over 35 years, the Authority undertook and completed the Deer Island Treatment Plant Project in 2001 and the construction portion of the projects included in the CSO Control Plan in 2015. Under the Clean Water Act Case, among other requirements, the Authority is required to conduct a post-construction monitoring and performance assessment of the CSO Control Plan (the “performance assessment”) to verify whether the levels of CSO control included in the CSO Control Plan have been achieved. The Authority commenced the performance assessment in 2017. In December 2021 the Authority filed its Performance Assessment Report and Interim Update (the “Final Report”) with the District Court. The Final Report documented the substantial reduction in CSO discharge volumes over the last several decades. The Authority reported in the Final Report, as of the end of 2021, the CSO Control Plan goals for Typical Year CSO activation and volume were met, or materially met, at all but 16 of the 86 CSO outfalls included in the Final Report. Subsequent to the Final Report the Authority filed annual reports in 2022, 2023 and 2024 providing certain performance information including with respect to CSO outfalls that as of the reporting period in the filing met or materially met the CSO Control Plan goals, CSO outfalls that were expected to meet or materially meet the CSO Control Plan goals by a certain time frame and CSO outfalls that would not meet the CSO Control Plan goals by December 2024 when the Authority was required to file a supplement to the Final Report (“Supplemental Report”). The Authority also provided updates on projects that were expected to improve performance at certain outfalls.

In December 2024 the Authority filed the Supplemental Report that contained final performance information of all 86 outfalls and the final results and conclusions as to the 16 CSO outfalls, including an alternatives analysis regarding what further actions could be taken, and estimated costs associated with those actions, to further reduce or meet the CSO Control Plan goals for certain CSO outfalls that did not meet their respective CSO Control Plan goals. Among other information, in the Supplemental Report the Authority reported, as of the end of December 2024, with respect to CSO outfalls that met or materially met (or would soon materially meet) their CSO Control Plan goals and that the CSO Control Plan goals were not met for eight CSO outfalls. The Authority also reported that: for two of the eight outfalls there is an Authority project that is forecasted to enable such outfalls to materially meet their CSO Control Plan goals; that BWSC continues to perform sewer separation work that is predicted to result in a third outfall meeting its CSO Control Plan goal by the end of 2030; and that the Authority procured design work to make further improvements at a fourth CSO outfall. The Supplemental Report noted that, other than certain projects referenced in the Supplemental Report, the Authority did not recommend any further work to meet the CSO Control Plan goals for the eight CSO outfalls that did not meet their goals. Pursuant to MassDEP-issued regulatory variances to the Massachusetts Surface Water Quality Standards, the Authority is developing an updated CSO control plan for Authority-owned outfalls that discharge to the Lower Charles River/Charles Basin and the Alewife Brook/Upper Mystic River Basin. See “The Systems- The Sewer System - Combined Sewer Overflows; Infiltration and Inflow” and “NPDES Permit and Variances” above.

In March 2025, the United States filed a response to the Supplemental Report that, among other things, noted that the Authority has come a long way towards reaching the goals of the Clean Water Act with respect to CSOs, but alleged that the Authority has yet to fully achieve those goals and asserted that the Authority still needs to take further action to comply with the Act. With respect to the outfalls that the Authority maintains materially met the CSO Control Plan goals, the United States asserted that the data provided to date is insufficient for EPA to make a determination whether the CSO Control Plan goals have been met or materially met with regard to these outfalls and that it believes additional data is needed regarding these outfalls before making such determination. In addition to the Authority completing certain work outlined in the Supplemental Report, including the updated CSO Control Plan (see “NPDES Permit and Variances”), the United States suggested that the Authority continue to submit annual progress reports in

the Boston Harbor case through the year 2030, reporting on compliance activities in the preceding year. In March 2025, CLF also filed a response to the Supplemental Report, reserving further comment until a later date. The Authority has engaged in discussions with EPA, DEP, and CLF regarding this matter. At this time the Authority cannot predict how this matter will be resolved.

The Authority has committed to funding the above-mentioned Authority projects that are expected to improve performance at three CSO outfalls. The current aggregate estimated costs to the Authority of these projects as well as ongoing consultant work and future estimated CSO design work associated with the updated CSO Control Plan in the FY26 CIP is approximately \$22.1 million. See “The Systems- The Sewer System – Combined Sewer Overflows; Infiltration and Inflow” and “NPDES Permits and Variances” above.

Sewage Sludge, PFAS-Related Regulations and Litigation. EPA has promulgated regulations covering the treatment and handling of sewage sludge, which provide aggressive protection of the environment and public health while permitting beneficial sludge reuse. In addition to the federal standards, the Authority’s sewage sludge products must comply with regulations applicable in each jurisdiction in which such products are used, including Massachusetts. For example, in January 2018, regulations were adopted by the Massachusetts Department of Agricultural Resources that govern permissible application and distribution of sludge as fertilizer in Massachusetts. These regulations and similar regulations or requirements imposed by other states may have implications for marketing within the Commonwealth and other such states of sludge-based fertilizer. See “The Systems - The Sewer System - Residuals Management.” DEP is exploring actions to address and evaluate PFAS in residuals, and other states including Maine and Connecticut have banned the land application of sludge-based fertilizer containing PFAS. In October 2021, EPA made certain announcements, including the issuance of a PFAS Strategic Roadmap setting forth its goals, objectives and actions to address PFAS in the next three years. The Authority has monitored EPA’s actions in this area, which include in April 2024, EPA’s designation of two types of PFAS compounds, specifically perfluorooctanoic acid (“PFOA”) and perfluorooctane sulfonic acid (“PFOS”), as hazardous substances under CERCLA. In April 2025, EPA announced a list of actions to combat PFAS contamination that included in part the designation of an agency lead for PFAS; the development of effluent limitation guidelines (“ELGs”) for PFAS manufacturers and metal finishers and evaluate other ELGs necessary for reduction of PFAS discharges; and initiatives to engage with U.S. Congress and industry. The Authority will continue to monitor these and any other EPA developments and actions in this area.

In connection with allegations concerning a release of PFAS in the vicinity of a commercial composting facility in Westminister, Massachusetts (the “Site”) and testing of nearby property wells that showed PFAS at levels that exceed the drinking water Maximum Contaminant Level and applicable Imminent Hazard Levels for PFAS, the Authority received a notice (the “Chapter 21E Notice”) from Massachusetts Natural Fertilizer Co., Inc., Otter Farm, Inc. and The Newark Group in response to such parties having received notice of responsibility from DEP pursuant to Massachusetts General Laws Chapter 21E. The Chapter 21E Notice includes allegations that materials originating at the Authority’s Deer Island facility and processed into biosolids at the Authority’s Fore River Pelletizing Plant by the plant operator, NEFCo., were delivered to the composting facility at the Site and that the biosolids were determined to contain PFAS. The Authority responded to the Chapter 21E Notice contesting liability but indicating that it would participate in good faith in Chapter 21E’s required negotiation process. NEFCo. has confirmed that it is required to defend and indemnify the Authority against these claims under its contract with the Authority.

In addition, certain class action and other lawsuits have been filed in the federal District Court and state court related to the Site. In response to a motion from certain defendants in one of the District Court class action cases, among other things, to join the Authority in the action, the Court denied the motion to join the Authority finding that because this was a suit against the Authority under state law involving water pollution, pursuant to the Act such suit could only be brought in the Massachusetts Supreme Judicial Court. The Authority, among others, has been named as a defendant in one of the state court cases, which has been stayed until December 2025 when certain rulings are expected to be made in the federal District Court cases, and certain defendants have indicated they are seeking to join the Authority, among others, in another action in state court.

The claims related to the Site seek, among other things, damages to property and the owners thereof, as well as damages for response and remediation of the Site, the costs of which could be substantial. These matters, and other cases related to the Site, but not directly involving the Authority, are pending. The Authority cannot predict how such matters will be resolved, whether any finding may be appealed, whether these or other PFAS-related matters will be

brought against the Authority, whether the Authority will be responsible for any damages or response and remediation expenses, and, if so, the Authority's share, if any, of the costs thereof.

Massachusetts Water Resources Authority v. Baldwin Energy LLC and Hanover Insurance Company, Suffolk Superior Court No. 2484-CV-1019-BLS2 In May 2023, Wind Turbine Generator 1 at the Deer Island Treatment Plant suffered a catastrophic failure when the turbine's rotor and blades spun out of control, ultimately resulting in irreparable damage to the turbine. In April 2024, the Authority filed suit against the maintenance contractor for the wind turbine. In the suit the Authority seeks damages arising out of the failure and has asserted claims of breach of contract, contractual indemnity and negligence. The Authority subsequently amended its complaint to add the contractor's surety. The contractor denied the Authority's claims and alleged that the Authority caused the failure. The contractor also asserted counterclaims against the Authority seeking damages for alleged breach of contract, breach of the implied covenant of good faith and fair dealing, violation of Massachusetts General Law Chapter 93A and defamation. The Authority filed a motion to dismiss the Chapter 93A and defamation counterclaims which the Court allowed. It remains possible, however, that an appeal could be taken. The Authority denied liability for the contractor's remaining counterclaims. In March 2025, in response to discovery requests the contractor claims to have incurred damages of over \$29 million plus alleged loss of insurance and related costs that it is seeking from the Authority. The Authority is defending against the counterclaims as it pursues its affirmative claims. The Authority cannot predict at this time how this matter will be resolved.

Other Environmental Litigation and Regulatory Matters. The Authority operates, constructs and maintains the Systems under an extensive legal and regulatory system. In common with most water and wastewater operating agencies, the Authority's operations and improvements for the Systems are subject to numerous environmental, legal and regulatory requirements in addition to the SDWA and the Clean Water Act. These include environmental impact assessment requirements under the National Environmental Policy Act (NEPA) and MEPA, permitting requirements under various federal and state laws for construction projects, and various requirements affecting the Authority's properties and operations under the Federal Resource Conservation and Recovery Act of 1976, the Federal Comprehensive Environmental Response, Compensation and Liabilities Act of 1980 ("CERCLA"), and other federal and related state laws and regulations regarding the handling, treatment and storage of oil, hazardous materials and other waste, and the federal Clean Air Act and air pollution control requirements. The Authority's activities and projects give rise, from time to time, to legal and regulatory actions brought against the Authority under such federal and state environmental legislation and regulations.

In addition to program requirements of the Clean Water Act already reflected in the DITP Permit, the NPDES General Permit affecting the Clinton WTP, and the Clean Water Act Case, other regulatory requirements under federal and state law may impose additional operating requirements on the Authority.

LEGISLATIVE AND OTHER DEVELOPMENTS

From time to time legislation is introduced in the state legislature proposing to affect the Authority, which has included adding certain capital projects and operating requirements to its responsibilities, increasing the Authority's debt authorization, providing financial assistance for its programs, and requiring it to make payments to other governmental entities in the Commonwealth. The Authority cannot predict whether any such legislative proposals affecting the Authority will be enacted or imposed in the future.

LITIGATION

There is no threatened or pending litigation against or affecting the Authority that, to the knowledge of the Authority, seeks to restrain or enjoin the issuance, sale or delivery of the Authority's bonds or notes, or to in any way contest or affect the validity of such indebtedness, the General Bond Resolution, or any proceedings of the Authority taken with respect to the issuance or sale of bonds or notes of the Authority or with respect to the General Bond Resolution, or in any way contesting the existence or powers of the Authority.

The Authority is a defendant in a number of suits arising out of its operations and activities. These actions from time to time include contract claims arising from the Authority's capital projects, as well as personal injury and property damage claims, and claims arising under employment, labor and non-discrimination laws. To the best knowledge of the Authority, no litigation is pending or threatened which, if decided adversely to the Authority, would

be likely to result, either individually or in the aggregate, in final judgments against the Authority that would materially adversely affect its ability to meet debt service payments on Authority bonds or notes, when due, or its obligations under the General Bond Resolution, or materially adversely affect its financial condition. See also “Environmental Regulation and Litigation.”

In addition, due to the nature and scope of the CIP, the substantial number of the Authority’s construction projects may result from time to time in the bringing of material claims for damages in tort or contract against the Authority. While the outcome of such claims cannot be predicted, the Authority believes that it has made adequate provision through insurance, indemnification, performance bonds, construction monitoring, contingencies and reserves, among other measures, to limit its exposure to liability as a result of such claims.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Financial Statements and Supplemental Schedules
and Required Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

MASSACHUSETTS WATER RESOURCES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Massachusetts Water Resources Authority
Boston, Massachusetts

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Massachusetts Water Resources Authority (Authority) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other postemployment benefits schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Accounts Established by the General Revenue Bond Resolution, Combining Statements of Net Position, Combining Statements of Revenues, Expenses, and Changes in Net Position, Combining Statements of Fiduciary Net Position, and Combining Statements of Changes in Fiduciary Net Position (Supplemental Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Supplemental Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
September 27, 2024

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2024 and 2023. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Financial Highlights – Fiscal Year 2024

The fiscal year 2024 customer service revenues were approximately \$847.9 million. Of this amount, rate revenues represent approximately 98.4%, or \$834.3 million, and were \$19.6 million higher than fiscal year 2023. This was due to an increase in assessments.

Total operating expenses, excluding depreciation, were approximately \$348.8 million in fiscal year 2024. The 11.4% increase in total operating expenses over fiscal year 2023 is the result of increases in personnel (\$12 million), chemical (\$3 million), maintenance (\$3 million), sludge pelletization (\$3 million), watershed reimbursement (\$2.8 million) and OPEB (\$10 million) expenses. These increases were offset by a decrease in pension expense of \$8.7 million.

Net non-operating expenses decreased \$30.5 million, or 24.3%, primarily due to a \$9.4 million reduction in interest expense and a \$19.7 million increase in investment income. Interest expense decreased due to a combination of principal repayments and refunding/defeasance of outstanding debt. Interest income increased due to an increase in the unrealized gain on investments (\$12.3 million) and an increase in actual interest earned on investments (\$7.4 million).

Total assets at June 30, 2024 were approximately \$6.9 billion, a \$77.1 million, or 1.1%, increase over total assets at June 30, 2023.

On June 26, 2024, the Authority issued General Revenue Bonds, 2024 Series B for \$166,260 and General Revenue Refunding Bonds, 2024 Series C for \$279,275. The proceeds from the Series B bonds were used to permanently finance outstanding tax-exempt commercial paper of \$80,000 and 2015C revolving loan of \$100,000. The interest rate on these bonds are 5%.

The proceeds from the Series C bonds, as well as other available funds, were used to tender \$240 of General Revenue Bonds 2016 Series B, \$1,330 of General Revenue Bonds 2018 Series B, \$9,050 of General Revenue Bonds 2020 Series B and \$450 of General Revenue Refunding Bonds 2016 Series D and refund \$31,795 of General Revenue Bonds 2017 Series B, \$27,795 of General Revenue Bonds 2018 Series B, \$21,145 of General Revenue Refunding Bonds 2016 Series C, \$100,175 of General Revenue Refunding Bonds 2019 Series F and \$167,025 of General Revenue Refunding Bonds 2021 Series C.

The interest rates of these bonds are 5%. The cash flow required to make principal and interest payments on the funding bonds is approximately \$39,938 less than the debt service requirements of the refunded bonds. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from this refunding is \$26,576.

Total capital assets (net of depreciation) were approximately \$5.5 billion at June 30, 2024, a \$49.5 million, or 0.8%, decrease over June 30, 2023. The decrease was primarily due to the rate of depreciation being higher than the rate of capitalization.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

Financial Highlights – Fiscal Year 2023

The fiscal year 2023 customer service revenues were approximately \$831.9 million. Of this amount, rate revenues represent approximately 97.9%, or \$814.6 million, and were \$22.6 million higher than fiscal year 2022. This was due to an increase in assessments.

Total operating expenses, excluding depreciation, were approximately \$313 million in fiscal year 2023. The 11.3% increase in total operating expenses over fiscal year 2022 is the result of increases in pension expense of \$27.1 million, chemical costs of \$6.2 million, maintenance costs of \$5.5 million, utility costs of \$3.2 million, and personnel costs of \$2.4 million. These increases were offset by decreases in watershed reimbursements of \$5.1 million.

Net non-operating expenses decreased by \$49 million, or 28.5%, primarily due to a \$42 million increase in investment gains and a \$6.9 million decrease in interest expense. Interest income increased due to a decrease in the unrealized loss on investments (\$21.9 million) combined with an increase in actual interest earned on investments (\$20.1 million). Interest expense decreased due to a combination of principal repayments and refunding/defeasance of outstanding debt.

Total assets at June 30, 2023 were approximately \$6.8 billion, a \$3.2 million, or 0.05%, increase over total assets at June 30, 2022.

On April 27, 2023, the Authority issued General Revenue Bonds, 2023 Series B for \$133,975 and General Revenue Refunding Bonds, 2023 Series C for \$100,340.

The proceeds from the Series B bonds were used to permanently finance outstanding tax-exempt commercial paper of \$50,000 and 2015C revolving loans of \$90,000. The interest rate on these bonds are 5% and 5.25%.

The proceeds from the Series C bonds were used to refund \$710 of General Revenue Bonds 2016 Series B, \$2,260 of General Revenue Bonds 2017 Series B, \$5,815 of General Revenue Bonds 2018 Series B, \$370 of General Revenue Bonds 2019 Series B, \$8,105 of General Revenue Refunding Bonds 2016 Series C, \$13,905 of General Revenue Refunding Bonds 2017 Series C and \$88,920 of General Revenue Refunding Bonds 2019 Series F.

Total capital assets (net of depreciation) were approximately \$5.5 billion at June 30, 2023, a \$43.2 million, or 0.8%, decrease over June 30, 2022. The decrease was primarily due to the rate of depreciation being higher than the rate of capitalization.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), the financial statements and related notes to the financial statements, required supplementary information, and other supplementary information.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplementary information that further explains and supports the information in the financial statements.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

Financial Analysis of the Authority

Net Position

The Authority's total net position at June 30, 2024 was approximately \$1.96 billion, a \$170.4 million increase from June 30, 2023. Total assets increased \$77.1 million, or 1.1%, to \$6.9 billion, and total liabilities decreased \$100 million, or 1.9%, to \$5 billion.

The Authority's total net position at June 30, 2023 was approximately \$1.8 billion, a \$226 million increase from June 30, 2022. Total assets increased \$5.2 million, or 0.08%, to \$6.8 billion, and total liabilities decreased \$55.1 million, or 1.1%, to \$5.1 billion.

Net Position (Dollars in thousands)					
	2024	2023	2022	Percentage change 2024–2023	Percentage change 2023–2022
Current assets	\$ 1,068,174	\$ 958,172	\$ 903,848	11.5%	6.0%
Capital assets	5,476,320	5,525,902	5,569,082	(0.9)	(0.8)
Other noncurrent assets	357,580	340,872	346,849	4.9	(1.7)
Total assets	<u>6,902,074</u>	<u>6,824,946</u>	<u>6,819,779</u>	<u>1.1</u>	<u>0.1</u>
Deferred outflows from pension	55,189	80,550	30,846	(31.5)	161.1
Deferred outflows from OPEB	45,749	3,933	4,223	1,063.2	(100.0)
Deferred outflows from derivative instrumen	-	2,820	8,832	(100.0)	(68.1)
Deferred outflows from refunded debt	7,495	7,981	8,467	(6.1)	(5.7)
Current liabilities	506,094	440,092	428,672	15.0	2.7
Noncurrent liabilities	4,481,072	4,645,560	4,712,110	(3.5)	(1.4)
Total liabilities	<u>4,987,166</u>	<u>5,085,652</u>	<u>5,140,782</u>	<u>(1.9)</u>	<u>(1.1)</u>
Deferred inflows from pension	2,775	4,062	66,076	(31.7)	(93.9)
Deferred inflows from OPEB	15,581	31,392	48,128	(50.4)	(34.8)
Deferred inflows from refunded debt	43,691	7,912	-	100.0	-
Net position:					
Net investment in capital assets	1,128,827	1,184,617	902,395	(4.7)	31.3
Restricted					
Construction	156,606	145,029	115,765	8.0	25.3
Debt service	277,068	276,719	263,956	0.1	4.8
Operating	6,756	6,802	8,102	(0.7)	(16.0)
Revenue	64,575	41,356	38,256	56.1	8.1
Rate Stabilization	39,009	39,314	40,295	(0.8)	(2.4)
Unrestricted	288,453	97,376	196,268	196.2	(50.4)
Total net position	<u><u>\$ 1,961,294</u></u>	<u><u>\$ 1,791,213</u></u>	<u><u>\$ 1,565,037</u></u>	<u><u>9.5%</u></u>	<u><u>14.5%</u></u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

Changes in Net Position

The increase in net position at June 30, 2024 was \$170.4 million, or 9.5%, as compared with June 30, 2023. The Authority's total operating revenues increased by 1.8% to \$851.7 million and total operating expenses increased 11.3% to \$348.8 million.

The increase in net position at June 30, 2023 was \$226 million, or 14.5%, as compared with June 30, 2022. The Authority's total operating revenues increased by 3.1% to \$836.9 million and total operating expenses increased by 11.3% to \$312.9 million.

Changes in Net Position (Dollars in thousands)					
	2024	2023	2022	Percentage change 2024–2023	Percentage change 2023–2022
Operating revenues:					
Customer service revenues	\$ 847,938	\$ 831,932	\$ 805,741	1.9%	3.3%
Other revenues	3,780	5,023	6,113	(24.7)	(17.8)
Total operating revenues	<u>851,718</u>	<u>836,955</u>	<u>811,854</u>	<u>1.8</u>	<u>3.1</u>
Operating expenses:					
Operations	144,165	133,377	126,065	8.1	5.8
Maintenance	37,678	34,318	28,842	9.8	19.0
Payments in lieu of taxes	8,489	8,479	8,469	0.1	0.1
Engineering, general, and administrative	157,926	136,797	117,916	15.4	16.0
Total operating expenses	<u>348,258</u>	<u>312,971</u>	<u>281,292</u>	<u>11.3</u>	<u>11.3</u>
Depreciation and amortization	<u>236,818</u>	<u>230,810</u>	<u>215,079</u>	<u>2.6</u>	<u>7.3</u>
Operating income	<u>266,642</u>	<u>293,174</u>	<u>315,483</u>	<u>(9.0)</u>	<u>(7.1)</u>
Nonoperating items:					
Regulatory accounting provisions	-	52,124	(70,700)	(100.0)	(173.7)
Net nonoperating expenses	(102,858)	(125,459)	(172,009)	(18.0)	(27.1)
Changes in derivative related accounts	-	2,940	2,940	(100.0)	-
Total nonoperating items	<u>(102,858)</u>	<u>(70,395)</u>	<u>(239,769)</u>	<u>46.1</u>	<u>(70.6)</u>
Capital grants and contributions	<u>6,297</u>	<u>3,397</u>	<u>3,299</u>	<u>85.4</u>	<u>3.0</u>
Change in net position	170,081	226,176	79,013	(24.8)	186.3
Total net position – beginning of year	<u>1,791,213</u>	<u>1,565,037</u>	<u>1,486,024</u>	<u>14.5</u>	<u>5.3</u>
Total net position – end of year	<u>\$ 1,961,294</u>	<u>\$ 1,791,213</u>	<u>\$ 1,565,037</u>	<u>9.5%</u>	<u>14.5%</u>

During fiscal year 2024, the increases in customer service revenues were primarily due to the 2.40% increase in the rate revenue requirement (\$19.6 million).

During fiscal year 2023, the increases in customer service revenues were primarily due to the 2.85% increase in the rate revenue requirement (\$22.6 million).

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

Operating Costs by Functionality

(Dollars in thousands)

	2024	2023	2022	Percentage change 2024–2023	Percentage change 2023–2022
Wastewater treatment and transport	\$ 129,529	\$ 116,317	\$ 107,476	11.4%	8.2%
Water treatment and transport	48,993	45,527	39,922	7.6	14.0
Water and wastewater quality	11,031	10,348	9,975	6.6	3.7
Metering and monitoring	8,417	7,580	6,672	11.0	13.6
Facilities planning, design, and construction	13,239	11,674	11,388	13.4	2.5
Management information systems	14,080	13,057	12,573	7.8	3.8
Administration and support	59,977	48,375	54,109	24.0	(10.6)
Total direct operating costs	285,266	252,878	242,115	12.8	4.4
Indirect operating costs	62,992	60,093	39,177	4.8	53.4
 Total operating costs	 \$ 348,258	 \$ 312,971	 \$ 281,292	 11.3%	 11.3%

Increases in wastewater treatment and transport were mainly due to increased chemical, utility and maintenance costs and the increase in the contracted O & M costs at the pelletization plant. Water treatment and transport costs increased due to increases in electricity, chemicals and maintenance costs – mainly cost incurred to clean a cell of the Norumbega Covered Storage facility. Administration and support costs increased due to the effects of the prior year adjustment of costs related to the lease asset - building.

Retirement Benefits

The Massachusetts Water Resources Authority Employees' Retirement System (System) was established to provide pension benefits to Massachusetts Water Resources Authority (Authority) employees and their beneficiaries. The System is governed by a five-member board comprised of the Secretary of the Authority's Board (ex-officio), two members elected by the System's participants, one member appointed by the Authority's Board and one member appointed by the System's Board members.

The System has total plan assets of \$675.2 million and \$630.5 million at December 31, 2023 and 2022, respectively.

Other Post-Employment Benefits (OPEB) Irrevocable Trust

In April 2015, the Authority established the MWRA Other Post-Employment Benefits (OPEB) Irrevocable Trust. The Trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees. It is intended that the Trust shall constitute a "Qualified OPEB Trust" according to the standards set forth in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and the standards of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Authority's Board of Directors appointed a five-member Board of Trustees, made up of Authority senior managers, to control and manage the trust.

An initial deposit of \$10.8 million was made to the trust upon establishment of the trust. The balance of the trust at June 30, 2024 and 2023 was \$82.1 million and \$72.4 million, respectively.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024 and 2023, the Authority had \$5.48 billion and \$5.52 billion of capital assets (net of depreciation), respectively. This includes land, construction in progress, plant and equipment for the water and sewer systems, lease asset - building, furniture and fixtures, leasehold improvements, and motor vehicles and equipment. The Authority's net capital assets decreased approximately \$49.6 million, or 0.9%, during fiscal year 2024, primarily due to the rate of depreciation being higher than the rate of capitalization.

Capital Assets

(Net of depreciation, dollars in thousands)

	2024	2023	2022	Percentage change 2024–2023	Percentage change 2023–2022
Land	\$ 30,214	\$ 30,060	\$ 30,058	0.5%	0.0%
Construction in progress	279,826	298,535	172,476	(6.3)	73.1
Plant and equipment, water, and sewer systems	5,140,501	5,172,729	5,347,916	(0.6)	(3.3)
Lease asset - building	16,634	18,735	12,377	(11.2)	51.4
Furniture and fixtures	4,177	24	30	17,304.2	(20.0)
Leasehold improvements	207	219	231	(5.5)	(5.2)
Motor vehicles and equipment	4,761	5,600	5,994	(15.0)	(6.6)
Total	<u>\$ 5,476,320</u>	<u>\$ 5,525,902</u>	<u>\$ 5,569,082</u>	<u>(0.9%)</u>	<u>(0.8%)</u>

Additional information on the Authority's capital assets can be found in Note 8 of this financial report.

Debt Administration

The Authority's bond sales must be approved by its board of directors (the Board) and must comply with rules and regulations of the United States Treasury Department. Neither the Commonwealth of Massachusetts (the Commonwealth) nor any political subdivision thereof shall be obligated to pay the principal of, or premium or interest on, any debt outstanding and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

Bond Resolutions

Pursuant to its general bond resolution, the Authority must comply with a rate covenant that requires it to set rates to maintain revenues sufficient to pay current expenses; debt service on indebtedness; required deposits to reserves; costs of maintenance, replacement, and/or improvements to the wastewater and water systems that are considered current expenses and any additional amounts the Authority may be required to pay by any law or contract.

In addition to the rate covenant, the Authority is required to meet two covenants with respect to debt service coverage. The primary debt service coverage requires that the Authority fix and adjust rates and charges to provide revenues available for bond debt service in an amount equal to 1.2 times that is required for debt service on all outstanding bonds, not including subordinated bonds. The subordinated debt service coverage requires that the Authority fix and adjust rates and charges to provide revenues available for bond debt service in an amount equal to 1.1 times that is required for debt service on all outstanding bonds, including subordinated bonds.

Additional information on the Authority's long-term debt can be found in Note 6 of this financial report.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

Credit Rating

The Authority's \$3.0 billion Senior Lien General Revenue Bonds are rated Aa1 from Moody's Investors Service, AA+ by S&P Global Ratings and AA+ from Fitch Ratings. The \$382.4 million Subordinate Lien General Revenue Bonds are rated Aa2 from Moody's Investors Service, AA by S&P Global Ratings and AA from Fitch Ratings. Some of the Authority's revenue bonds are enhanced by bond insurance. The credit ratings of these bond series will be the higher rating of either the Authority or the firm providing the enhancement. In the case of bonds enhanced by a letter of credit, the rating will be the highest of the Authority's, the provider or, if available, a joint rating. The subordinated debt of \$798.8 million with the Massachusetts Clean Water Trust is not rated as the Authority's debt.

Economic Factors and Next Year's Budget

In June 2024, the Board approved the fiscal year 2025 Current Expense Budget (CEB), which totals \$900.6 million in expenses.

The \$900.6 million expense total is comprised of \$504.2 million (56%) in capital financing costs and \$396.4 million (44%) in operating expenses, of which \$321 million (81%) is for direct expenses and \$75.4 million (19%) is for indirect expenses. The total represents an increase of \$46.4 million from fiscal year 2024 spending, which is comprised of \$41.5 million in higher operating costs and \$4.9 million in higher debt service costs.

The fiscal year 2025 rate revenue requirement approved by the Board is \$855.5 million; an increase of 2.5% compared with the fiscal year 2024 budget.

Fiscal year 2025 budgeted nonrate revenue totals \$45.1 million, a decrease of \$5.6 million from actual fiscal year 2024 nonrate revenue. The nonrate revenue budget is comprised of \$28.4 million in investment income, \$16.3 million in other user charges and other revenue and \$0.4 million in entrance fees.

CIP 10 Year Plan

The Authority's planned spending for capital improvements in future years reflects the Authority's ongoing efforts to upgrade and maintain the system and to align its project prioritization process with the Master Plan.

Major planned and ongoing projects include:

- Commitment to long-term redundancy plan for the metropolitan water tunnel system.
- Improvement and replacement of equipment on Deer Island and at major headworks facilities to ensure continued efficient and effective operations.
- Continued asset protection projects for both wastewater and water systems (pump stations and pipelines)
- Dedication to using resources efficiently, responding to climate change and reducing the environmental impacts of the Authority's daily operations by installing alternative energy sources and promotion of improved self-generation.
- Enhanced commitment to the community assistance programs for both the sewer and water systems to improve local infrastructure, including an initiative to provide interest-free loans to assist communities in replacing lead service lines.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Management's Discussion and Analysis – Required Supplementary Information

June 30, 2024 and 2023

(Unaudited)

- Continued investment for the upgrade of Management Information Systems to ensure the availability, integrity and security of data.
- Continue the Residuals Asset Protection program for maintaining and improving the operations and infrastructure of the biosolids processing in the long term.
- Improvement and replacement of equipment at CWTP to ensure continued efficient and effective operations.

Contacting the Authority's Financial Management

This report is designed to provide our bondholders, member communities and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenue it receives. If you have questions about this report or need additional information, contact the Massachusetts Water Resources Authority, Finance Division, 33 Tafts Avenue, Boston, MA 02128.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Net Position

June 30, 2024 and 2023

(Dollars in thousands)

Assets	2024	2023
Current assets:		
Cash and cash equivalents (note 4)	\$ 84,200	\$ 79,056
Investments (note 4)	5,397	5,278
Restricted investments (note 4)	934,688	831,549
Intergovernmental loans (note 7)	41,323	38,157
Accounts receivable	1,797	3,323
Interest receivable	769	809
Total current assets	<u>1,068,174</u>	<u>958,172</u>
Noncurrent assets:		
Capital assets:		
Capital assets – not being depreciated (note 8)	310,040	328,595
Capital assets – being depreciated – net (note 8)	5,149,646	5,178,572
Lease asset - building (note 8)	16,634	18,735
Other assets, net (note 7)	357,580	340,872
Total noncurrent assets	<u>5,833,900</u>	<u>5,866,774</u>
Total assets	<u>6,902,074</u>	<u>6,824,946</u>
Deferred Outflows of Resources		
Deferred outflows from pension (note 10)	55,189	80,550
Deferred outflows from OPEB (note 11)	45,749	3,933
Deferred outflows from derivative instruments (note 6)	-	2,820
Deferred outflows from refunding debt	7,495	7,981
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	56,712	50,408
Accounts payable for construction	29,687	30,474
Commercial paper (note 6)	80,000	-
Current portion of long-term debt (note 6)	284,890	297,454
Current portion of lease liability (note 9)	1,798	1,664
Accrued interest on bonds payable	53,007	60,092
Total current liabilities	<u>506,094</u>	<u>440,092</u>
Noncurrent liabilities:		
Reserves (note 5)	75,557	67,696
Retainage on construction in progress	12,585	11,155
Long-term debt – less current portion (note 6)	4,143,367	4,346,599
Lease liability (note 9)	17,138	18,936
Net pension liability (note 10)	137,935	152,974
Net OPEB liability (note 11)	94,490	45,380
Liability for derivative instruments (note 6)	-	2,820
Total noncurrent liabilities	<u>4,481,072</u>	<u>4,645,560</u>
Total liabilities	<u>4,987,166</u>	<u>5,085,652</u>
Deferred Inflows of Resources		
Deferred inflows from pension (note 10)	2,775	4,061
Deferred inflows from OPEB (note 11)	15,581	31,392
Deferred inflows from refunding debt	43,691	7,912
Net Position		
Net investment in capital assets	1,128,827	1,184,617
Restricted		
Construction	156,606	145,029
Debt service	277,068	276,719
Operating	6,756	6,802
Revenue	64,575	41,356
Rate Stabilization	39,009	39,314
Unrestricted	288,453	97,376
Total net position	<u>\$ 1,961,294</u>	<u>\$ 1,791,213</u>
Commitments and contingencies (notes 9,10,11,12 and 13)		

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Operating revenues (note 2):		
Customer services	\$ 847,938	\$ 831,932
Other	3,780	5,023
Total operating revenues	<u>851,718</u>	<u>836,955</u>
Operating expenses:		
Operations	144,165	133,377
Maintenance	37,678	34,318
Payments in lieu of taxes	8,489	8,479
Engineering, general, and administrative	157,926	136,797
Total operating expenses	<u>348,258</u>	<u>312,971</u>
Income from operations before depreciation	503,460	523,984
Depreciation and amortization	<u>236,818</u>	<u>230,810</u>
Operating income	266,642	293,174
Regulatory accounting provisions:		
Change in regulatory provisions, net (note 3)	-	52,124
Total regulatory accounting provisions	<u>-</u>	<u>52,124</u>
Nonoperating revenues (expenses):		
Debt service grant	-	1,187
Investment gain	39,002	19,313
Interest expense	(133,999)	(143,541)
Change in reserves (note 5)	(7,861)	(2,418)
Changes in derivative related accounts	-	2,940
Total nonoperating expenses	<u>(102,858)</u>	<u>(122,519)</u>
Net gain before capital grants and contributions	163,784	222,779
Capital grants and contributions	<u>6,297</u>	<u>3,397</u>
Increase in net position	170,081	226,176
Total net position - beginning of year	<u>1,791,213</u>	<u>1,565,037</u>
Total net position - end of year	<u>\$ 1,961,294</u>	<u>\$ 1,791,213</u>

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 847,475	\$ 832,491
Cash paid to suppliers for goods and services	(168,432)	(132,768)
Cash paid to employees for services	(164,948)	(176,103)
Cash paid in lieu of taxes	(8,489)	(8,479)
Other operating receipts	3,888	4,870
Net cash provided by operating activities	<u>509,494</u>	<u>520,011</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of revenue bonds, loans, notes and commercial paper	380,801	280,423
Capital grants for construction	6,297	3,397
Debt service grant	-	1,187
Principal paid on leases payable	(1,663)	(1,538)
Interest paid on leases payable	(1,554)	(1,678)
Repayment of debt	(429,363)	(438,869)
Interest paid on debt	(188,183)	(164,322)
Plant expenditures	(206,468)	(165,608)
Net cash used for capital and related financing activities	<u>(440,133)</u>	<u>(487,008)</u>
Cash flows from investing activities:		
Purchases of short-term investments	-	(25,970)
Sales and maturities of short-term investments	18,700	26,000
Changes in restricted money market investments	(115,994)	(52,669)
Interest received	33,077	25,461
Net cash used for investing activities	<u>(64,217)</u>	<u>(27,178)</u>
Net increase in cash and cash equivalents	5,144	5,825
Cash and cash equivalents - beginning of year	<u>79,056</u>	<u>73,231</u>
Cash and cash equivalents - end of year	<u>\$ 84,200</u>	<u>\$ 79,056</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	266,642	293,174
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	236,818	230,810
Change in net pension liability	(15,039)	132,945
Change in deferred outflows from pension	25,361	(49,703)
Change in deferred inflows from pension	(1,286)	(62,015)
Change in net OPEB liability	49,110	(4,448)
Change in deferred outflows from OPEB	(41,816)	290
Change in deferred inflows from OPEB	(15,811)	(16,736)
Change in other accounts	464	(7,899)
Change in accounts payable and accruals	5,051	3,593
Net cash provided by operating activities	<u>\$ 509,494</u>	<u>\$ 520,011</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

In fiscal 2024, general revenue refunding bonds in the aggregate principal amount of \$279,275 were issued to refund \$359,005 of bonds outstanding.

In fiscal 2023, general revenue refunding bonds in the aggregate principal amount of \$110,340 were issued to refund \$120,085 of bonds outstanding.

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Fiduciary Net Position

June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
	<u>Pension (and Other Employee Benefit) Trust Funds</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>
Assets		
Cash and cash equivalents (note 4)	\$ 23,843	\$ 19,238
Investments: (note 4)		
Fixed income	137,357	126,381
Equities	316,015	286,128
Real estate	61,296	70,330
Private equity	75,630	71,726
Hedge funds	27,512	26,675
External investment pool	114,655	101,857
Total investments	<u>732,465</u>	<u>683,097</u>
Accounts receivable	995	564
Total assets	<u>757,303</u>	<u>702,899</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	165	187
Due to primary government	92	180
Payables for securities purchased	-	914
Total liabilities	<u>257</u>	<u>1,281</u>
Fiduciary Net Position		
Restricted		
Pensions	674,932	629,240
Postemployment benefits other than pensions	82,114	72,378
Total fiduciary net position	<u>\$ 757,046</u>	<u>\$ 701,618</u>

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
	Pension (and Other Employee Benefit) Trust Funds	Pension (and Other Employee Benefit) Trust Funds
Additions		
Contributions:		
Employer	\$ 26,610	\$ 22,616
Plan members	10,576	10,551
Total contributions	<u>37,186</u>	<u>33,167</u>
Investment income:		
Interest and dividends	10,483	9,096
Net realized and unrealized gains (losses)	57,068	(87,701)
Less: investment fees	<u>(3,648)</u>	<u>(6,373)</u>
Net investment income (loss)	<u>63,903</u>	<u>(84,978)</u>
Reimbursements and transfers from other systems	<u>2,409</u>	<u>3,224</u>
Total additions	<u>103,498</u>	<u>(48,587)</u>
Deductions		
Benefits paid to participants or beneficiaries	46,428	40,726
Reimbursements and transfers to other systems	1,137	1,086
Administrative expenses	<u>505</u>	<u>585</u>
Total deductions	<u>48,070</u>	<u>42,397</u>
Change in fiduciary net position	55,428	(90,984)
Total fiduciary net position - beginning of year	<u>701,618</u>	<u>792,602</u>
Total fiduciary net position - end of year	<u><u>\$ 757,046</u></u>	<u><u>\$ 701,618</u></u>

See accompanying Notes to Financial Statements

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(1) Organization

The Massachusetts Water Resources Authority (the Authority) was established in January 1985 pursuant to Chapter 372 (the Enabling Act) of the Act of 1984 of the Commonwealth of Massachusetts (the Commonwealth). The Authority, a successor agency to certain functions of the Metropolitan District Commission (the MDC) (which became part of the Department of Conservation and Recreation (the DCR) in July 2003), is a public instrumentality and, effective July 1, 1985, provides water supply services and sewage collection, treatment, and disposal services to areas of the Commonwealth.

The Authority is governed by an 11-member board of directors (the Board) chaired by the Secretary of Energy and Environmental Affairs for the Commonwealth. The Secretary and two other members are appointed by the Governor. Three members of the Board are appointed by the Mayor of Boston and three are appointed by the Authority's Advisory Board. One member is appointed by the Mayor of Quincy and one by the Winthrop Council President.

The Authority has also considered all component units for which it is financially accountable as well as other organizations for which the nature and /or significance of their relationship with the Authority are such that exclusion would cause the Authority's basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Authority (primary government) and its component units.

The Authority has included entities as fiduciary fund component units in the reporting entity because of the significance of their operational and financial relationship with the Authority. Component units are entities that are legally separate from the Authority, but are so closely related that they are, in substance, the same as the Authority or entities providing services entirely or almost entirely for the benefit of the Authority.

Fiduciary Fund Component Units

The Massachusetts Water Resources Authority Employees' Retirement System (Pension Trust) was established to provide pension benefits to Authority employees and their beneficiaries. The Pension Trust is governed by a five-member board comprised of the Secretary of the Authority's Board (ex-officio), two members elected by the Pension Trust's participants, one member appointed by the Authority's Board and one member appointed by the Pension Trust's Board members. The Pension Trust is presented using the accrual basis of accounting and is reported in the Pension (and Other Employee Benefit) Trust Funds in the fiduciary funds financial statement. The Pension Trust's year end is December 31st.

The Massachusetts Water Resources Authority Irrevocable OPEB Trust (OPEB Trust) is a single-employer other post-employment benefits (OPEB) plan, for the purpose of accumulating and investing assets to fund certain post-retirement medical and life insurance for retirees of the Authority. The Board of Trustees is composed of five members including the following Authority employees: Executive Director, Director of Finance, Treasurer, Budget Director and Director of Human Resources. The OPEB Trust is presented using the accrual basis of accounting and is reported in the Pension (and Other Employee Benefit) Trust Funds in the fiduciary funds financial statement. The OPEB Trust's year end is June 30th.

Complete financial statements for the Trusts can be obtained from the Authority's administrative offices at 33 Tafts Avenue, Boston, MA 02129.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(2) Summary of Significant Accounting Policies

The accounting policies of the Authority conform to U.S. generally accepted accounting principles as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

(a) Basis of Presentation

The Authority is required by the Enabling Act to establish user rates for its water and sewer services which provide sufficient funds to recover the costs of operations (excluding depreciation), debt service, maintenance, replacements, improvements to its facilities, and appropriate reserves. The Authority's financial statements are reported on the accrual basis of accounting and the economic measurement focus as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water and sewer services to its member communities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, with the exception of regulatory provisions as discussed below. All operating revenues are pledged for repayment of outstanding debt service.

In addition, the Authority applies the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, to provide a better matching of revenues and expenses. The effect of this policy has been to defer certain outflows of resources, which will be recovered through future revenues in accordance with the Authority's rate model, and to record deferred inflows of resources for revenue collected through current rates for costs expected to be incurred in the future. The effects of the Authority's accounting policies are discussed further in Note 3.

In fiscal year 2023, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement did not have an impact on the Authority.

In fiscal year 2024, the Authority implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement did not have an impact on the Authority.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(b) Capital Assets

On July 1, 1985, ownership of the MDC's sewer and waterworks personal property was transferred to the Authority. Pursuant to the Enabling Act, ownership of the real property of the MDC sewer and waterworks systems was not transferred from the Commonwealth to the Authority; however, the Authority has the right to use, improve, maintain, and manage that property. In addition, ownership of the real and personal property of the watershed system remains with the Commonwealth; however, the Authority has the right to utilize the water therefrom for water supply purposes.

The personal property, together with the rights to the real property and watershed system, was recorded at its estimated fair value of \$2,331,465 (including certain construction projects which were in progress as of July 1, 1985), based upon an appraisal performed by valuation specialists. Property, plant, and equipment acquired or constructed since July 1, 1985, is stated at acquisition cost, and includes the expenditure of capital grants in aid of construction.

Betterments and major renewals are capitalized and included in capital asset accounts, while expenditures for maintenance and repairs are charged to expense when incurred. The cost of depreciable assets and related accumulated depreciation is eliminated from the accounts when such items are disposed of or otherwise retired.

The Authority's capitalization threshold is \$100.

(c) Depreciation

The Authority provides for depreciation by use of the straight-line method. Depreciation is intended to distribute the cost of depreciable properties, including those financed by capital grants in aid of construction, over the following estimated average useful lives:

	<u>Years</u>
Plant and Equipment, Water and Sewerage Systems	5–100
Motor Vehicles and Equipment	5
Furniture and Fixtures	7
Leasehold Improvements	3–5

(d) Revenue Recognition

The Authority recognizes revenue as amounts become collectible from its customers for water and sewer services provided. The majority of the Authority's billings to cities and towns are subject to, in the event of nonpayment, the local aid intercept allowed by the Enabling Act.

(e) Net Position

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use the restricted resources first, then unrestricted as they are needed.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(f) Cash and Cash Equivalents

Authority:

The Authority's policy is to treat unrestricted investments with a maturity date of three months or less when purchased as cash equivalents for purposes of the statements of cash flows. Restricted cash and cash equivalents are combined with investments on the statements of net position and shown separately on the statements of cash flows as an investing activity.

Pension and OPEB Trust:

Cash and cash equivalents is considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

(g) Payments in Lieu of Taxes

The Enabling Act authorizes and directs the Authority to pay to the DCR (formerly the MDC) Division of Watershed Management, who in turn remits payment to each city or town in which land of the Quabbin watershed and Ware River watershed is located. Each such payment is equal to the amount which the respective city or town would receive in property taxes, based upon the fair value of such land if such land were not tax exempt.

(h) Investments

Authority:

Investments are recorded at fair value, other than certain investments that are recorded at net asset value (NAV). The Authority uses an independent pricing source to determine the fair value of investments at quoted market prices. Changes in fair value are included in non-operating investment income in the Statements of Revenues, Expenses, and Changes in Net Position. Investments that are measured at NAV are the investments in the Massachusetts Municipal Depository Trust (MMDT) which is a 2a7-like external investment pool that is overseen by the Massachusetts State Treasurer and whose fair value of each share is equal to the number of shares; thus NAV is equal to \$1.00 per share.

Pension and OPEB Trusts:

Investments are reported at fair value. Fair values of investments are based on quotations from a national securities exchange, except for the Systems' investment in the Pension Reserves Investment Trust (PRIT), hedge funds, private equity and real estate investments, for which fair values are estimated as detailed below.

External Investment Pool (PRIT)

PRIT is an external investment pool comprised of securities measured at various fair value measurements. The investment pool is managed by the Pension Reserves Investment Management (PRIM) Board and the System's share of the pool is reported at fair value in the System's financial statements. A complete copy of PRIT's separately issued financial statements can be obtained from PRIM Board at 84 State Street, Boston, MA 02109, or by visiting the PRIM Board's website at <http://www.mapension.com/public-records/records-of-interest/>.

Hedge Funds, Private Equity, and Real Estate Investments

The fair values of these types of investments have been determined by third party investment managers using Net Asset Value (NAV) per share (or its equivalent) on the System's ownership interest in the pool or partner's capital.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(i) *Compensated Absences*

Employees of the Authority may accumulate unused sick time of which 30% will be paid in cash upon retirement from the Authority. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on a percentage of the amount accumulated at the statement of net position dates. The liability for both amounts is calculated based on the pay or salary rates in effect at the statements of net position dates.

(j) *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Authority. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(k) *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the Authority. For this purpose, the Authority recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(l) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(m) *Reclassifications*

Certain reclassifications were made to the fiscal year 2023 financial statements to conform to the fiscal year 2024 presentation.

(3) *Deferred Inflows from Regulatory Activities*

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority previously reported regulatory assets and deferred inflows from regulatory activities that result primarily from differences between depreciation on property, plant, and equipment not financed by grants or capital contributions, which is recovered through rates. It was determined in fiscal year 2023 that the accounting for regulatory activity no longer applied to the Authority and was discontinued.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(4) Deposits and Investments

(1) Authority (Excluding the Pension and OPEB Trusts):

The following represents essential risk information about the Authority's deposits and investments:

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits and certificates of deposit is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. Per the Authority's policy, credit risk is minimized by diversifying portfolio of funds and ensuring the amounts held in deposits is adequate to accommodate the reasonable cash needs of the Authority.

The bank deposits at June 30, 2024 and 2023 were \$75,812 and \$71,058, respectively. Of these amounts, \$75,562 and \$70,080, were exposed to custodial credit risks as uninsured and uncollateralized.

(b) Investments

The Authority is authorized by its general bond resolution to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bonds, or notes of public agencies or municipalities, bank time deposits, guaranteed interest contracts, Massachusetts Municipal Depository Trust (MMDT) accounts, interest rate swap agreements, and repurchase agreements. All investments are held by a third-party in the Authority's name. These investments are recorded at fair value.

(c) Credit Ratings

All debt securities purchased, such as FNMA, FHLMC, and FHLB issues have historically had a credit rating of AAA or they have been collateralized to AAA. On August 8, 2011, Standard & Poor's reduced the credit rating for these agencies to AA+. The reduction in credit rating did not affect the Authority's bond covenants or escrow requirements.

The Massachusetts Municipal Depository Trust funds are not rated.

The general bond resolution limits the Authority to investing in securities that are rated in the three highest rating categories as defined by S&P and Moody's or other rating agencies.

(d) Concentration Risk

At June 30, 2024 and 2023, the Authority had investments with the issuer, Federal Home Loan Bank (FHLB), which totaled 4.5% and 7.6%, respectively, of the total investments.

At June 30, 2024 and 2023, the Authority had investments with the issuer, Federal Farm Credit Banks (FFCB), which totaled 7.7% and 8.4%, respectively, of the total investments.

At June 30, 2024 and 2023, the Authority had investments with the issuer, Federal National Mortgage Association (FNMA), which totaled 7.9% and 8.6%, respectively of total investments.

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Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(e) Interest Rate Risk

The following is a listing of the Authority's fixed income investments and related maturity schedule as of June 30, 2024 and 2023:

June 30, 2024					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1-3	4-8	>9
Mass Municipal Depository Trust	\$ 714,602	\$ 714,602	\$ -	\$ -	\$ -
U.S. Agency Obligations	225,483	8,380	128,591	88,512	-
Total	<u>\$ 940,085</u>	<u>\$ 722,982</u>	<u>\$ 128,591</u>	<u>\$ 88,512</u>	<u>\$ -</u>

June 30, 2023					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1-3	4-8	>9
Mass Municipal Depository Trust	\$ 598,626	\$ 598,626	\$ -	\$ -	\$ -
U.S. Agency Obligations	238,201	18,594	67,836	151,771	-
U.S. Treasury Bills	-	-	-	-	-
Total	<u>\$ 836,827</u>	<u>\$ 617,220</u>	<u>\$ 67,836</u>	<u>\$ 151,771</u>	<u>\$ -</u>

The majority of the Authority's investments are held in short-term money market funds and long-term investments in U.S. agency obligations that are held in the debt service reserve funds where the intent is to hold until maturity.

(f) Investment Values

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Authority has no securities classified in Level 3. The investment in MMDT, an external investment pool, is measured at \$1.00 per share – the net asset value determined by the pool.

The Authority has the following recurring fair value measurements as of June 30, 2024 and 2023: U.S. Government agency obligations \$225,483 and \$238,201 (Level 2), respectively, and MMDT \$714,602 and \$598,626 (NAV), respectively. There are no withdrawal restrictions or unfunded commitments related to the MMDT investment.

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Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(g) Restricted Investments by Fund

The following summarizes restricted investments as of June 30, 2024 and 2023 by various funds and accounts established by the Authority for debt covenants and other purposes:

	2024	2023
Restricted Investments:		
Construction	\$ 156,604	\$ 145,028
Debt Service Reserves	150,786	148,384
Debt Service Principal and Interest	414,851	359,426
Debt Service - Revenue Redemption	22,609	21,911
Operating Reserve	58,022	49,692
Rate Stabilization Reserve	39,009	39,314
Revenue	64,575	41,356
Combined Reserves - Renewal and Replacement Reserve	10,045	10,000
Combined Reserves - Insurance Reserve	12,200	10,445
Insurance Related Escrow Deposits	5,987	5,993
Total Restricted Investments	<u>\$ 934,688</u>	<u>\$ 831,549</u>

No funds were withdrawn from the Operating Reserve, Renewal and Replacement Reserve or Insurance Reserve during the fiscal year. Changes in investment balances reflect changes in fair value.

(2) Pension Trust:

(a) Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust's deposits may not be recovered. The Pension Trust's policy for custodial credit risk of deposits is to rely on FDIC insurance. As of December 31, 2023 and 2022, the Pension Trust was not exposed to custodial credit risk. The carrying value of the Pension Trust's deposits totaled \$10 and \$10 at December 31, 2023 and 2022, respectively.

(b) Investment Summary

The Pension Trust's investments at December 31, 2023 and 2022 are presented below. All investments are presented by investment type, with debt securities presented by maturity (using segmented time distribution).

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(Dollars in thousands)

December 31, 2023					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1–5	6–10	>10
<u>Debt Securities:</u>					
Money market mutual funds	\$ 20,799	\$ 20,799	\$ -	\$ -	\$ -
Fixed income securities	137,357	106,830	-	12,019	18,508
Total Debt Securities	158,156	\$ 127,629	\$ -	\$ 12,019	\$ 18,508
<u>Other Investments:</u>					
Equity Securities	316,015				
External Investment Pools (PRIT)	35,575				
Hedge Funds	27,512				
Real Estate	61,296				
Private Equity	75,630				
Total Other Investments	516,028				
Total Investments	\$ 674,184				

December 31, 2022					
Investment maturities (in years)					
Investment Type	Fair Value	<1	1–5	6–10	>10
<u>Debt Securities:</u>					
Money market mutual funds	\$ 14,206	\$ 14,206	\$ -	\$ -	\$ -
Fixed income securities	126,381	94,971	-	10,489	20,921
Total Debt Securities	140,587	\$ 109,177	\$ -	\$ 10,489	\$ 20,921
<u>Other Investments:</u>					
Equity Securities	286,128				
External Investment Pools (PRIT)	34,501				
Hedge Funds	26,675				
Real Estate	70,330				
Private Equity	71,726				
Total Other Investments	489,360				
Total Investments	\$ 629,947				

(c) Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Pension Trust's policy for interest rate risk is the duration of the portfolio should be consistent with the appropriate indices. Unless otherwise agreed to, the duration of the portfolio must be within 25% of the appropriate benchmark.

(d) Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Pension Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Trust's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the Pension Trust. As of December 31, 2023 and 2022, the Pension Trust was not exposed to custodial credit risk.

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(Dollars in thousands)

(e) Investments – Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Pension Trust's policies for credit risk of debt securities include the minimum quality rating at the time of purchase cannot be below a rating of CCC. Non-rated securities may comprise 10% of the portfolio, provided that the applicable manager determines that, if such an issue was rated, it would be allowed under the above limitation and that the non-rated issue is deemed to be below BAA (investment grade). Compliance with credit ratings provided by Moody's, Standard & Poor's and Fitch is not sufficient for an issue to be deemed an appropriate investment. The managers are responsible for making an independent analysis of the credit-worthiness of securities.

As of December 31, 2023 and 2022, the credit quality ratings of the Pension Trust's money market mutual funds are unrated by any nationally recognized statistical rating organization. As of December 31, 2023 and 2022, the credit quality ratings of the Pension Trust's fixed income securities, excluding U.S. Treasury securities of \$27,080 and \$25,903 respectively, are as follows:

Quality Ratings *	2023	2022
	Fixed income securities	
A-	\$ 2,724	\$ 3,050
BBB+	723	2,456
Unrated	106,830	94,971
Total	<u>\$ 110,277</u>	<u>\$ 100,477</u>

*Per Standard and Poors, a nationally recognized statistical rating organization.

(f) Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Pension Trust does not have a policy regarding foreign currency risk. As of December 31, 2023 and 2022, the Pension Trust was not exposed to foreign currency risk.

(g) Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The Pension Trust's policy for concentration of credit risk is that not more than 5% of the fair value of the Pension Trust's portfolio can be invested in the debt obligations of any one issuer, with the exception of securities issued by the U.S. Government, or its agencies, which may be held without limitation. As of December 31, 2023 and 2022, the Pension Trust was not exposed to concentration of credit risk.

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Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(h) Fair Value Measurements

The Pension Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Pension Trust has the following recurring fair value measurements as of December 31, 2023 and 2022:

December 31, 2023		Fair Value Measurements Using	
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Debt Securities:</u>			
Money market mutual funds	\$ 20,799	\$ 20,799	\$ -
Fixed income securities	30,527	27,080	3,447
Total Debt Securities	51,326	47,879	3,447
Equity Securities	113,505	113,505	-
Total Investments by Fair Value Level	164,831	\$ 161,384	\$ 3,447
<u>Investments measured at Net Asset Value (NAV)</u>			
Pooled Equity Funds	202,510		
Pooled Fixed Income Funds	106,830		
Private Equity	75,630		
Real Estate	61,296		
Hedge Funds	27,512		
Investments measured at NAV	473,778		
<u>Other investments measured at fair value</u>			
External Investment Pool (PRIT)	35,575		
Total Investments	\$ 674,184		

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June 30, 2024 and 2023

(Dollars in thousands)

December 31, 2022		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level	Fair Value		
<u>Debt Securities:</u>			
Money market mutual funds	\$ 14,206	\$ 14,206	\$ -
Fixed income securities	31,410	25,903	5,507
Total Debt Securities	45,616	40,109	5,507
Equity Securities	125,418	125,418	-
Total Investments by Fair Value Level	171,034	\$ 165,527	\$ 5,507
<u>Investments measured at Net Asset Value (NAV)</u>			
Pooled Equity Funds	160,710		
Pooled Fixed Income Funds	94,971		
Private Equity	71,726		
Real Estate	70,330		
Hedge Funds	26,675		
Investments measured at NAV	424,412		
<u>Other investments measured at fair value</u>			
External Investment Pool (PRIT)	34,501		
Total Investments	\$ 629,947		

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

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Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

December 31, 2023				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (1)	\$ 75,630	23,615	N/A ⁽¹⁾	N/A ⁽¹⁾
Real estate (2)	61,296	8,922	N/A ⁽²⁾	N/A ⁽²⁾
Hedge funds (3)	27,512	-	Quarterly	90-100 days
Pooled Equity Funds (4)	202,510	-	1-30 days	1 - 60 days
Pooled Fixed Income Funds (5)	106,830	114,794	1-30 days	1 - 15 days
Total Investments Measured at the NAV	<u>\$ 473,778</u>			
December 31, 2022				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (1)	\$ 71,726	28,735	N/A ⁽¹⁾	N/A ⁽¹⁾
Real estate (2)	70,330	3,658	N/A ⁽²⁾	N/A ⁽²⁾
Hedge funds (3)	26,675	-	Quarterly	90-100 days
Pooled Equity Funds (4)	160,710	-	1-30 days	1 - 60 days
Pooled Fixed Income Funds (5)	94,971	115	1-30 days	1 - 15 days
Total Investments Measured at the NAV	<u>\$ 424,412</u>			

- (1) Private Equity Funds: This type includes 21 private equity funds that consist primarily of limited partnership interests in corporate finance and venture capital funds. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 12 years.
- (2) Real Estate Funds: This type includes 11 real estate funds that invest primarily in U.S. commercial real estate and value added opportunities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust's ownership interest in partners' capital. There are two investments with approximate values of \$23,700 and \$23,400 at December 31, 2023, and \$26,800 and \$26,000 at December 31, 2022, for which the investments can be redeemed quarterly, with a redemption notice period of 90 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years.
- (3) Hedge Funds: This type includes 3 hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust's ownership interest in partners' capital. There are three investments with approximate values of \$49, \$13,300 and \$14,100 at December 31, 2023 and \$66, \$12,600 and \$14,000 at December 31, 2022. The investments can be redeemed quarterly, with a redemption notice period of 90 days, 90 days, and 100 days, respectively.

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(Dollars in thousands)

(4) Pooled Equity Funds: This type includes 7 funds with capital pooled from multiple investors in order to achieve mutual return objectives through investments in various types of equity securities. The fair value of pooled equity funds is measured at NAV by multiplying the pool's share price by the number of shares held.

(5) Pooled Fixed Income Funds: This type includes 4 funds with capital pooled from multiple investors in order to achieve mutual return objectives through investments in fixed income securities. The fair value of pooled fixed income funds is measured at NAV by multiplying the pool's share price by the number of shares held.

(3) OPEB Trust:

(a) Deposits – Custodial Credit Risk

The custodial credit risk for deposits and certificates of deposit is the risk that, in the event of a bank failure, the OPEB Trust's deposits may not be recovered.

The bank deposits at June 30, 2024 and 2023 were \$3,034 and \$5,022, respectively. Of these amounts, \$2,784 and \$4,772, were exposed to custodial credit risks as uninsured and uncollateralized.

(b) Investments Summary

The Trustees have adopted a formal cash and investment policy. All funds will be invested with the Commonwealth of Massachusetts Pension Reserves Investment Trust (PRIT) fund through the State Retiree Benefits Trust Fund.

The investment in the PRIT fund is not subject to custodial or concentration risk and the Trust does not have policies to address such risks. The investment in PRIT is subject to foreign currency risk to the extent exchange rates will adversely affect the fair value of PRIT's international investments. The Trust does not have a policy to address this risk. The PRIT fund is unrated. PRIT does not place any limitations or restrictions on withdrawals.

Investments are recorded at fair value. The Trust categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Trust has no debt securities classified in Level 3.

The OPEB Trust's investment in the PRIT fund, totaling \$79,080 and \$67,356 at June 30, 2024 and 2023, respectively, is classified as Level 2.

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Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(5) Bond Resolution Reserves

The components of the reserves funded from revenues and required by the general and supplemental bond resolutions at June 30, 2024 and 2023 are as follows:

Reserves	Sewer	Water	Total	
			2024	2023
Renewal and Replacement	\$ 2,544	\$ 1,457	\$ 4,001	\$ 4,001
Insurance	7,000	7,000	14,000	14,000
Operating	37,540	20,016	57,556	49,695
Total	<u>\$ 47,084</u>	<u>\$ 28,473</u>	<u>\$ 75,557</u>	<u>\$ 67,696</u>

A renewal and replacement reserve of \$6,000 was established through grant receipts transferred from the Commonwealth in 1985 and is included in restricted net position at June 30, 2024 and 2023.

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Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(6) Notes Payable and Long-Term Debt

Long-term debt at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
General Revenue Bonds:		
2016 Series B, 4% to 5%, issued May 12, 2016, due 2024 to 2030	\$ 7,630	\$ 9,280
2017 Series B, 5%, issued May 18, 2017, due 2028 to 2042	21,720	53,515
2018 Series B, 5%, issued May 16, 2018, due 2025 to 2043	57,340	86,465
2019 Series B, 5%, issued May 22, 2019, due 2024 to 2044	115,895	115,895
2019 Series E, 1 9/10% to 3 1/5%, issued November 1, 2019, due 2024 to 2044	50,000	50,000
2020 Series B, 5% issued August 20, 2020, due 2025 to 2045	141,155	151,705
2021 Series B, 5%, issued December 22, 2021, due 2024 to 2041	53,305	58,635
2023 Series B, 5% to 5.25%, issued April 27, 2023, due 2024 to 2048	133,975	133,975
2024 Series B, 5%, issued June 26, 2024, due 2025 to 2049	166,260	-
Total	<u>747,280</u>	<u>659,470</u>
General Revenue Refunding Bonds:		
2007 Series B, 5 1/4%, issued February 1, 2007, due 2024 to 2038	602,275	647,950
2013 Series A, 5%, issued March 27, 2013	-	29,645
2014 Series F, 5%, issued November 19, 2014, due 2024	4,350	4,350
2016 Series C, 4% to 5%, issued May 12, 2016, due 2024 to 2040	276,560	320,140
2016 Series D, 3% to 5%, issued August 24, 2016, due 2029 to 2042	43,075	43,525
2017 Series C, 5%, issued May 18, 2017, due 2024 to 2032	135,875	166,710
2018 Series C, 5%, issued May 16, 2018, due 2024 to 2026	8,030	13,100
2019 Series F, 1 7/10% to 3 1/10%, issued November 1, 2019, due 2024 to 2039	290,880	423,500
2021 Series C, 1/2% to 2 9/10%, issued December 22, 2021, due 2024 to 2044	496,870	671,575
2023 Series C, 5%, issued April 27, 2023, due 2026 to 2033	100,340	100,340
2024 Series C, 5%, issued June 26, 2024, due 2027 to 2042	279,275	-
Total	<u>2,237,530</u>	<u>2,420,835</u>

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June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
General Revenue Bonds with the Massachusetts		
Clean Water Trust - Direct Borrowings:		
1999 Series E Sewer, 4 3/4%, issued		
October 6, 1999, due 2024 to 2029	\$ 3,072	\$ 3,527
1999 Series F Sewer, 5 3/4% to 6%, issued		
November 3, 1999, due 2024 to 2029	62,970	84,410
2000 Series E Sewer, 5 1/2%, issued		
November 1, 2000, due 2024 to 2030	26,244	29,524
2001 Series D Sewer, 5 3/8% to 5 1/2%, issued		
July 26, 2001, due 2024 to 2029	313	359
2002 Series H Sewer, 5%, issued		
October 31, 2002, due 2024 to 2032	37,630	41,165
2002 Series I Sewer, 5 1/2%, issued		
October 31, 2002, due 2024 to 2030	916	1,031
2003 Series C Sewer, 5% to 5 1/4%, issued		
November 6, 2003, due 2024 to 2033	14,526	15,703
2003 Series C Water, 4 3/4% to 5%, issued		
November 6, 2003	-	1,410
2004 Series C Sewer, 5% to 5 1/4%, issued		
October 26, 2004, due 2024 to 2033	4,914	5,309
2004 Series D Sewer, 5%, issued		
November 29, 2004, due 2024 to 2034	27,850	29,820
2004 Series D Water, 5%, issued		
November 29, 2004, due 2024 to 2024	970	1,925
2005 Series C Sewer, 5% to 5 1/4%, issued		
November 3, 2005, due 2024 to 2033	2,464	2,820
2005 Series C Water, 5%, issued		
November 3, 2005	-	74
2005 Series D Sewer, 2 3/10%, issued		
November 16, 2005, due 2024 to 2035	30,973	33,188
2005 Series D Water, 0% to 2%, issued		
November 16, 2005, due 2024 to 2025	1,569	2,347
2005 Series E Sewer, 2%, issued		
November 16, 2005, due 2024 to 2025	47	71
2005 Series E Water, 2%, issued		
November 16, 2005, due 2024 to 2025	12	17
2006 Series C Sewer, 5%, issued		
October 26, 2006, due 2024 to 2034	3,283	3,722
2006 Series D Sewer, 2 3/10%, issued		
December 14, 2006, due 2024 to 2036	30,510	32,494
2006 Series D Water, 0% to 2%, issued		
December 14, 2006, due 2024 to 2026	4,700	6,248
2006 Series E Sewer, 2%, issued		
December 14, 2006, due 2024 to 2026	66	87
2006 Series E Water, 2%, issued		
December 14, 2006, due 2024 to 2026	30	39

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(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
General Revenue Bonds with the Massachusetts		
Clean Water Trust - Direct Borrowings (Continued):		
2007 Series C Sewer, 2% to 2 3/10%, issued		
November 9, 2007, due 2024 to 2035	\$ 986	\$ 1,154
2007 Series C Water, 2%, issued		
November 9, 2007, due 2024 to 2025	310	465
2007 Series D Sewer, 2 3/10%, issued		
November 9, 2007, due 2024 to 2036	12,509	13,325
2007 Series E Sewer, 2 2/5%, issued		
December 18, 2007, due 2024 to 2037	31,125	32,971
2007 Series E Water, 2%, issued		
December 18, 2007, due 2024 to 2027	4,665	5,774
2008 Series G Sewer, 2%, issued		
December 9, 2008, due 2024 to 2026	1,036	1,387
2008 Series G Water, 2%, issued		
December 9, 2008, due 2024 to 2026	227	302
2009 Series C Sewer, 2% to 2 2/5%, issued		
March 18, 2009, due 2024 to 2038	39,674	41,841
2009 Series C Water, 2%, issued		
March 18, 2009, due 2024 to 2028	8,761	10,411
2009 Series D Sewer, 2% to 2 2/5%, issued		
December 15, 2009, due 2024 to 2037	4,708	5,219
2009 Series D Water, 2%, issued		
December 15, 2009, due 2024 to 2027	322	398
2010 Series D Sewer, 2% to 2 2/5%, issued		
July 8, 2010, due 2024 to 2040	14,751	15,768
2010 Series D Water, 2%, issued		
July 8, 2010, due 2024 to 2030	9,149	10,355
2011 Series A Sewer, 2% to 2 2/5%, issued		
March 15, 2011, due 2024 to 2038	2,598	2,835
2011 Series A Water, 2%, issued		
March 15, 2011, due 2024 to 2028	1,677	1,995
2012 Series C Sewer, 2% to 2 2/5%, issued		
June 6, 2012, due 2024 to 2040	3,329	3,763
2012 Series C Water, 2%, issued		
June 6, 2012, due 2024 to 2030	1,642	1,857
2012 Series D Sewer, 2% to 2 2/5%, issued		
June 13, 2012, due 2024 to 2042	21,684	23,854
2012 Series D Water, 2%, issued		
June 13, 2012, due 2024 to 2032	4,323	4,754
2013 Series B Sewer, 2% to 2 2/5%, issued		
May 22, 2013, due 2025 to 2043	13,982	15,652
2013 Series B Water, 2%, issued		
May 22, 2013, due 2025 to 2033	4,334	4,766

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(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
General Revenue Bonds with the Massachusetts		
Clean Water Trust - Direct Borrowings (Continued):		
2014 Series C Sewer, 2% to 2 2/5%, issued		
May 30, 2014, due 2024 to 2042	\$ 3,044	\$ 3,250
2014 Series C Water, 2%, issued		
May 30, 2014, due 2024 to 2032	2,878	3,195
2015 Series A Sewer, 2% to 2 2/5%, issued		
January 7, 2015, due 2025 to 2045	33,315	35,097
2015 Series A Water, 2%, issued		
January 7, 2015, due 2025 to 2035	9,526	10,285
2015 Series B Sewer, 2% to 2 2/5%, issued		
May 14, 2015, due 2023 to 2043	1,705	1,877
2015 Series B Water, 2%, issued		
May 14, 2015, due 2023 to 2033	1,123	1,248
2016 Series A Sewer, 2% to 2 2/5%, issued		
March 11, 2016, due 2024 to 2046	29,215	30,582
2016 Series A Water, 2%, issued		
March 11, 2016, due 2024 to 2036	8,904	9,547
2017 Series A Sewer, 2%, issued		
April 13, 2017, due 2024 to 2036	6,100	6,502
2017 Series A Water, 2%, issued		
April 13, 2017, due 2024 to 2037	17,314	18,456
2018 Series E Sewer, 2%, issued		
September 12, 2018, due 2023 to 2038	13,713	14,480
2018 Series E Water, 2%, issued		
September 12, 2018, due 2023 to 2038	25,725	27,163
2019 Series D Sewer, 2%, issued		
October 24, 2019, due 2023 to 2039	27,292	28,706
2019 Series D Water, 2%, issued		
October 24, 2019, due 2023 to 2039	16,424	17,274
2021 Series A Sewer, 2%, issued		
May 11, 2021, due 2024 to 2041	22,030	23,092
2021 Series A Water, 2%, issued		
May 11, 2021, due 2024 to 2041	22,154	23,222
2022 Series A Sewer, 2%, issued		
December 14, 2022, due 2024 to 2043	8,623	8,986
2022 Series A Water, 2%, issued		
December 14, 2022, due 2024 to 2043	9,402	9,799
2023 Series A Sewer, interim loans, issued		
January 26, 2023	-	29,197
2023 Series A Water, interim loans, issued		
January 26, 2023	-	9,872
2023 Series D Sewer, 2%, issued		
November 1, 2023, due 2025 to 2044	29,658	-
2023 Series D Water, 2%, issued		
November 1, 2023, due 2025 to 2044	8,885	-
2024 Series A Sewer, interim loans, issued		
June 12, 2024	36,915	-
2024 Series A Water, interim loans, issued		
June 12, 2024	30,000	-
Total	<u>798,796</u>	<u>805,966</u>

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	<u>2024</u>	<u>2023</u>
General Revenue Bonds (Variable Rates):		
1999 Series B, 0.61% to 4.42%, issued January 29, 1999, due 2023 to 2028	\$ 27,900	\$ 32,800
Total	<u>27,900</u>	<u>32,800</u>
General Revenue Refunding Bonds (Fixed Rates):		
2012 Series G, 1.38%, issued November 15, 2012, (Direct Borrowing)	-	2,265
Total	<u>-</u>	<u>2,265</u>
General Revenue Refunding Bonds (Variable Rates):		
2008 Series A, 0.64% to 4.29%, issued May 29, 2008, due 2024 to 2037	97,165	108,860
2008 Series C, 0.68% to 4.30%, issued May 29, 2008, due 2024 to 2026	28,035	34,350
2008 Series E, 0.65% to 4.38%, issued May 29, 2008, due 2024 to 2037	62,070	65,395
2012 Series E, 1.18% to 4.88%, issued November 15, 2012, due 2024 to 2031 (Direct Borrowing)	47,357	50,060
2014 Series A, 1.09% to 4.79%, issued May 20, 2014, due 2024 to 2025 (Direct Borrowing)	25,050	44,365
2018 Series A, 1.19% to 4.62%, issued March 26, 2018, due 2024 to 2031 (Direct Borrowing)	44,827	47,530
2018 Series D, 1.05% to 4.75%, issued May 31, 2018, due 2025 to 2029 (Direct Borrowing)	50,000	50,000
Total	<u>354,504</u>	<u>400,560</u>
Revolving Loan:		
2015 Series C, issued November 1, 2015, due 2045	-	55,000
Total	<u>4,166,010</u>	<u>4,376,896</u>
Less:		
Unamortized Bond Premiums and Discounts	262,247	244,963
Current Portion of Long-Term Debt	(284,890)	(297,454)
Borrowings Associated with Derivative Instruments	-	22,194
Total	<u>(22,643)</u>	<u>(30,297)</u>
Long-Term Debt, Net	<u>\$ 4,143,367</u>	<u>\$ 4,346,599</u>

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(Dollars in thousands)

Long-term obligations at June 30, 2024 and 2023 consisted of the following:

	2024 Beginning Balance	Additions	Reductions	2024 Ending Balance	Due Within One Year
General Revenue Bonds	\$ 692,270	\$ 166,260	\$ 83,350	\$ 775,180	\$ 29,435
General Revenue Refunding Bonds	2,629,440	279,275	483,915	2,424,800	167,170
Refunding from Direct Borrowings	194,220	-	26,986	167,234	19,330
General Revenue Bonds with the Massachusetts Clean Water Trust					
- Direct Borrowings	805,966	108,850	116,020	798,796	68,955
Borrowings Associated with Derivative Instruments	22,194	-	22,194	-	-
Revolving Loan	55,000	45,000	100,000	-	-
	<u>\$ 4,399,090</u>	<u>\$ 599,385</u>	<u>\$ 832,465</u>	<u>\$ 4,166,010</u>	<u>\$ 284,890</u>
Total	<u>\$ 4,399,090</u>	<u>\$ 599,385</u>	<u>\$ 832,465</u>	<u>\$ 4,166,010</u>	<u>\$ 284,890</u>

	2023 Beginning Balance	Additions	Reductions	2023 Ending Balance	Due Within One Year
General Revenue Bonds	\$ 620,830	\$ 133,975	\$ 62,535	\$ 692,270	\$ 13,140
General Revenue Refunding Bonds	2,832,835	100,340	303,735	2,629,440	186,035
Refunding from Direct Borrowings	218,935	-	24,715	194,220	24,721
General Revenue Bonds with the Massachusetts Clean Water Trust					
- Direct Borrowings	822,049	57,854	73,937	805,966	73,558
Borrowings Associated with Derivative Instruments	25,134	-	2,940	22,194	-
Revolving Loan	73,000	72,000	90,000	55,000	-
	<u>\$ 4,592,783</u>	<u>\$ 364,169</u>	<u>\$ 557,862</u>	<u>\$ 4,399,090</u>	<u>\$ 297,454</u>
Total	<u>\$ 4,592,783</u>	<u>\$ 364,169</u>	<u>\$ 557,862</u>	<u>\$ 4,399,090</u>	<u>\$ 297,454</u>

The Authority is required to establish water and sewer rates and charges at a level sufficient to provide, among other things, primary and subordinated debt service coverage ratios of 120% and 110%, respectively. For the year ended June 30, 2024, the Authority had primary and subordinated debt service coverage ratios of 198% and 130%, respectively.

Under the Authority's General Revenue Bond Resolution, all revenues, together with the investment earnings thereon, except to the extent that such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Resolution, are pledged for payment of the Bonds.

The Act of 1984 imposes a limitation of \$600,000 on the total amount of bonds and notes which may be outstanding at any one time. The Authority has requested increases in its debt limit as necessary to allow for issuances of bonds in amounts required to finance the capital program. The state legislature increased the debt limit to \$6,450,000.

On June 26, 2024, the Authority issued General Revenue Bonds, 2024 Series B for \$166,260 and General Revenue Refunding Bonds, 2024 Series C for \$279,275.

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The proceeds from the Series B bonds were used to permanently finance outstanding tax-exempt commercial paper of \$80,000 and 2015C revolving loan of \$100,000. The interest rate on these bonds are 5%.

The proceeds from the Series C bonds, as well as other available funds, were used to tender \$240 of General Revenue Bonds 2016 Series B, \$1,330 of General Revenue Bonds 2018 Series B, \$9,050 of General Revenue Bonds 2020 Series B and \$450 of General Revenue Refunding Bonds 2016 Series D and refund \$31,795 of General Revenue Bonds 2017 Series B, \$27,795 of General Revenue Bonds 2018 Series B, \$21,145 of General Revenue Refunding Bonds 2016 Series C, \$100,175 of General Revenue Refunding Bonds 2019 Series F and \$167,025 of General Revenue Refunding Bonds 2021 Series C.

The interest rate of these bonds are 5%. The cash flow required to make principal and interest payments on the funding bonds is approximately \$39,938 less than the debt service requirements of the refunded bonds. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from this refunding is \$26,576.

On April 27, 2023, the Authority issued General Revenue Bonds, 2023 Series B for \$133,975 and General Revenue Refunding Bonds, 2023 Series C for \$100,340.

The proceeds from the Series B bonds were used to permanently finance outstanding tax-exempt commercial paper of \$50,000 and 2015C revolving loan of \$90,000. The interest rate on these bonds are 5% and 5.25%.

The proceeds from the Series C bonds were used to refund \$710 of General Revenue Bonds 2016 Series B, \$2,260 of General Revenue Bonds 2017 Series B, \$5,815 of General Revenue Bonds 2018 Series B, \$370 of General Revenue Bonds 2019 Series B, \$8,105 of General Revenue Refunding Bonds 2016 Series C, \$13,905 of General Revenue Refunding Bonds 2017 Series C and \$88,920 of General Revenue Refunding Bonds 2019 Series F.

The interest rate of these bonds are 5%. The cash flow required to make principal and interest payments on the funding bonds is approximately \$19,914 less than the debt service requirements of the refunded bonds. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained from this refunding is \$11,964.

On November 1, 2015, the Authority entered into a revolving credit agreement with a bank. The Authority shall repay the loan at the Commitment Termination Date, December 29, 2023. The revolving loan automatically converts into a term loan if the Authority does not extend or refund the agreement by this date. Interest is payable at the Securities Industry and Financial Markets Association (SIFMA) index rate, beginning January 19, 2021 and, prior to this date, at 80% of the 1 month LIBOR rate. These rates were 4.18% and 0.98% at June 30, 2023 and 2022, respectively. Initial drawdown was \$100,000, which was reduced to \$79,000 at June 30, 2016. The balance was further reduced in fiscal year 2018 to \$53,000 using the proceeds from the General Revenue Bonds, 2018 Series B. During fiscal year 2022, the balance was increased to \$73,000. During fiscal year 2023, the balance was increased to \$90,000 before the total balance was paid off in April 2023. In May 2023 an additional \$55,000 was issued.

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In fiscal year 2024 an additional \$45,000 was borrowed, bringing the total to \$100,000; which was subsequently paid off in June 2024 with proceeds from the General Revenue Bonds, 2024 Series B.

Synthetic Fixed Rate Swap Transactions

In connection with several of its bond issues, the Authority has entered into various interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate debt. Under these agreements, the Authority paid a fixed interest rate (ranging from 4.0% to 6.9%) and receives interest from the swap counterparties at a variable rate (either SIFMA rate or a percentage of LIBOR). The SIFMA rate is based on the seven-day high-grade market index of tax-exempt variable rate demand obligations.

Item	Objective	Effective Date	Current Notional Amount	Termination Date	Fixed Payable Swap Rate	Variable Receivable Swap Rate	Fair Value at June 30,	
							2024	2023
A	Hedge changes in cash flows on the 2008 Series A Bonds	April 4, 2011	\$ -	November 17, 2023	6.585%	67% LIBOR Plus 0.13%	\$ -	\$ 376
B	Hedge changes in cash flows on the 2008 Series E Bonds	October 28, 2008	-	November 17, 2023	6.935	SIFMA	-	(1,567)
C	Hedge changes in cash flows on the 2008 Series A and 2008 Series E Bonds	August 1, 2030	-	November 17, 2023	6.585	67% LIBOR Plus 0.13%	-	(2,002)
D	Hedge changes in cash flows on the 2008 Series C Bonds	May 29, 2008	-	November 20, 2023	3.994	SIFMA	-	(102)
E	Hedge changes in cash flows on the 2008 Series C and 2012 Series G Bonds	May 29, 2008	-	November 20, 2023	4.033	SIFMA	-	475
Total							\$ -	\$ (2,820)

All of the above are pay-fixed interest rate swap agreements. Under these interest rate swap agreements, the Authority incurred net interest expense of \$1,312 and \$5,982 in fiscal year 2024 and fiscal year 2023, respectively. In November 2023 the Authority paid \$28,088 to terminate the swaps.

For the swap effective on April 4, 2011, with a current notional amount of \$65,050, the fixed rate paid by the Authority is as follows: 4.120% from execution until August 2013, 5.144% from August 2013 until August 2019, and 6.585% from August 2019 until terminated on November 17, 2023.

For the swap execution on October 28, 2008, with a current notional amount of \$65,050, the fixed rate paid by the Authority is as follows: 4.470% from execution until August 2013, 5.494% from August 2013 until August 2019, and 6.935% from August 2019 until terminated on November 17, 2023.

The aggregate fair value balance of the derivative instruments at June 30, 2023 was \$(2,820), and is reflected on the Authority's statements of net position as a liability for derivative instruments. This liability was offset by deferred outflows from derivative instruments. The original notional amounts of the interest rate swaps totaled \$535,895. All swaps were terminated in November 2023.

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Demand Bonds

Included in variable rate long-term debt of \$382,404 is \$215,170 of subordinated variable rate demand obligations (VRDOs). The bonds were issued on various dates from 1999 through 2008. Subordinated VRDOs are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The ability of the Authority to purchase such bonds, if not remarketed, is secured through letters of credit and standby bond purchase agreements with various nationally recognized financial institutions that expire between November 2025 and November 2026. The VRDOs are classified as long-term debt because the liquidity agreement for each series contains term out provisions that, if demand is made to repurchase the bonds, calls for a two to three year amortization to repay the bonds.

In 2014, \$114,755 of 2014 Series A and B General Revenue Refunding Bonds were issued as direct-purchase bonds, to be held by the purchaser for a specific period of time and are not subject to purchase or remarketing at the demand of the holder and therefore do not require a letter of credit or standby bond purchase agreement. The \$25,050 of Series A has been purchased through August 2025. In addition, the 2012 Series E General Revenue Refunding Bonds, totaling \$47,357, has a three year term out provision beginning at the expiration date and the 2018 Series A & D General Revenue Refunding Bonds, totaling \$94,827, have three year term out provisions beginning at the expiration dates.

Defeased Debt

At June 30, 2024, the following bonds outstanding are considered defeased in-substance:

Description	Redemption date	Redemption price	Outstanding Principal amount
2014 Series D	2024	100	\$ 61,175
2014 Series F	2024	100	110,505
2016 Series B	2025 - 2026	100	51,730
2016 Series C	2024 - 2026	100	378,600
2016 Series D	2024 - 2026	100	61,185
2017 Series B	2025 - 2027	100	41,095
2017 Series C	2025 - 2027	100	23,280
2018 Series B	2024 - 2025 and 2028	100	49,065
2018 Series C	2024 and 2026	100	8,800
2019 Series B	2023 - 2027 and 2029	100	5,370
2019 Series F	2026 - 2029	100	189,095
2020 Series B	2024 and 2026	100	14,625
2021 Series C	2027 - 2044	100	167,025

The proceeds and available funds were deposited in irrevocable trusts with escrow agents in an amount which will provide for payment of interest due to the redemption date and redemption of the defeased bonds outstanding on such date. The defeased portion of such debt, accrued interest thereon, and related unamortized issuance and discount costs were removed from the statements of net position in an in-substance defeasance transaction.

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In February 2024, the Authority used funds on hand to defease \$11,350 of the 2016 Series C General Revenue Refunding Bonds.

In June 2023, the Authority used funds on hand to defease \$1,525 of the 2016 Series B, \$4,695 of the 2017 Series B, \$7,425 of the 2018 Series B and \$1,000 of the 2019 Series B General Revenue Bonds outstanding and \$4,350 of the 2016 Series C, \$5,220 of the 2016 Series D and \$4,570 of the 2017 Series C General Revenue Refunding Bonds outstanding.

In October 2022, the Authority used funds on hand to defease \$1,665 of the 2016 Series B, \$1,500 of the 2019 Series B and \$1,750 of the 2020 Series B General Revenue Bonds, \$13,020 of the 2014 Series F, \$4,815 of the 2016 Series C and \$4,400 of the 2018 Series C General Revenue Refunding Bonds outstanding.

At June 30, 2024, outstanding bonds that are redeemable before their scheduled due dates are as follows:

Description	Redemption date	Redemption price	Outstanding Principal amount
2016 Series B	August 2026	100	\$ 4,570
2016 Series C	August 2026	100	256,075
2016 Series D	August 2026	100	43,525
2017 Series B	August 2027	100	21,720
2017 Series C	August 2027	100	100,890
2018 Series B	August 2025	100	10,130
2018 Series B	August 2028	100	43,875
2019 Series B	August 2029	100	69,895
2019 Series E	August 2029	100	10,985
2019 Series E	August 2039	100	12,640
2019 Series E	August 2044	100	14,770
2019 Series F	August 2029	100	55,260
2019 Series F	August 2039	100	63,290
2020 Series B	August 2030	100	118,325
2021 Series B	August 2031	100	21,500
2021 Series C	August 2041	100	231,215
2021 Series C	August 2044	100	10,605
2023 Series B	August 2033	100	76,340
2024 Series B	August 2034	100	59,120
2024 Series B	August 2034	100	42,305
2024 Series C	August 2034	100	155,020

The variable rate General Revenue Bonds are subject to redemption prior to maturity at the option of the Authority in whole or in part, on any interest payment date for bond Series 1999B and on any business day for bond Series 2008A, 2008C, 2008E, 2012G, 2014A, 2018A and 2018D, respectively. Series 2012E is subject to redemption prior to maturity on any interest payment date after November 15, 2014.

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During fiscal 2024, the Authority executed interim loan agreements with Massachusetts Clean Water Trust providing for 2024 Series A Sewer and Water loans in the principal amounts of \$36,915 and \$30,000, respectively. All proceeds for these loans were received by June 30, 2024.

During fiscal 2024, the Authority executed loan agreements with Massachusetts Clean Water Trust providing for 2023 Series D Sewer and Water loans in the principal amounts of \$29,658 and \$8,885, respectively, replacing interim loans executed in fiscal year 2023. All proceeds for these loans were received by June 30, 2024.

During fiscal 2023, the Authority executed interim loan agreements with Massachusetts Clean Water Trust providing for 2023 Series A Sewer and Water loans in the principal amounts of \$29,197 and \$9,872, respectively. All proceeds for these loans were received by June 30, 2023.

During fiscal 2023, the Authority also executed loan agreements with Massachusetts Clean Water Trust providing for 2022 Series A Sewer and Water loans in the principal amounts of \$8,986 and \$9,799, respectively. All proceeds for these loans were received by June 30, 2023, except \$1,988, principal for 2022 Series A Water.

Federal and Commonwealth subsidies for purposes of offsetting principal payments aggregating \$11,068 will be recognized as capital grants in aid of construction over the term of the loans.

Interest is payable semiannually on all debt, except on the commercial paper, on which interest is payable upon maturity and the General Revenue Bonds and General Revenue Refunding Bonds with variable interest rates on which interest is payable monthly. The Senior General Revenue Bonds and the Senior General Revenue Refunding Bonds are collateralized equally and ratably by a lien and pledge on substantially all of the Authority's cash and revenues, except the operating fund.

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The subordinated debt series, including the commercial paper interest are collateralized equally and ratably by a subordinated pledge on substantially all of the Authority's revenues and cash and investments, except the operating, senior debt service, and debt service reserve funds. Premiums, discounts, issuance costs, and the excess of reacquisition price over the carrying amount of the defeased debt are being amortized over the lives of the respective issues.

The amounts of long-term debt, principal, and interest payable in future fiscal years are as follows:

Year Ending June 30:	Principal	Interest	Total
2025	\$ 284,890	\$ 148,135	\$ 433,025
2026	293,043	145,165	438,208
2027	287,167	134,384	421,551
2028	288,659	122,989	411,648
2029	287,504	112,002	399,506
2030–2034	1,180,224	411,902	1,592,126
2035–2039	902,851	211,547	1,114,398
2040–2044	459,644	62,208	521,852
2045–2049	172,723	13,230	185,953
2050-2054	9,305	233	9,538
Total	<u>\$ 4,166,010</u>	<u>\$ 1,361,795</u>	<u>\$ 5,527,805</u>

Commercial paper activity during fiscal years 2024 and 2023 consisted of the following:

	2024 Beginning balance	Additions	Reductions	2024 Ending balance
3.55% Commercial Paper	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>
Total	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>
	2023 Beginning balance	Additions	Reductions	2023 Ending balance
1.28% Commercial Paper	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

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(Dollars in thousands)

(7) Intergovernmental Loans

The Authority has entered into various interest-free loan agreements with certain member communities. Under these agreements, the Authority loaned these communities \$86,592 and \$54,560 in fiscal years 2024 and 2023, respectively, to be received in five or ten equal annual installments.

The long-term portion of these loans at June 30, 2024 and 2023 is \$216,791 and \$192,994, respectively, and is included in other assets. The loans due within one year total \$41,323 and \$38,157 at June 30, 2024 and 2023, respectively. This program is designed to assist member communities with sewer and water systems rehabilitation.

(8) Capital Assets

Capital assets at June 30, 2024 and 2023 consisted of the following:

	<u>2023</u>	<u>Additions</u>	<u>Disposals/ transfers</u>	<u>2024</u>
Capital assets not being depreciated:				
Land	\$ 30,060	\$ 154	\$ -	\$ 30,214
Construction in progress	298,535	157,975	(176,684)	279,826
Total capital assets not being depreciated	<u>328,595</u>	<u>158,129</u>	<u>(176,684)</u>	<u>310,040</u>
Capital assets being depreciated:				
Plant and equipment – water and sewage system	10,125,898	172,130	-	10,298,028
Lease asset - building	25,039	-	-	25,039
Furniture and fixtures	17,561	4,400	-	21,961
Leasehold improvements	2,423	-	-	2,423
Motor vehicles and equipment	13,013	-	-	13,013
Total capital assets being depreciated	<u>10,183,934</u>	<u>176,530</u>	<u>-</u>	<u>10,360,464</u>
Less: accumulated depreciation for:				
plant and equipment – water and sewage system	4,953,169	204,358	-	5,157,527
Lease asset - building	6,304	2,101	-	8,405
Furniture and fixtures	17,537	247	-	17,784
Leasehold improvements	2,204	12	-	2,216
Motor vehicles and equipment	7,413	839	-	8,252
Total accumulated depreciation	<u>4,986,627</u>	<u>207,557</u>	<u>-</u>	<u>5,194,184</u>
Total capital assets being depreciated, net	<u>5,197,307</u>	<u>(31,027)</u>	<u>-</u>	<u>5,166,280</u>
Total capital assets, net	<u>\$ 5,525,902</u>	<u>\$ 127,102</u>	<u>\$ (176,684)</u>	<u>\$ 5,476,320</u>

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June 30, 2024 and 2023

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Capital assets at June 30, 2023 and 2022 consisted of the following:

	<u>2022</u>	<u>Additions</u>	<u>Disposals/ transfers</u>	<u>2023</u>
Capital assets not being depreciated:				
Land	\$ 30,058	\$ 2	\$ -	\$ 30,060
Construction in progress	<u>172,476</u>	<u>152,097</u>	<u>(26,038)</u>	<u>298,535</u>
Total capital assets not being depreciated	<u>202,534</u>	<u>152,099</u>	<u>(26,038)</u>	<u>328,595</u>
Capital assets being depreciated:				
Plant and equipment – water and sewage system	10,098,133	27,765	-	10,125,898
Lease asset - building	37,134	-	(12,095)	25,039
Furniture and fixtures	17,561	-	-	17,561
Leasehold improvements	2,423	-	-	2,423
Motor vehicles and equipment	<u>12,560</u>	<u>453</u>	<u>-</u>	<u>13,013</u>
Total capital assets being depreciated	<u>10,167,811</u>	<u>28,218</u>	<u>(12,095)</u>	<u>10,183,934</u>
Less: accumulated depreciation for:				
plant and equipment – water and sewage system	4,750,217	202,952	-	4,953,169
Lease asset - building	24,757	2,101	(20,554)	6,304
Furniture and fixtures	17,531	6	-	17,537
Leasehold improvements	2,192	12	-	2,204
Motor vehicles and equipment	<u>6,566</u>	<u>847</u>	<u>-</u>	<u>7,413</u>
Total accumulated depreciation	<u>4,801,263</u>	<u>205,918</u>	<u>(20,554)</u>	<u>4,986,627</u>
Total capital assets being depreciated, net	<u>5,366,548</u>	<u>(177,700)</u>	<u>8,459</u>	<u>5,197,307</u>
Total capital assets, net	<u>\$ 5,569,082</u>	<u>\$ (25,601)</u>	<u>\$ (17,579)</u>	<u>\$ 5,525,902</u>

Depreciation and amortization for fiscal years 2024 and 2023 was \$236,818 and \$230,810, respectively.

MASSACHUSETTS WATER RESOURCES AUTHORITY

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(9) Lease Liability

The Authority has entered into a 30-year building lease related to the Chelsea maintenance facility. Annual installments range between \$1,538 and \$2,837, plus interest at 7.83%; due dates range from July 2022 through May 2032.

Maturity analysis of future principal and interest payments at June 30, 2023 are as follows:

<u>Fiscal Year Ending June</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2025	\$ 1,419	\$ 1,798	\$ 3,217
2026	1,273	1,944	3,217
2027	1,115	2,102	3,217
2028	945	2,272	3,217
2029	760	2,457	3,217
2030-2032	1,019	8,363	9,382
	<u>\$ 6,531</u>	<u>\$ 18,936</u>	<u>\$ 25,467</u>

(10) Retirement Benefits

(a) Plan Description

The Enabling Act provided for the establishment of the Massachusetts Water Resources Authority Employees' Retirement System (the Plan), a contributory single-employer retirement system that is separate from the State Employees Retirement System. The Plan is a defined benefit pension plan covering those employees not employed by the MDC prior to July 1, 1985. Complete financial statements for the Plan can be obtained from the Authority's administrative offices at 2 Griffin Way, Chelsea, MA 02150.

(b) Benefits Provided

The Plan provides retirement, disability and death benefits. For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period.

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%.

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Employees hired prior to April 2, 2012, may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

All MDC personnel who became employees of the Authority on July 1, 1985, and were members of the State Employees Retirement System, retained their membership in that system. The Authority is not liable for retirement allowances paid to or on account of these employees. Funding of the pension liability of the State Employees Retirement System is the obligation of the Commonwealth. Employees covered by this plan become 100% vested after 10 years of service.

(c) Employees Covered by Benefit Terms

At December 31, 2023 and 2022 (the date of the Plan's latest actuarial valuation), the following employees were covered by the benefit terms:

	2023	2022
Retired Participants and Beneficiaries Receiving Benefits	834	797
Inactive Participants Entitled to a Return of their Employee Contributions	116	113
Inactive Participants with a Vested Right to a Deferred or Immediate Benefit	42	38
Active Participants	1,063	1,045
Total	2,055	1,993

(d) Contributions

Contributions made by employees are based upon a percentage of employee base pay (5% for employees hired before December 31, 1974, 7% for employees hired between January 1, 1975 and December 31, 1983, 8% for employees hired between December 31, 1983, and June 30, 1996, and 9% for employees hired after July 1, 1996). Additionally, certain employees earning in excess of \$30 contribute an extra 2% of their salary effective January 1, 1979. Employees receive full payment of contributions upon withdrawal from the Plan and 50% of interest earned for employees with five to nine years of service or 100% of interest earned for employees with 10 or more years of service.

The Authority's 2023 and 2022 contributions to the plan were based on an amount approved by the Retirement Board and the Authority's board of directors, which is based on an actuarially determined amount. The Authority's Enabling Act requires funding to be made in accordance with the Retirement Board's recommendation. In fiscal year 2024 the Authority made a \$15.97 million required contribution. In fiscal year 2023 the Authority made a \$12.6 million required contribution.

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Net Pension Liability (Pension Trust Reporting)

Investment Policy:

Deposits and investments made by the Pension Trust are governed by Chapter 32 of the MGL. The Pension Trust has the ability to invest in equity securities, corporate bonds, annuities and other specified investments in accordance with state laws and regulations.

The Retirement Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the Pension Trust, and based on an annual review of the asset allocation and asset classes, the Retirement Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations.

The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall Pension Trust's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the Pension Trust. Surplus cash flows are utilized to maintain the asset management structure. Should these cash flows not be sufficient to reallocate the plan according to policy, the transfer of assets may occur between managers. At least annually, the Retirement Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly. The following identifies the asset allocation policy as of December 31, 2023 and 2022:

<u>Asset Class</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Target Allocation</u>	<u>Target Allocation</u>
Domestic Equity	34%	31%
International Equity	16	19
Real Estate	10	12
Private Equity	15	12
Hedge Funds	5	6
Fixed Income	20	20
Total	100%	100%

Rates of Return:

For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on investments, net of investment expense, was 9.1% and (12.30%), respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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The components of the net pension liability of the Pension Trust at December 31, 2023 and 2022, were as follows

	2023	2022
Total Pension Liability	\$ 812,867	\$ 782,214
Plan Fiduciary Net Position	674,932	629,240
Net Pension Liability	<u>\$ 137,935</u>	<u>\$ 152,974</u>
Plan's Fiduciary Net Position as Percentage of the Total Pension Liability	83.03%	80.44%

Actuarial assumptions: The total pension liability was determined by actuarial valuations as of January 1, 2024 and January 1, 2023, and update procedures were used to roll back the total pension liability to the December 31, 2023 and 2022 measurement dates. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Inflation	3%
Salary Increases	Based on years of service, starting at 5.75% at 0 years of service decreasing to 4% after 9 years of service
Discount Rate	6.90% at December 31, 2023 and 2022, respectively
Cost of Living Adjustments	There was a one-time increase in July 2022 from 3% to 5% of the current base of \$17,000. Prior, adjusted to 3% of the first \$15,000 at December 31, 2022 as permitted under Massachusetts Chapter 188 of the Acts of 2010

Mortality Rates (2024):

Pre-Retirement:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - weighted Mortality Tables projected generationally using Scale MP-2021
Healthy Retiree:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - Weighted Mortality Tables projected generationally using Scale MP-2021
Disabled Retiree:	Pub-2010 General Disabled Retiree Amount - weighted Mortality Tables set forward one year projected generationally using Scale MP-2021

Mortality Rates (2023):

Pre-Retirement:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - weighted Mortality Tables projected generationally using Scale MP-2021
Healthy Retiree:	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount - Weighted Mortality Tables projected generationally using Scale MP-2021
Disabled Retiree:	Pub-2010 General Disabled Retiree Amount - weighted Mortality Tables set forward one year projected generationally using Scale MP-2021

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Rates of return on investments: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized as follows:

Asset Class	Long-Term Expected Rate of Return (%)	
	December 31, 2023	December 31, 2022
Domestic Equity	6.29	6.59
International Equity	6.39 - 7.63	6.87 - 8.30
Real Estate	3.24	3.44
Private Equity	5.91 - 9.43	9.49
Hedge Funds	2.87	3.06
Fixed Income	0.95 - 3.43	1.53 - 3.54

(e) Discount Rate

The discount rate used to measure the total pension liability was 6.90% for December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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(f) Changes in the Net Pension Liability (Employer Reporting)

The Plan's net pension liability was measured as of December 31, 2023 and 2022 for the reporting dates June 30, 2024 and 2023, respectively. The total pension liability was determined by actuarial valuations as of January 1, 2024 and January 1, 2023, respectively, rolled back to the measurement dates.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	<u>\$ 748,702</u>	<u>\$ 728,673</u>	<u>\$ 20,029</u>
Changes for the Year:			
Service Cost	13,949	-	13,949
Interest	51,475	-	51,475
Change of benefit terms	2,649	-	2,649
Differences Between Expected and actual experience	(1,280)	-	(1,280)
Contributions - employer	-	12,555	(12,555)
Contributions - employee	-	10,551	(10,551)
Net investment income	-	(88,673)	88,673
Benefit payments	(33,281)	(33,281)	-
Administrative expenses	<u>-</u>	<u>(585)</u>	<u>585</u>
Net changes	<u>33,512</u>	<u>(99,433)</u>	<u>132,945</u>
Balances at June 30, 2023	782,214	629,240	152,974
Changes for the year:			
Service cost	14,275	-	14,275
Interest	53,669	-	53,669
Differences between expected and actual experience	78	-	78
Contributions - employer	-	15,973	(15,973)
Contributions - employee	-	10,576	(10,576)
Net investment loss	-	57,017	(57,017)
Benefit payments	(37,369)	(37,369)	-
Administrative expenses	<u>-</u>	<u>(505)</u>	<u>505</u>
Net changes	<u>30,653</u>	<u>45,692</u>	<u>(15,039)</u>
Balances at June 30, 2024	<u><u>\$ 812,867</u></u>	<u><u>\$ 674,932</u></u>	<u><u>\$ 137,935</u></u>

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(g) Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset), calculated using the discount rate of 6.90%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount (6.90%)	1% Increase (7.90%)
Net pension liability as of June 30, 2024	\$ 232,390	\$ 137,935	\$ 57,858
Net pension liability as of June 30, 2023	\$ 245,098	\$ 152,974	\$ 74,869

(h) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2024 and 2023, the Authority recognized pension expense of \$25,010 and \$33,781, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience	\$ 651	\$ -	\$ 1,718	\$ 4,061
Changes of assumptions	7,222	-	16,945	-
Net difference between projected and actual earnings on pension plan investments	47,316	2,775	61,887	-
Total	\$ 55,189	\$ 2,775	\$ 80,550	\$ 4,061

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2025	\$ 15,502
2026	15,016
2027	24,678
2028	(2,782)
Total	\$ 52,414

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(11) Other Postemployment Benefits (OPEB)

(a) Plan Description

In addition to providing the pension benefits described, the Authority provides postemployment health care and life insurance benefits for retired employees through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority. The plan issues a separate financial report that can be obtained by contacting the Massachusetts Water Resources Authority, Finance Division, 33 Tafts Avenue, Boston, MA 02128.

In April 2015, the Authority established the MWRA OPEB Irrevocable Trust. The Trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees. An initial deposit of \$10.8 million was made to the trust upon establishment of the trust. The balance of the trust was \$82.1 million and \$72.4 million at June 30, 2024 and June 30, 2023, respectively.

(b) Plan Membership

At June 30, 2024 and 2023, plan membership consisted of the following:

	2,024	2023
Inactive plan members or beneficiaries currently receiving benefits	771	1,072
Inactive plan members entitled to but not yet receiving benefits	38	37
Active plan members	1,025	875
Total	1,834	1,984

(c) Benefits Provided

The Authority provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits.

(d) Contributions

Retirees who retired on or before July 1, 1994 contribute 10% of the cost of the health plans, as determined by the GIC. Those who retired after July 1, 1994 contribute 15% of the cost of the health plan and those who retired after October 1, 2009 contribute 20% of the cost of the health plan, as determined by the GIC. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

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(e) Investments

Investment policy. The assets are invested by the Trust with the Commonwealth of Massachusetts Pension Reserves Investment Trust (PRIT) fund. The Trust's Board of Trustees may vote to approve a different investment vehicle, at its discretion. The following was the PRIT fund's asset allocation at June 30, 2024 and 2023:

Asset Class	June 30, 2024	June 30, 2023
	Target Allocation	Target Allocation
Domestic Equity	22%	20%
International Equity	14	17
Fixed Income	24	23
Private Equity	16	16
Real Estate	10	10
Other	14	14
Total	100 %	100 %

Concentrations. No investment in any one organization represented 5% or more of the Trust's investments.

Rate of return. For the year ended June 30, 2024 and 2023, the annual money-weighted rate of return on investments, net of investment expense was 9.51% and 5.78%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

(f) Net OPEB Liability (Trust Reporting)

The components of the net OPEB liability at June 30, 2024 and 2023, were as follows:

	2024	2023
Total OPEB Liability	\$ 176,604	\$ 117,758
Plan Fiduciary Net Position	82,114	72,378
Net OPEB Liability	\$ 94,490	\$ 45,380
Plan's Fiduciary Net Position as Percentage of the Total OPEB Liability	46.50%	61.46%

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Actuarial assumptions. The total OPEB liability was determined by actuarial valuations as of January 1, 2024 and December 31, 2021 and update procedures were used to roll forward the total OPEB liability to June 30, 2024 and 2023 measurement dates, respectively. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	5.75%, decreasing over 9 years to an ultimate level of 4.0%
Discount rate and investment rate of return	6.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates (2024)	Non-Medicare Medical and Prescription Drug: 5.99% for 2023, then 7.06% for 2024, decreasing to an long-term rate of 4.50% after ten years Medicare Medical and Prescription Drug: 1.92% in 2023 then 4.49% for 2024, decreasing to an long-term rate of 4.50% after four years
Healthcare cost trend rates (2023)	Non-Medicare Medical and Prescription Drug: 5.99% for 2022, then 7.06%, then 6.83%, then 6.59%, then 6.36%, then 6% decreasing by 0.25% for 6 years to an ultimate rate of 4.50% Medicare Medical and Prescription Drug: 1.92%, then 4.49%, then 4.57%, then 4.66%, then 4.75%, then an ultimate rate of 4.50%
Mortality Rates (2024):	Mortality rates were based on the Pub-2010 Headcount-Weighted Mortality Tables, sex-distinct, projected using generational mortality and scale MP-2021. Set forward one year for disabled retirees.
Mortality Rates (2023):	Mortality rates were based on the Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Headcount- Weighted Mortality Tables projected generationally using Scale MP-2021 for retirees and Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2021 for the disabled.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 and 2023 (see discussion of the Trust's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return (%)	
	June 30, 2024	June 30, 2023
Domestic Equity	4.19%	6.59%
International Equity	3.9	6.87 - 8.30
Fixed Income	1.56 - 5.07	1.53 - 3.54
Private Equity	7.41	9.49
Real Estate	3.90	3.44
Other	3.70 - 4.39	3.06 - 4.01

Discount rate. The discount rate used to measure the total OPEB liability was 6.75% for June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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(g) Changes in the Net OPEB Liability (Employer Reporting)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	<u>\$ 113,757</u>	<u>\$ 63,929</u>	<u>\$ 49,828</u>
Changes for the year:			
Service cost	2,742	-	2,742
Interest	7,688	-	7,688
Contributions - employer	-	10,061	(10,061)
Net investment loss	-	3,694	(3,694)
Benefit payments	(5,306)	(5,306)	-
Changes of assumptions	<u>(1,123)</u>	<u>-</u>	<u>(1,123)</u>
Net changes	<u>4,001</u>	<u>8,449</u>	<u>(4,448)</u>
Balances at June 30, 2023	117,758	72,378	45,380
Changes for the year:			
Service cost	2,825	-	2,825
Interest	7,876	-	7,876
Contributions - employer	-	10,636	(10,636)
Net investment income	-	6,887	(6,887)
Benefit payments	(7,787)	(7,787)	-
Differences between expected and actual experience	17,386	-	17,386
Changes of assumptions	<u>38,546</u>	<u>-</u>	<u>38,546</u>
Net changes	<u>58,846</u>	<u>9,736</u>	<u>49,110</u>
Balances at June 30, 2024	<u>\$ 176,604</u>	<u>\$ 82,114</u>	<u>\$ 94,490</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability as of June 30, 2024	<u>\$ 107,136</u>	<u>\$ 94,490</u>	<u>\$ 67,240</u>
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability as of June 30, 2023	<u>\$ 59,703</u>	<u>\$ 45,380</u>	<u>\$ 33,373</u>

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Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.99% - 3.5%)	Base Rate (5.99% - 4.5%)	1% Increase (6.99% - 5.5%)
Net OPEB Liability as of June 30, 2024	<u>\$ 64,946</u>	<u>\$ 94,490</u>	<u>\$ 110,401</u>
	1% Decrease (5.52% - 3.5%)	Base Rate (6.52% - 4.5%)	1% Increase (7.52% - 5.5%)
Net OPEB Liability as of June 30, 2023	<u>\$ 30,640</u>	<u>\$ 45,380</u>	<u>\$ 63,435</u>

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2024 and 2023, the Authority recognized OPEB expense of (\$5,984) and (\$10,832), respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,217	\$ -	\$ 2,168	\$ 1,173
Changes of assumptions	30,532	15,510	-	30,219
Net difference between projected and actual earnings on OPEB Trust investments	-	71	1,765	-
Total	<u>\$ 45,749</u>	<u>\$ 15,581</u>	<u>\$ 3,933</u>	<u>\$ 31,392</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	Amount
2025	\$ 3,756
2026	6,232
2027	11,161
2028	9,019
Total	<u>\$ 30,168</u>

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(12) Commitments and Contingencies

(a) General

The Authority's capital improvement program continues to proceed. As part of this program, the Authority has entered into a number of contracts for the design and construction of infrastructure and improvements to its facilities. Commitments under these contracts aggregated approximately \$870,102 at June 30, 2024.

The Authority's operating and construction plans are designed to comply with the Federal District Court's schedule of actions. The Authority has incurred capital expenditures of approximately \$9,259,484 from fiscal years 1986 through 2024, including those projects required to comply with the Federal District Court's schedule. The Authority anticipates spending an additional \$1,752,280 on these projects through fiscal year 2028. These capital expenditures have been forecasted based upon certain preliminary assumptions and estimates, which may change significantly as design and construction of the necessary facilities proceed. Funding is expected to come from various federal and state grants, as available and approved, and from the Authority's debt proceeds. To date, federal appropriations for the Boston Harbor Project have aggregated \$810,000.

(b) Boston Harbor Case

The Authority continues to be a defendant in the federal Boston Harbor Case. The federal action was originally brought in 1985 by the United States on behalf of the United States Environmental Protection Agency ("EPA") and by certain citizens' groups for Clean Water Act violations. As part of the Boston Harbor Case, the Authority was required to undertake certain corrective actions to meet wastewater treatment, discharge and combined sewer overflow ("CSO") requirements, including the completion of new and improved primary and secondary treatment facilities at Deer Island. Beyond these major improvements to its wastewater treatment capabilities, the Authority also was required to adopt a Long Term CSO Control Plan ("LTCP") which was comprised of 35 projects, the last three of which were completed on time by the close of calendar year 2015. In March 2016, the federal district court formally received the Authority's 2015 annual CSO project report, officially noting completion of LTCP projects.

In March 2006, the Authority had reached agreement with the United States and the Massachusetts Department of Environmental Protection ("DEP") on the scope and schedule for the remaining CSO projects which was filed with the Court as part of a joint motion to amend the Court Schedule. In April 2006, the Court allowed the joint motion and issued an Order with a schedule. As part of the agreement, DEP agreed to reissue, and EPA agreed to approve, five consecutive Water Quality Standards variances ("variances") of no more than three years duration each, through the year 2020, for the Lower Charles River/Charles River Basin and Alewife Brook/Upper Mystic River (collectively "variance waterbodies") that are consistent with and limited to the requirements in the MWRA's revised LTCP. The United States and MWRA also agreed to withdraw the February 27, 1987 *Stipulation of the United States and the Massachusetts Water Resources Authority on Responsibility and Legal Liability for Combined Sewer Overflows* and replace it with a *Second Stipulation* that requires MWRA to implement the CSO requirements set forth in the Court Schedule and to meet the levels of control (activations and volume of discharge in the "Typical Year") described in the LTCP. In addition to filing biannual compliance reports, the April 2006 court schedule required the Authority to conduct a post-construction

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(Dollars in thousands)

performance assessment to verify whether the levels of CSO control included in the LTCP have been achieved.

The Authority commenced the performance assessment in 2017, with the final performance assessment report originally due in December 2020. At the request of the Authority, with the assent of EPA and DEP, the Court extended the time for the Authority to submit the final report to December 2021.

On December 30, 2021, the Authority filed its Performance Assessment Report and Interim Update (“Final Report”) with the Court. The Final Report documents the substantial reduction in CSO discharge volumes over the last several decades. The Authority also reported that there are certain outfalls where CSO discharge estimates indicated higher CSO activity than the LTCP goals. The Authority reported, among other things, that as of the end of 2021 the LTCP goals were met or materially met at 70 of 86 CSO outfalls; and that 16 CSO outfalls (the “16 Outfalls”) did not attain their respective LTCP goals. Prior to the filing of the Final Report the Authority had commenced discussions with EPA, DEP and the Conservation Law Foundation (“CLF”) to determine whether an agreement could be reached on a framework and path forward in the case. Ultimately, the parties agreed on a three-year extension in the case with certain requirements, which the Court approved and entered as an order. With respect to the 16 Outfalls, during the three-year extension period, additional improvements would be performed at certain outfalls and investigations at other outfalls would continue. During the three-year period, the Authority was required to file annual reports with the Court and meet at certain intervals with EPA, DEP, and CLF to provide updates. The agreement further provided that by December 2024, the Authority would file a Supplemental Report (see below).

The Authority filed its annual reports under the agreement in April 2022, 2023, and 2024. In the third and most recent annual report the Authority reported, among other information, that as of the end of 2023 it continued to surpass the overall CSO discharge volume reduction goal of 404 MG from 1988 levels (estimated to be 3.3 billion gallons) and that the total CSO discharge volume was modeled to be 397 MG (96% of which is treated). The Authority also reported that as of the end of 2023, 73 of 86 outfalls met or materially met their LTCP goals. Finally, of 13 outfalls that did not meet or materially meet the LTCP goals, the Authority reported that: (i) projects forecasted to enable five outfalls to meet or materially meet their LTCP goals were under construction with an expected completion by the end of 2024; (ii) improvements predicted to result in two additional outfalls materially meeting their LTCP goals was expected to be substantially complete by the end of 2025; and (iii) the LTCP goals for the remaining six outfalls would not be met by the final milestone of December 2024.

By December 2024 the Authority will file the Supplemental Report to include: (i) the final Typical Year performance of all 86 outfalls as compared to 1992 system conditions and the LTCP; and (ii) the Authority’s final results and conclusions as to the 16 Outfalls, including an alternatives analysis describing what further action could be taken, and the costs associated with those actions, to further reduce or meet LTCP activation and volume goals for any of the 16 Outfalls that have not met their respective LTCP goals. This supplemental report, coupled with the Final Report and the water quality assessment report filed in December 2021, will provide information to EPA, DEP and the Court to make final determinations as to attainment of the levels of control in the LTCP and draw any final conclusions.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

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There has been no imposition of penalties by the Court against the Authority on the merits of the claims originally asserted in the Boston Harbor Case to date. The Court always retains the right to order remedial action and to assess penalties.

(c) *Massachusetts Natural Fertilizer Company, Inc. et al., Notice of Potential Liability Pursuant to M.G.L. c. 21E. § 4A*

In July 2023, the Authority received a notice pursuant to Massachusetts General Laws Chapter 21E, Section 4A (“Chapter 21E Notice”). The Chapter 21E Notice alleges that there is reason to believe that the Authority is liable under §§4, 4A, 5, and 15 of Chapter 21E to Massachusetts Natural Fertilizer Co., Inc. (“Mass Natural”), Otter Farm, Inc. and The Newark Group (collectively the “claimants”) for their past and future costs and damages incurred for real and personal property damage and response actions to address the release of certain per- and polyfluoroalkyl substances (generally, “PFAS”), in the vicinity of Bean Porridge Hill Road, Westminister, Massachusetts (“Property”).

According to the Chapter 21E Notice, DEP determined that there was a release of PFAS in the vicinity of the Property (“Release”). The Chapter 21E Notice asserts that testing of nearby private wells has identified PFAS at levels that exceed the drinking water Maximum Contaminant Level and applicable Imminent Hazard Levels for PFAS. The Chapter 21E Notice alleges that materials originating at MWRA’s Deer Island facility and processed into biosolids at MWRA’s Fore River Pelletizing Plant by the plant operator¹ were delivered to Mass Natural from May 3, 2018, to February 3, 2022, and that the biosolids were determined to contain PFAS.

In addition to indemnity for future claims, the claimants seek reimbursement from the Authority for forty percent of their past and future response costs and any other liability under Chapter 21E and any and all real and personal property damage associated with the Release of PFAS. The Authority is aware that the claimants have alleged that they have incurred in excess of \$5.5 million in remediation costs and damages. The claimants asserted in the Chapter 21E Notice that they are not in a position to provide a firm estimate of the total anticipated remedial costs, but have indicated that those costs may be in the range of \$30-\$50 million. The Authority responded to the Chapter 21E Notice contesting liability and requesting certain additional information.

A class action complaint was filed in the Massachusetts federal district court in which the plaintiffs seek damages allegedly caused by the release of PFAS in the vicinity of the Property. The action is captioned Thomas Ryan et al. v. The Newark Group, Inc. et al., No. 4:22-cv-40089-MRG (“Ryan Litigation”). The plaintiffs in the Ryan Litigation have asserted claims of, among others, property damage, personal injury and medical monitoring and seek damages arising out of alleged PFAS contamination of drinking water wells and soil. The defendants in the Ryan Litigation include, among others, the claimants in the Chapter 21E Notice.

¹ The New England Fertilizer Company entered into a contract with the Authority for the operation and maintenance of the Fore River Pelletizing Plant in Quincy, Massachusetts.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Notes to Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

In May 2024, certain defendants in the Ryan Litigation filed a motion for leave to amend their answers to join the Authority, among other entities, in the action as cross-claim defendant, or in the alternative, for leave to file a third-party complaint against the Authority. These defendants sought to assert claims of indemnity and/or contribution and claims pursuant to Chapter 21E against the Authority. The Authority filed an opposition to the motion. The Court denied the motion to join the Authority finding that because this was a suit against the Authority under state law involving water pollution, pursuant to the Authority's Enabling Act such suits could only be brought in the Massachusetts Supreme Judicial Court. In a supplemental memorandum one of the parties whom the moving defendants sought to join in the action stated that it will likely seek to join the Authority, among others, to a pending state action involving claims related to the above referenced Chapter 21E Notice and then seek to transfer the case to the Supreme Judicial Court.

(d) *Miscellaneous*

The Authority is also a defendant in several legal actions and administrative proceedings arising out of its operation, maintenance, and improvement of the water and sewer systems under its care. It is the opinion of management that any judgments or settlements that may result from these actions will not have a materially adverse effect upon the Authority.

(13) Risk Management

The Authority is exposed to various risks of loss. The risk management program involves insurance and self-insurance related to property, general liability (including automobile, marine and employers' liability), excess liability, public officials' liability, workers' compensation, unemployment liability, and employee health care and life insurance.

Buildings, plants, and equipment are insured on an all risk replacement basis to the extent that losses exceed \$2,500 per occurrence, up to an aggregate limit of \$300,000. The Authority maintains insurance coverage for general liability, automobile liability, marine liability, and employers' liability to the extent that losses exceed \$2,500 per occurrence, up to a limit of \$25,000. In addition to the primary liability insurance, the Authority maintains excess liability policies with additional limits of \$75,000. The Authority is self-insured for workers' compensation claims up to \$1,000 per occurrence and maintains excess workers' compensation insurance coverage with a limit of \$25,000 per occurrence. The Authority also maintains public officials' liability insurance with a limit of \$5,000 per occurrence with a \$1,000 self-insured retention. All insurance policies are renewed on an annual basis. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Changes in the Net Pension Liability and Related Ratios – Last Ten Years

Required Supplementary Information – GASB No. 67 and 68

(Unaudited)

(Dollars in Thousands)

Plan, Year Ended December 31, Employer, Year Ended June 30,	2023 2024	2022 2023	2021 2022	2020 2021	2019 2020	2018 2019	2017 2018	2016 2017	2015 2016	2014 2015
Actuarially Determined Contribution	\$ 14,068	\$ 12,555	\$ 11,205	\$ 10,000	\$ 7,315	\$ 7,000	\$ 3,277	\$ 3,133	\$ 8,159	\$ 7,808
Contributions in Relation to the Actuarially Determined Contribution	15,973	12,555	11,205	10,000	7,315	7,000	3,277	4,633	8,159	12,630
Contribution Deficiency (Excess)	<u>\$ (1,905)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ (4,822)</u>
Covered Payroll	109,017	104,839	\$ 101,060	\$ 99,988	\$ 97,814	\$ 95,819	\$ 92,975	\$ 89,755	\$ 89,169	\$ 88,646
Contributions as a Percentage of Covered Payroll	<u>14.65%</u>	<u>11.98%</u>	<u>11.09%</u>	<u>10.00%</u>	<u>7.48%</u>	<u>7.31%</u>	<u>3.52%</u>	<u>5.16%</u>	<u>9.15%</u>	<u>14.25%</u>

Notes to Required Supplementary Information

Valuation Date	Actuarial determined contributions for fiscal year 2024 are determined with the January 1, 2024 actuarial valuation.
Actuarial Cost Method	Entry age normal
Amortization Method	Total appropriation increases 12.05% per year.
Asset Valuation Method	Fair value of assets as reported in the Plan's annual statement less unrecognized return in each of the last five years. Unrecognized return is equal to the difference between the actual market value return and the expected fair value return and is recognized over a five-year period, further adjusted, if necessary, to be within 10% of the fair value.

Actuarial Assumptions:	
Investment Rate of Return	6.90%
Discount Rate	6.90%
Inflation Rate	3.00%
Projected Salary Increases	Based on years of service, ranging from 5.75% at 0 years of service decreasing to 4.00% after 9 years of service.
Cost of Living Adjustments	3% on first \$17,000

Plan Membership:	
Retired Participants and Beneficiaries	
Receiving Benefits	887
Inactive Participants Entitled to a Return of their Employee Contributions	125
Inactive Participants with a Vested Right to a Deferred or Immediate Benefit	38
Active Participants	<u>1,046</u>
Total	<u>2,096</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Changes in the Net Pension Liability and Related Ratios – Last Ten Years

Required Supplementary Information – GASB No. 67 and 68

(Unaudited)

(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 14,275	\$ 13,949	\$ 14,330	\$ 13,338	\$ 12,735	\$ 11,762	\$ 11,308	\$ 11,080	\$ 10,638	\$ 10,529
Interest	53,669	51,475	49,159	46,455	44,062	41,392	38,520	36,917	34,598	33,587
Differences between expected and actual experience	78	(1,280)	(4,886)	(263)	3,529	3,250	(146)	(9,143)	-	(8,380)
Changes of assumptions	-	-	1,161	25,031	10,507	16,401	7,977	13,298	-	4,921
Changes of benefit terms	-	2,649	5,568	-	-	5,027	-	2,050	-	-
Benefit payments, including refunds of employee contributions	(37,369)	(33,281)	(29,494)	(25,313)	(24,464)	(21,428)	(18,222)	(16,129)	(15,390)	(12,963)
Net change in total pension liability	30,653	33,512	35,838	59,248	46,369	56,404	39,437	38,073	29,846	27,694
Total pension liability - beginning	782,214	748,702	712,864	653,616	607,247	550,843	511,406	473,333	443,487	415,793
Total pension liability - ending	\$812,867	\$ 782,214	\$ 748,702	\$ 712,864	\$ 653,616	\$ 607,247	\$ 550,843	\$ 511,406	\$ 473,333	\$ 443,487
Plan Fiduciary Net Position:										
Contributions - employer	\$ 15,973	\$ 12,555	\$ 11,205	\$ 10,000	\$ 7,315	\$ 7,000	\$ 3,277	\$ 4,633	\$ 8,159	\$ 12,630
Contributions - employee	10,576	10,551	9,892	10,188	9,722	9,484	9,091	8,757	8,402	8,245
Net investment income (loss)	57,017	(88,673)	89,019	74,947	79,557	(17,114)	70,517	24,183	(530)	20,484
Benefit payments, including refunds of employee contributions	(37,369)	(33,281)	(29,494)	(25,313)	(24,464)	(21,428)	(18,222)	(16,129)	(15,390)	(12,963)
Administrative expenses	(505)	(585)	(325)	(403)	(464)	(469)	(447)	(426)	(412)	(408)
Other - military service fund contribution	-	-	-	-	-	-	-	-	-	16
Net change in fiduciary net position	45,692	(99,433)	80,297	69,419	71,666	(22,527)	64,216	21,018	229	28,004
Plan fiduciary net position - beginning	629,240	728,673	648,376	578,957	507,291	529,818	465,602	444,584	444,355	444,355
Plan fiduciary net position - ending	\$674,932	\$ 629,240	\$ 728,673	\$ 648,376	\$ 578,957	\$ 507,291	\$ 529,818	\$ 465,602	\$ 444,584	\$ 444,584
Net Pension Liability (Asset) - Ending	\$ 137,935	\$ 152,974	\$ 20,029	\$ 64,488	\$ 74,659	\$ 99,956	\$ 21,025	\$ 45,804	\$ 28,749	\$ 28,749
Plan's Fiduciary Net Position as a										
Percentage of the Total Pension Liability	83.03%	80.44%	97.32%	90.95%	88.58%	83.54%	96.18%	91.04%	93.93%	93.93%
Covered Payroll	\$ 106,531	\$ 102,316	\$ 99,689	\$ 102,143	\$ 98,145	\$ 95,819	\$ 92,975	\$ 89,755	\$ 89,169	\$ 89,169
Net Pension Liability (Asset) as a Percentage of										
Covered Payroll	129.48%	149.51%	20.09%	63.14%	76.07%	104.32%	22.61%	51.03%	32.24%	32.24%

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Investment Returns – Last Ten Years

Required Supplementary Information – GASB No. 67

(Unaudited)

	Year ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	9.10%	-12.30%	16.70%	12.78%	15.58%	-10.03%	15.02%	5.81%	-0.24%	4.40%

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Changes in the Employer's Net OPEB Liability and Related Ratios – Last Ten Years

Required Supplementary Information – GASB No. 74 and 75

(Unaudited)

(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Total OPEB Liability - Beginning	\$ 117,758	\$ 113,757	\$ 136,805	\$ 132,819	\$ 161,064	\$ 150,978	\$ 154,254	\$ 146,143
Service Cost	2,825	2,742	3,771	3,739	4,604	4,463	2,820	2,705
Interest	7,876	7,688	9,673	9,372	11,424	10,705	10,821	10,253
Differences between expected and actual experience	17,386	-	3,613	-	(5,862)	-	(11,860)	-
Change of assumptions	38,546	(1,123)	(35,250)	(3,685)	(33,488)	-	-	-
Benefit Payments	(7,787)	(5,306)	(4,855)	(5,440)	(4,923)	(5,082)	(5,057)	(4,847)
Net Change in total OPEB liability	58,846	4,001	(23,048)	3,986	(28,245)	10,086	(3,276)	8,111
Total OPEB Liability - Ending	176,604	117,758	113,757	136,805	132,819	161,064	150,978	154,254
Plan Fiduciary Net Position								
Plan fiduciary net position - beginning	72,378	63,929	61,764	43,729	37,072	29,774	22,782	16,123
Contributions - employer (claims + additional funding)	10,636	10,061	9,529	11,506	10,885	10,656	10,093	9,723
Net Investment Income (Loss)	6,887	3,694	(2,509)	11,969	695	1,724	1,956	1,783
Benefit Payments	(7,787)	(5,306)	(4,855)	(5,440)	(4,923)	(5,082)	(5,057)	(4,847)
Net Change in plan fiduciary net position	9,736	8,449	2,165	18,035	6,657	7,298	6,992	6,659
Plan fiduciary net position - ending	82,114	72,378	63,929	61,764	43,729	37,072	29,774	22,782
Net OPEB Liability	\$ 94,490	\$ 45,380	\$ 49,828	\$ 75,041	\$ 89,090	\$ 123,992	\$ 121,204	\$ 131,472
Plan fiduciary net position as a percentage of the total OPEB liability	46.5%	61.5%	56.2%	45.1%	32.9%	23.0%	19.7%	14.8%
Covered-employee payroll	\$ 118,658	\$ 113,764	\$ 111,297	\$ 106,879	\$ 103,778	\$ 98,238	\$ 94,816	\$ 86,475
MWRA's net OPEB liability as a percentage of covered-employee payroll	79.6%	39.9%	44.8%	70.2%	85.8%	126.2%	127.8%	152.0%

Notes to Schedule

Changes in Assumptions - June 30, 2024: The trend assumptions were revised to account for known premium increases. The percentage to which spouses and families of current active members are expected to elect coverage in the Plan after retirement has been changed to reflect the spouses and family elections of current retirees.

Changes in Assumptions - June 30, 2023: The trend assumptions were revised to account for known premium increases and changes in GIC plan offerings.

Changes in Assumptions - June 30, 2022: The generational mortality improvement scale was updated from Scale MP-2019 to Scale MP-2021. The per capita health costs and contributions were updated to reflect current premiums and the costs in the most recent Commonwealth OPEB valuation report. The trend assumptions were revised, per the most recent Commonwealth OPEB valuation report. The discount rate was lowered from 7.00% to 6.75%.

Changes in Plan Provisions - June 30, 2023: Effective July 1, 2022, Fallon plans are no longer offered by the GIC; Also, effective July 1, 2023, due to the merger of Turfs and Harvard Pilgrim, Tufts plans are no longer offered by GIC. The migration away from these plans have been accounted for through medical trend assumption.

Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Employer Contributions - Last Ten Years

Required Supplementary Information – GASB No. 75

(Unaudited)

(Dollars in Thousands)

	Fiscal year ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,699	5,701	5,772	9,144	8,997	11,812	11,400	10,948	14,996	14,564
Contributions in relation to the actuarially determined contribution	10,637	10,061	9,529	11,506	10,885	10,656	10,093	9,723	9,804	14,852
Contribution deficiency (excess)	<u>\$ (4,938)</u>	<u>(4,360)</u>	<u>(3,757)</u>	<u>(2,362)</u>	<u>(1,888)</u>	<u>1,156</u>	<u>1,307</u>	<u>1,225</u>	<u>5,192</u>	<u>(288)</u>
Covered-employee payroll	\$ 118,658	113,764	111,297	106,879	103,778	98,238	94,816	86,475		
Contributions as a percentage of covered-employee payroll	8.96%	8.84%	8.56%	10.77%	10.49%	10.85%	10.64%	11.24%		

Notes to Schedule

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry Age Normal
Amortization method	30 years (closed)
Asset valuation method	Fair value of assets
Inflation	3%
Discount rate	6.75%
Healthcare cost trend rates	Non-Medicare Medical and Prescription Drug: 5.99% for 2023, then 7.06%, then 6.83%, then 6.59%, then 6.36%, then 6% decreasing by 0.25% for 6 years to an ultimate rate of 4.50% Medicare Medical and Prescription Drug: 1.92% in 2023, 4.49% in 2024, decreasing to a long-term rate of 4.50% after four years
Mortality	The PUB-2010 Headcount-weighted Mortality Tables, sex-distinct, projected using generational mortality and scale MP-2021. Set forward one year for disabled retirees.

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Schedules of Investment Returns - Last Ten Years

Required Supplementary Information – GASB No. 74

(Unaudited)

	Fiscal year ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	9.51%	5.78%	-4.06%	27.37%	1.88%	5.80%	8.58%	10.58%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY
Accounts Established by the General Revenue Bond Resolution
June 30, 2024
(Comparative totals for June 30, 2023)
(Dollars in thousands)

	<u>Construction</u>	<u>Debt Service</u>	<u>Operating</u>	<u>Rate Stabilization</u>	<u>Revenue</u>	<u>Combined Reserves</u>	<u>Total</u>
Balance – June 30, 2023	\$ 145,028	\$ 529,721	\$ 49,692	\$ 39,314	\$ 41,356	\$ 20,445	\$ 825,556
Proceeds from:							
Revenue Bonds and Loans	197,301	183,500	-	-	-	-	380,801
Cash Received							
from Customers	-	-	-	-	851,362	-	851,362
Investment Income (Loss)	8,434	13,696	5,920	-	7,568	(1,122)	34,496
Debt Service Grant							-
Grant Receipts	-	6,297	-	-	-	-	6,297
Construction Payments	(206,468)	-	-	-	-	-	(206,468)
Lease Payments	(1,663)	(1,554)	-	-	-	-	(3,217)
Debt Service Payment	(536)	(564,286)	-	-	(52,724)	-	(617,546)
Other Commonwealth							-
Payments	-	-	-	-	(26,294)	-	(26,294)
Interfund Transfers	18,455	419,260	6,522	(305)	(442,743)	(1,189)	-
Transfers from (to)							
Operating Account	(3,947)	1,612	(4,112)	-	(313,950)	4,111	(316,286)
Balance – June 30, 2024	<u>\$ 156,604</u>	<u>\$ 588,246</u>	<u>\$ 58,022</u>	<u>\$ 39,009</u>	<u>\$ 64,575</u>	<u>\$ 22,245</u>	<u>\$ 928,701</u>

	<u>Total</u>			
	<u>Sewer</u>	<u>Water</u>	<u>2024</u>	<u>2023</u>
Restricted Investments:				
Construction	\$ 82,020	\$ 74,584	\$ 156,604	\$ 145,028
Debt Service - Debt Service Reserves	87,639	63,147	150,786	148,384
Debt Service - Debt Service P & I	227,125	187,726	414,851	359,426
Debt Service - Revenue Redemption	4,601	18,008	22,609	21,911
Operating Reserve	40,930	17,092	58,022	49,692
Rate Stabilization Reserve	24,554	14,455	39,009	39,314
Revenue	54,660	9,915	64,575	41,356
Combined - Renewal and Replacement Reserve	5,023	5,022	10,045	10,000
Combined - Insurance Reserve	5,869	6,331	12,200	10,445
Total Restricted Investments	<u>\$ 532,421</u>	<u>\$ 396,280</u>	<u>\$ 928,701</u>	<u>\$ 825,556</u>

See accompanying independent auditors' report.

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Net Position

June 30, 2024

(Dollars in thousands)

	Assets	Sewer	Water	Combined Total
Current assets:				
Cash and cash equivalents		\$ 52,153	\$ 32,047	\$ 84,200
Investments		3,616	1,781	5,397
Restricted investments		536,432	398,256	934,688
Intergovernmental loans		7,631	33,692	41,323
Accounts receivable		760	1,037	1,797
Interest receivable		474	295	769
Total current assets		<u>601,066</u>	<u>467,108</u>	<u>1,068,174</u>
Noncurrent assets:				
Capital assets:				
Capital assets – not being depreciated		134,452	175,588	310,040
Capital assets – being depreciated – net		2,942,275	2,207,371	5,149,646
Lease asset - building		11,311	5,323	16,634
Other assets, net		<u>151,259</u>	<u>206,321</u>	<u>357,580</u>
Total noncurrent assets		<u>3,239,297</u>	<u>2,594,603</u>	<u>5,833,900</u>
Total assets		<u>3,840,363</u>	<u>3,061,711</u>	<u>6,902,074</u>
Deferred Outflows of Resources				
Deferred outflows from pension		35,800	19,389	55,189
Deferred outflows from OPEB		29,080	16,669	45,749
Deferred outflows from refunding debt		5,156	2,339	7,495
	Liabilities			
Current liabilities:				
Accounts payable and accrued expenses		32,911	23,801	56,712
Accounts payable for construction		18,444	11,243	29,687
Commercial paper		24,000	56,000	80,000
Current portion of long-term debt		173,653	111,237	284,890
Current portion of lease liability		1,330	468	1,798
Accrued interest on bonds payable		<u>33,218</u>	<u>19,789</u>	<u>53,007</u>
Total current liabilities		<u>283,556</u>	<u>222,538</u>	<u>506,094</u>
Noncurrent liabilities:				
Reserves		47,084	28,473	75,557
Retainage on construction in progress		5,075	7,510	12,585
Long-term debt – less current portion		2,442,733	1,700,634	4,143,367
Lease liability		12,666	4,472	17,138
Net pension liability		87,295	50,640	137,935
Net OPEB liability		<u>60,736</u>	<u>33,754</u>	<u>94,490</u>
Total noncurrent liabilities		<u>2,655,589</u>	<u>1,825,483</u>	<u>4,481,072</u>
Total liabilities		<u>2,939,145</u>	<u>2,048,021</u>	<u>4,987,166</u>
Deferred Inflows of Resources				
Deferred inflows from pension		2,438	337	2,775
Deferred inflows from OPEB		10,388	5,193	15,581
Deferred inflows from refunding debt		21,745	21,946	43,691
	Net Position			
Net investment in capital assets		533,773	595,054	1,128,827
Restricted				
Construction		82,019	74,587	156,606
Debt service		145,824	131,244	277,068
Operating		4,485	2,271	6,756
Revenue		54,494	10,081	64,575
Rate Stabilization		24,720	14,289	39,009
Unrestricted		<u>91,368</u>	<u>197,085</u>	<u>288,453</u>
Total net position		<u>\$ 936,683</u>	<u>\$ 1,024,611</u>	<u>\$ 1,961,294</u>
Commitments and contingencies				
See accompanying independent auditors' report				

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Net Position

June 30, 2023

(Dollars in thousands)

	Assets	Sewer	Water	Combined Total
Current assets:				
Cash and cash equivalents		\$ 52,820	\$ 26,236	\$ 79,056
Investments		2,609	2,669	5,278
Restricted investments		496,158	335,391	831,549
Intergovernmental loans		7,712	30,445	38,157
Accounts receivable		366	2,957	3,323
Interest receivable		473	336	809
Total current assets		<u>560,138</u>	<u>398,034</u>	<u>958,172</u>
Noncurrent assets:				
Capital assets:				
Capital assets – not being depreciated		146,592	182,003	328,595
Capital assets – being depreciated – net		2,994,671	2,183,901	5,178,572
Lease asset - building		12,740	5,995	18,735
Other assets, net		158,453	182,419	340,872
Total noncurrent assets		<u>3,312,456</u>	<u>2,554,318</u>	<u>5,866,774</u>
Total assets		<u>3,872,594</u>	<u>2,952,352</u>	<u>6,824,946</u>
Deferred Outflows of Resources				
Deferred outflows from pension		51,740	28,810	80,550
Deferred outflows from OPEB		2,504	1,429	3,933
Deferred outflows from derivative instruments		2,500	320	2,820
Deferred outflows from refunding debt		5,480	2,501	7,981
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses		32,722	17,686	50,408
Accounts payable for construction		18,280	12,194	30,474
Current portion of long-term debt		182,400	115,054	297,454
Current portion of lease liability		998	666	1,664
Accrued interest on bonds payable		38,038	22,054	60,092
Total current liabilities		<u>272,438</u>	<u>167,654</u>	<u>440,092</u>
Noncurrent liabilities:				
Reserves		41,441	26,255	67,696
Retainage on construction in progress		5,384	5,771	11,155
Long-term debt – less current portion		2,604,188	1,742,411	4,346,599
Lease liability		13,996	4,940	18,936
Net pension liability		96,747	56,227	152,974
Net OPEB liability		29,524	15,856	45,380
Liability for derivative instruments		2,499	321	2,820
Total noncurrent liabilities		<u>2,793,779</u>	<u>1,851,781</u>	<u>4,645,560</u>
Total liabilities		<u>3,066,217</u>	<u>2,019,435</u>	<u>5,085,652</u>
Deferred Inflows of Resources				
Deferred inflows from pension		3,247	814	4,061
Deferred inflows from OPEB		20,436	10,956	31,392
Deferred inflows from refunding debt		3,288	4,624	7,912
Net Position				
Net investment in capital assets		581,707	602,910	1,184,617
Restricted				
Construction		80,772	64,257	145,029
Debt service		164,581	112,138	276,719
Operating		4,488	2,314	6,802
Revenue		32,718	8,638	41,356
Rate Stabilization		24,554	14,760	39,314
Unrestricted		(47,190)	144,566	97,376
Total net position		<u>\$ 841,630</u>	<u>\$ 949,583</u>	<u>\$ 1,791,213</u>

Commitments and contingencies

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2024

(Dollars in thousands)

	<u>Sewer</u>	<u>Water</u>	<u>Combined Total</u>
Operating revenues:			
Customer services	\$ 538,420	\$ 309,518	\$ 847,938
Other	1,981	1,799	3,780
Total operating revenues	<u>540,401</u>	<u>311,317</u>	<u>851,718</u>
Operating expenses:			
Operations	90,686	53,479	144,165
Maintenance	23,570	14,108	37,678
Payments in lieu of taxes	-	8,489	8,489
Engineering, general, and administrative	99,131	58,795	157,926
Total operating expenses	<u>213,387</u>	<u>134,871</u>	<u>348,258</u>
Income from operating before depreciation	327,014	176,446	503,460
Depreciation and amortization	<u>171,910</u>	<u>64,908</u>	<u>236,818</u>
Operating Income	<u>155,104</u>	<u>111,538</u>	<u>266,642</u>
Nonoperating revenues (expenses):			
Investment income	24,741	14,261	39,002
Interest expense	(83,763)	(50,236)	(133,999)
Change in reserves	<u>(5,643)</u>	<u>(2,218)</u>	<u>(7,861)</u>
Total nonoperating expenses	<u>(64,665)</u>	<u>(38,193)</u>	<u>(102,858)</u>
Net gain before capital grants and contributions	90,439	73,345	163,784
Capital grants and contributions	<u>4,614</u>	<u>1,683</u>	<u>6,297</u>
Increase in net position	95,053	75,028	170,081
Total net position - beginning of year	<u>841,630</u>	<u>949,583</u>	<u>1,791,213</u>
Total net position - end of year	<u>\$ 936,683</u>	<u>\$ 1,024,611</u>	<u>\$ 1,961,294</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2023

(Dollars in thousands)

	Sewer	Water	Combined Total
Operating revenues:			
Customer services	\$ 529,818	\$ 302,114	\$ 831,932
Other	2,948	2,075	5,023
Total operating revenues	<u>532,766</u>	<u>304,189</u>	<u>836,955</u>
Operating expenses:			
Operations	82,260	51,117	133,377
Maintenance	21,978	12,340	34,318
Payments in lieu of taxes	-	8,479	8,479
Engineering, general, and administrative	85,414	51,383	136,797
Total operating expenses	<u>189,652</u>	<u>123,319</u>	<u>312,971</u>
Income from operating before depreciation	343,114	180,870	523,984
Depreciation and amortization	<u>166,782</u>	<u>64,028</u>	<u>230,810</u>
Operating Income	<u>176,332</u>	<u>116,842</u>	<u>293,174</u>
Regulatory accounting provisions:			
Change in regulatory provisions, net	29,788	22,336	52,124
Total regulatory accounting provisions	<u>29,788</u>	<u>22,336</u>	<u>52,124</u>
Nonoperating revenues (expenses):			
Debt service grant	1,072	115	1,187
Investment income	12,327	6,986	19,313
Interest expense	(87,133)	(56,408)	(143,541)
Change in reserves	(1,245)	(1,173)	(2,418)
Changes in derivative related accounts	2,528	412	2,940
Total nonoperating expenses	<u>(72,451)</u>	<u>(50,068)</u>	<u>(122,519)</u>
Net gain before capital grants and contributions	133,669	89,110	222,779
Capital grants and contributions	<u>2,025</u>	<u>1,372</u>	<u>3,397</u>
Increase in net position	135,694	90,482	226,176
Total net position - beginning of year	<u>705,936</u>	<u>859,101</u>	<u>1,565,037</u>
Total net position - end of year	<u>\$ 841,630</u>	<u>\$ 949,583</u>	<u>\$ 1,791,213</u>

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Fiduciary Net Position

June 30, 2024

(Dollars in thousands)

	December 31, 2023	June 30, 2024	2024
	MWRA Employees'	MWRA OPEB	Total
	Retirement System	Trust	
Assets			
Cash and cash equivalents (note 4)	\$ 20,809	\$ 3,034	\$ 23,843
Investments: (note 4)			
Fixed income	137,357	-	137,357
Equities	316,015	-	316,015
Real estate	61,296	-	61,296
Private equity	75,630	-	75,630
Hedge funds	27,512	-	27,512
External investment pool	35,575	79,080	114,655
Total investments	<u>653,385</u>	<u>79,080</u>	<u>732,465</u>
Accounts receivable	995	-	995
Total assets	<u>675,189</u>	<u>82,114</u>	<u>757,303</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	165	-	165
Due to primary government	92	-	92
Payables for securities purchased	-	-	-
Total liabilities	<u>257</u>	<u>-</u>	<u>257</u>
Fiduciary Net Position			
Restricted			
Pensions	674,932	-	674,932
Postemployment benefits other than pensions	-	82,114	82,114
Total fiduciary net position	<u>\$ 674,932</u>	<u>\$ 82,114</u>	<u>\$ 757,046</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Fiduciary Net Position

June 30, 2023

(Dollars in thousands)

	<u>December 31, 2022</u>	<u>June 30, 2023</u>	<u>2023</u>
	<u>MWRA Employees'</u>	<u>MWRA OPEB</u>	<u>Total</u>
	<u>Retirement System</u>	<u>Trust</u>	
Assets			
Cash and cash equivalents (note 4)	\$ 14,216	\$ 5,022	\$ 19,238
Investments: (note 4)			
Fixed income	126,381	-	126,381
Equities	286,128	-	286,128
Real estate	70,330	-	70,330
Private equity	71,726	-	71,726
Hedge funds	26,675	-	26,675
External investment pool	34,501	67,356	101,857
Total investments	<u>615,741</u>	<u>67,356</u>	<u>683,097</u>
Accounts receivable	564	-	564
Total assets	<u>630,521</u>	<u>72,378</u>	<u>702,899</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	187	-	187
Due to primary government	180	-	180
Payables for securities purchased	914	-	914
Total liabilities	<u>1,281</u>	<u>-</u>	<u>1,281</u>
Fiduciary Net Position			
Restricted			
Pensions	629,240	-	629,240
Postemployment benefits other than pensions	-	72,378	72,378
Total fiduciary net position	<u>\$ 629,240</u>	<u>\$ 72,378</u>	<u>\$ 701,618</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2024

(Dollars in thousands)

	December 31, 2023	June 30, 2024	2024
	MWRA Employees'	MWRA OPEB	Total
	Retirement System	Trust	
Additions			
Contributions:			
Employer	\$ 15,973	\$ 10,637	\$ 26,610
Plan members	10,576	-	10,576
Total contributions	<u>26,549</u>	<u>10,637</u>	<u>37,186</u>
Investment income:			
Interest and dividends	10,349	134	10,483
Net realized and unrealized gains	49,937	7,131	57,068
Less: investment fees	<u>(3,269)</u>	<u>(379)</u>	<u>(3,648)</u>
Net investment income	<u>57,017</u>	<u>6,886</u>	<u>63,903</u>
Reimbursements and transfers from other systems	<u>2,409</u>	<u>-</u>	<u>2,409</u>
Total additions	<u>85,975</u>	<u>17,523</u>	<u>103,498</u>
Deductions			
Benefits paid to participants or beneficiaries	38,641	7,787	46,428
Reimbursements and transfers to other systems	1,137	-	1,137
Administrative expenses	<u>505</u>	<u>-</u>	<u>505</u>
Total deductions	<u>40,283</u>	<u>7,787</u>	<u>48,070</u>
Change in fiduciary net position	45,692	9,736	55,428
Total fiduciary net position - beginning of year	<u>629,240</u>	<u>72,378</u>	<u>701,618</u>
Total fiduciary net position - end of year	<u>\$ 674,932</u>	<u>\$ 82,114</u>	<u>\$ 757,046</u>

See accompanying independent auditors' report

MASSACHUSETTS WATER RESOURCES AUTHORITY

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2023

(Dollars in thousands)

	<u>December 31, 2022</u>	<u>June 30, 2023</u>	<u>2023</u>
	<u>MWRA Employees'</u>	<u>MWRA OPEB</u>	<u>Total</u>
	<u>Retirement System</u>	<u>Trust</u>	
Additions			
Contributions:			
Employer	\$ 12,555	\$ 10,061	\$ 22,616
Plan members	10,551	-	10,551
Total contributions	<u>23,106</u>	<u>10,061</u>	<u>33,167</u>
Investment income:			
Interest and dividends	9,012	84	9,096
Net realized and unrealized gains (losses)	(91,626)	3,925	(87,701)
Less: investment fees	(6,058)	(315)	(6,373)
Net investment income (loss)	<u>(88,672)</u>	<u>3,694</u>	<u>(84,978)</u>
Reimbursements and transfers from other systems	<u>3,224</u>	<u>-</u>	<u>3,224</u>
Total additions	<u>(62,342)</u>	<u>13,755</u>	<u>(48,587)</u>
Deductions			
Benefits paid to participants or beneficiaries	35,420	5,306	40,726
Reimbursements and transfers to other systems	1,086	-	1,086
Administrative expenses	585	-	585
Total deductions	<u>37,091</u>	<u>5,306</u>	<u>42,397</u>
Change in fiduciary net position	(99,433)	8,449	(90,984)
Total fiduciary net position - beginning of year	<u>728,673</u>	<u>63,929</u>	<u>792,602</u>
Total fiduciary net position - end of year	<u>\$ 629,240</u>	<u>\$ 72,378</u>	<u>\$ 701,618</u>

See accompanying independent auditors' report

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Appendix C

October 16, 2025

Board of Directors
Massachusetts Water Resources Authority
Deer Island, 33 Tafts Avenue
Boston, Massachusetts 02128

Subject: Financial Feasibility Report Multi-Modal Subordinated General Revenue Refunding Bonds Series 2025 C-F (the “2025 Bonds”) and Tax-Exempt Commercial Paper Notes Series 2025.

Dear Members of the Board:

We are submitting herewith a Supplemental Report prepared to support the Massachusetts Water Resources Authority (the “MWRA” or the “Authority”) with its issuance of the 2025 Bonds. This report incorporates by reference the Triennial Report prepared by CDM Smith in October 2023 (the “2023 Triennial Report”), which assessed the condition and operations of the Authority. Terms used in this report that are not defined herein have the same definitions as used in the 2023 Triennial Report and/or the Official Statements for the 2025 Bonds.

The financial projections contained herein are based on the Authority’s FY 2026 Current Expense Budget (“CEB”), and the FY 2026 Capital Improvement Plan (“CIP”). The CEB incorporates changes and updates that occurred during FY 2025. These updates are included in the projections, and include:

- A \$33.9 million defeasance of outstanding principal in June 2025 that will positively impact FY 2026 and subsequent years.
- An \$8.5 million debt prepayment in FY 2026 with savings realized in FY 2027.
- Updated projections reflecting the reduction in the proposed combined assessment increase from 3.0 percent to 2.7 percent.

The balance of this Supplemental Report provides an evaluation of the Authority’s financial status and projections. We stand ready to respond to any questions regarding the content of our work.

Very truly yours,
CDM Smith Inc.



Adam Simonsen
Principal

Financial Requirements

1 Introduction

Our financial evaluation and projections are based on a review of the Authority's financial statements and various budget documents, current, proposed, and historical, as well as the Authority's financial projections. Our analysis is based on the following documents and data sources: the Authority's financial statements, the Authority's actual operating results through FY 2025, the CEB, the CIP, the most recent Master Plan, and the Authority's projections of grant receipts, escrows, and participation in the Massachusetts Clean Water Trust SRF loan program (the "SRF"). The projections incorporate by reference the 2023 Triennial Report. Consistent with the Authority's rate management strategy, these projections assume the Authority continues its practice of smoothing its rate increases, including by making additional debt service prepayments. See Section 4.1, below. We believe that this is a conservative and reasonable approach to developing the projections contained herein.

We have reviewed the Authority's projected revenue requirements for the current fiscal year (FY 2026) and the following five-year forecast period (FY 2027 to FY 2031), assessing present expenditures, anticipated schedules for capital improvements, the Authority's CIP and CEB and the covenants of the Resolution.

The purposes of this section are to:

- Project Authority expenses for FY 2027 through FY 2031.
- Project non-rate revenues for the same period.
- Project rate increases for FY 2027 through FY 2031.
- Assess the impacts of such rate increases on customers.
- Evaluate the Authority's compliance with various Resolution covenants.

The projections contained in this Report reflect assumptions regarding the schedule, timing and cost of certain key capital projects as set forth in the CIP. Modifications to the timing and costs of those projects will impact the projections and potentially the conclusions contained herein.

2 Key Assumptions

This section describes the key assumptions that have been used by the Authority in developing its own projections which are the basis of the projections contained herein. CDM Smith has reviewed the Authority's assumptions and believes that they are reasonable for developing these financial projections. These projections consider the data and information described above, assumptions regarding economic conditions, Authority policies and spending practices, and the Authority's most recent financings. These projections consider Authority-developed projections on the use of debt defeasances and tax-exempt commercial paper ("TECP"). The projections are developed such that the Authority's projected revenues and expenses meet the various requirements of the Resolution.

As described in the following subsections, the Resolution requires the Authority to comply with two rate covenants regarding the adequacy of rate revenue. The covenants require that the Authority

generate sufficient revenue to meet all annual revenue requirements, including operation and maintenance expenses, pro rata debt service fund deposits, and reserve fund requirements. In addition, the Authority is mandated to provide revenue available for debt service payments in each fiscal year equal to the sum of the Primary and Secured Bond Coverage Ratios. The key assumptions and inputs used for these projections include:

- Future senior debt for FY 2026 is assumed to be 30-year debt, with an interest rate of 5.0 percent. After FY 2026, future senior debt is assumed to be 30-year debt, with an interest rate of 6.0 percent for subsequent fiscal years. Variable-rate debt is assumed to carry an interest rate of 4.25 percent in FY 2026, and 4.0 percent in all subsequent fiscal years.
- SRF loans will carry an effective interest rate of 2.15 percent with a 20-year term for FY 2026 and all subsequent fiscal years.
- Capital costs are projected to inflate at an average annual rate of 2.5 percent for projects not yet under contract. It should be noted that changes to this assumption will not have a significant impact on the Authority's projected increases in total expenses over the forecast period but will have a greater impact over the long term.
- Labor costs are projected to inflate at an average annual rate of 2.7 percent for all future years. Insurance costs are projected to inflate at an average annual rate of 4.0 percent for all future years. Other operating and maintenance costs for existing facilities generally are projected to inflate at an average annual rate of 3.0 percent for all future years. Incremental operations and maintenance costs resulting from completed capital improvements during FY 2026 to FY 2031 are projected to have a modest impact on the Authority's total operating expenses.
- Capital spending is based on the CIP, and it is assumed that the Authority's expenditure rate will average 85 percent of the budgeted cash expenditure rate. However, two-thirds of the deferred expenditures are expected to be spent three years later. Thus, the amount deferred in FY 2026 is added to FY 2029 anticipated CIP expenditures.
- The Authority's projections assume that no Commonwealth debt service assistance will be received during the projection period.
- These projections assume that the Authority utilizes Rate Stabilization funds of \$780,000 in FY 2027, \$782,000 in FY 2028, \$740,000 in FY 2029, \$140,000 in FY 2030, and \$12,000 in FY 2031.

3 Rate Revenue Requirements

In describing the projected rate revenue requirements as shown in Tables 1 through 3, we have followed the Authority's CEB format with expenditures classified as direct, indirect and capital financing. Non-rate revenue is then applied against total expenses to determine the Authority's rate revenue requirement for a fiscal year.

3.1 Direct Expenses

Projected direct expenses are summarized in Table 1 and discussed in the following sections. Direct expenditures are projected to increase from approximately \$328.0 million in FY 2026 to approximately \$377.3 million in FY 2031, an average annual increase of 2.8 percent. These

projections reflect the costs of operating and maintaining the Systems, as well as the net incremental savings associated with new facilities and projects that the Authority anticipates becoming operational during this time.

The increase in direct expenses largely reflects the anticipated inflationary increases in labor and other operating costs. Labor costs reflect a \$10.5 million reduction as a vacancy adjustment for unfilled positions. The chemical expenses include \$680,000 for the chemicals that will be required to comply for the anticipated Deer Island National Pollutant Discharge Elimination System permit (the "NPDES" permit) which is projected to have more stringent requirements for enterococcus treatment compliance.

Sewer Fund direct expenses, as presented in Table 1, includes allocated administrative expenses but excludes the Clinton Wastewater Treatment Plant expenses. (The Clinton Wastewater Treatment Plant is treated as a Waterworks Fund expense because the facility was constructed to mitigate the impact of certain Waterworks System facilities). Sewer Fund direct expenses are projected to increase at an average annual rate of approximately 2.8 percent from FY 2026 to FY 2031. Projected net incremental savings on Sewer Fund direct expenses from capital improvements are included through FY 2031.

Administrative and support expenses are allocated between the Waterworks Fund and the Sewer Fund, based on the total direct annual costs in each Fund. Approximately 62 percent of allocable direct administrative expenses were assigned to the Sewer Fund for FY 2026, and that assumption is carried forward through the forecast period.

The Waterworks Fund direct expenses are projected to increase at an average annual rate of approximately 2.8 percent between FY 2026 and FY 2031. The Waterworks Fund expenses include Clinton Wastewater Treatment Plant costs and allocated administrative expenses (approximately 38 percent of the total administrative expenses). Projected net incremental costs on Water Fund direct expenses from capital improvements are included through FY 2031.

Table 1
Budgeted and Projected Direct Expenses, By Fund, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Sewer Fund Direct Expenses ¹	\$216,778	\$223,462	\$229,318	\$235,812	\$242,495	\$249,368
Waterworks Fund Direct Expenses ²	<u>\$111,202</u>	<u>\$114,457</u>	<u>\$117,676</u>	<u>\$120,997</u>	<u>\$124,299</u>	<u>\$127,923</u>
Total Direct Expenses	\$327,980	\$337,919	\$346,994	\$356,809	\$366,794	\$377,291

¹ Includes Sewer Division, sewer portions of the Field Operating Division and allocated Engineering and Construction, Laboratory Service and Administrative. Excludes Clinton Wastewater Treatment Plant.

² Includes Waterworks Division, water portions of Field Operating Division, the Clinton Wastewater Treatment Plant and allocated Engineering and Construction, Laboratory Services and Administrative.

Note: Totals may not add exactly due to rounding.

Table 2 presents a breakdown of the Authority's projected combined direct expenses, by expense category. These expenses are presented by CEB line item for the period FY 2026 through FY 2031. Excluding capital financing expenses, labor costs are the Authority's largest line-item expense representing 52.5 percent of total direct expenses over the projection period and are projected to

increase from \$172.8 million in FY 2026 to \$197.4 million in FY 2031. Labor costs are expected to increase at an average annual increase of 2.7 percent over the period between FY 2026 and FY 2031.

Table 2
Budgeted and Projected Direct Expenses, by Category, FY 2026-2031
(\$ in 000's)

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Labor	\$172,777	\$177,442	\$182,233	\$187,153	\$192,206	\$197,396
Chemicals	\$19,307	\$19,886	\$20,483	\$21,098	\$21,730	\$22,382
Utilities	\$33,579	\$34,586	\$35,624	\$36,699	\$37,755	\$38,841
Maintenance & Materials	\$51,279	\$53,333	\$54,402	\$56,034	\$57,715	\$59,447
<u>Services</u>	<u>\$51,038</u>	<u>\$52,672</u>	<u>\$54,252</u>	<u>\$55,825</u>	<u>\$57,387</u>	<u>\$59,225</u>
Total Direct Expenses	\$327,980	\$337,919	\$346,994	\$356,809	\$366,794	\$377,291

Note: Totals may not add exactly due to rounding.

Chemical costs account for approximately 5.9 percent of direct expenses and are estimated to increase at an average annual rate of 3.0 percent between FY 2026 and FY 2031, reflecting assumed inflation for future costs. The Authority is including approximately \$680,000 for chemicals that will be required to comply with the new NPDES permit for the Deer Island Treatment Plant (the "DITP").

Utilities, which represent approximately 10.3 percent of direct expenses, are expected to increase at an average annual rate of 3.0 percent between FY 2026 and FY 2031, reflecting the Authority's fixed price energy agreements, as well as most recent pricing outlook and trends in fuel and electricity market prices and planned usage. Maintenance and materials, which represent 15.7 percent of direct expenses over the projection period, are projected to increase at an average annual rate of 3.0 percent from FY 2026 to FY 2031. Services represent 15.6 percent of the direct expenses, which includes approximately \$6.0 million in FY 2026 for potential landfill disposal costs if required by future PFAS regulations. Services are projected to increase at an average annual rate of 3.0 percent over the projection period.

3.2 Indirect Expenses

Indirect expenses for FY 2026 through FY 2031 are summarized in Table 3. Indirect expenses include several cost items that reflect financial commitments by the Authority that are not directly controlled by their operating divisions. As an example, the Authority has agreed to compensate certain Local Bodies (Quincy and Winthrop) for the adverse impacts caused by the construction and operation of facilities located in those communities. These mitigation payments are financial obligations of the Authority and are allocated specifically to the Sewer System.

Table 3
Budgeted and Projected Indirect Expenses, FY 2026-2031
(\$ in 000's)

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Insurance	\$5,529	\$5,750	\$5,980	\$6,220	\$6,468	\$6,727
Watershed/PILOT	\$35,119	\$36,172	\$37,258	\$38,375	\$39,527	\$40,712
Cable Substation Lease	\$6,838	\$6,555	\$6,333	\$6,113	\$5,894	\$5,675
Mitigation	\$1,869	\$1,916	\$1,964	\$2,013	\$2,063	\$2,115
OPEB	\$5,349	\$5,404	\$5,438	\$5,449	\$5,434	\$5,390
Reserves Additions	\$1,967	\$2,151	\$2,446	\$1,707	\$2,408	(\$3,994) ¹
<u>Pension Fund Deposits</u>	<u>\$26,347</u>	<u>\$29,330</u>	<u>\$34,877</u>	<u>\$35,233</u>	<u>\$39,618</u>	<u>\$5,065</u>
Total Indirect Expenses	\$83,019	\$87,280	\$94,297	\$95,110	\$101,413	\$61,690

¹ No contributions projected for FY 2031.

Note: Totals may not add exactly due to rounding.

The major indirect expenses are:

Insurance: The Authority purchases property and casualty insurance from external insurance carriers and self-insures for significant levels of property and general liabilities.

Watershed/PILOT: The Enabling Act requires the Authority to pay the Commonwealth for two obligations. The first obligation is to reimburse the Commonwealth for the operating costs and debt service associated with land acquisitions of the DCR's Division of Water Supply Protection. The Authority prepaid the remaining debt service costs associated with the land acquisition in FY 2016, from the operating surplus. The second obligation is to make payments in lieu of taxes ("PILOT") to each city or town with land located in the Authority's watersheds. PILOT payments are revalued every four years, the most recent occurring in FY 2022. The Authority's projections assume that PILOT payments will increase 3 percent annually from FY 2027 through FY 2031. CDM Smith believes the Authority's approach is appropriately conservative for these purposes.

Cable and Substation Lease: NSTAR Electric Company (successor to Boston Edison Co. and now doing business as Eversource) together with HEEC, an NSTAR subsidiary, completed installation of a cross-harbor power cable and built a power substation in 1990-1991 to supply electric power for the construction and operation of the DITP. The Authority paid HEEC's capital investment for the cross-harbor electrical cable over a 25-year schedule governed by a written agreement, with contractual obligations ending in FY 2015. At the end of the term of that agreement, HEEC petitioned the Massachusetts Department of Public Utilities to establish a tariff formalizing the terms for continued supply of power to the DITP. The Authority fully participated in that 2015 tariff proceeding and engaged with HEEC in a rate setting process to update that tariff and to incorporate the terms of a May 2017 agreement whereby HEEC was required to install and MWRA was required to pay for a replacement power cable. The cable replacement was required to allow for dredging of Boston Harbor to accommodate deep draft ship berths. The replacement cable was placed in service in August 2019. Additional costs related to the replacement cable were incurred starting in FY 2020. The CEB includes the latest cost estimates available. The Authority

allocated \$6.5 million in FY 2018 for a HEEC cable capacity reserve fund, which was deposited to the Rate Stabilization Fund and is intended to be utilized in part between FY 2027 and FY 2031 to partially mitigate the rate impact of the increased costs related to the capacity charges included in the tariff for the replacement cable.

Mitigation: The Authority is party to an agreement that requires the Authority to make payments to the Town of Winthrop to ameliorate the adverse physical, social, and economic impacts of the DITP. The Authority also has a mitigation agreement with the City of Quincy that requires the Authority to make payments for police, fire, and other municipal services for several Authority water and sewer facilities located in Quincy. Those payments are projected to total approximately \$1.9 million in FY 2026. The mitigation agreements with the two municipalities were renewed in FY 2025 with a 10-year term.

Additions to Reserves: The Authority is required by the terms of the Resolution to maintain reserve funds for operations, insurance, and renewal and replacement. These reserves are incrementally funded each year, as necessary, to bring them to stipulated levels. These are discussed in more detail in the following section.

Pension Fund Contribution: The Authority's methodology for assessing retirement liability is to comply with Chapter 32 of the Massachusetts General Laws, although the Authority's current policy is to reach full funding by the end of FY 2030. For FY 2026, the Authority intends to contribute \$26.3 million to the Pension Fund. This is comprised of an \$18.3 million required contribution based on the January 2025 actuarial evaluation and an additional \$8.0 million to assist with reaching full funding. The Authority has funded 87.1 percent of its pension liability and is projected to be fully funded by June 30, 2030.

Other Post-Employment Benefits: The Authority adopted GASB 45, which requires accounting and reporting of post-employment benefits other than pensions ("OPEB"). In 2015, the Authority created the Massachusetts Water Resources Authority Irrevocable Other Post-Employment Benefits Trust (the "OPEB Trust") to meet its OPEB liability. Under the Authority's current plan, the Authority anticipates depositing between \$5.3 and \$5.4 million in each year of the forecast period, but this may change based on the anticipated review of pension fund contributions. As of the end of June 2025, the OPEB Trust had a balance of \$95.2 million, approximately 44 percent funded. Since FY 2018, GASB 75 is the prevailing guidance for OPEB contributions, and the Authority follows that guidance.

3.3 Reserve Funds

The Authority is required by the Resolution to meet funding requirements for certain funds. The Authority is required to maintain an Operating Reserve Fund to be used in the event of unexpected or extraordinary fluctuations in monthly operation and maintenance expenses. The Authority is required to have on deposit in the Operating Reserve Fund at the end of each fiscal year an amount equal to one-sixth of that fiscal year's operating expenses. (Operating expenses are the total of direct and indirect expenses found in the Tables 2 and 3, less the amounts expended for Watershed/PILOT, Reserve additions, and OPEB Trust contributions).

At the end of FY 2025, the Operating Reserve had a balance of \$59.5 million (unaudited). Accordingly, the CEB includes contributions of \$2.0 million, \$2.2 million, \$2.4 million, \$1.7 million, and \$2.4 million anticipated to maintain the required balance for FY 2026 through FY 2030, respectively. No contribution is projected for FY 2031.

The Resolution requires the Authority to fund an Insurance Reserve Fund to a level confirmed by a qualified insurance consultant. The Insurance Reserve Fund was last reviewed by the Insurance Consultant in February 2023 and the Consultant confirmed that a balance between \$10 million and \$13 million would be appropriate. The Insurance Reserve Fund has a balance of approximately \$14 million; the Authority expects the fund balance to remain level at the high end of the recommended range throughout the forecast period. The Insurance Reserve Fund Requirement has not been independently reviewed or evaluated by CDM Smith.

The Resolution also requires the Authority to fund a Renewal and Replacement Reserve Fund, based on the recommendations of the Consulting Engineer. The Renewal and Replacement Reserve Fund is established to pay the costs of emergency repairs or capital improvements to the Systems when funds are not available in either the Construction Fund or the Operating Fund. Projects financed from the Renewal and Replacement Reserve Fund must be necessary to ensure the continual operation of the Systems, and not previously identified to be financed from the Operating Fund. The Renewal and Replacement Reserve Fund requirement is presently established at a total of \$35 million, as most recently determined in the 2023 Triennial Report. The Resolution, as amended, requires the Authority to maintain a minimum cash balance of \$10 million in the Renewal and Replacement Reserve Fund. The remaining balance will be met through unused capacity in the Short-term borrowing program (TECP and Revolving Loan). Based on the current funding requirement, no additional deposits are projected to be required over the forecast period.

The Authority has in the past and may in the future pre-fund required reserve fund deposits.

3.4 Capital Spending

The projected capital spending for FY 2026 through FY 2031 is presented in Table 4, based on the CIP. The capital expenditures presented in this table are presented on a cash basis and represent the anticipated actual expenditures for various projects. The projected capital expenditures are based on contracts that are currently underway, as well as projected future projects reflected in the CIP. Inflated estimates are based on a 2.5 percent average annual inflation rate for all projects that are not under contract until after the end of FY 2026. In our opinion, the assumed inflation rate is reasonable given anticipated inflation trends. This inflation rate should provide an adequate allowance for currently unforeseen factors that could increase inflation pressures on construction costs.

Contingency amounts shown in Table 4 are based on projected cash expenditures. The contingency in a particular year is estimated to be 7.0 percent of projected spending, except for tunnel related projects which carry a 15 percent contingency. We believe that the Authority's contingency assumptions are reasonable and appropriate and provide sufficient allowances to cover unanticipated events.

As part of the FY 2024 CIP, the Authority established a spending cap for FY 2024 to FY 2028 with a baseline cap totaling \$1,364.2 million and total baseline projected expenditures of \$1,819 million. The total baseline projected expenditures include spending for the local I/I loan and grant program and local water pipeline loan program, which are excluded from the cap. The cap for FY 2024 to FY 2028 reduces projected expenditures by 25 percent to account for historical underspend of planned capital spending. The projections include the full capital spending amounts not reduced by the spend rate adjustment.

The CIP identifies asset protection, water system redundancy, pipeline replacement and rehabilitation, business system support, and support for community assistance programs as the

primary focus of the Authority's capital spending going forward. The CIP includes potential design of projects that may arise from the Variance Waters updated CSO Long-Term Control Plan. (See the Official Statement, of which this Appendix C is a part, under Environmental Regulation and Litigation – Wastewater Management – NPDES Permits and Variances).

The Authority is advancing its project to construct long-term redundancy improvements for the Metropolitan Tunnels that supply water to the metropolitan Boston area. The Authority, based on a Board vote in February 2017, is moving forward with permitting and design for the redundancy project, which anticipates the construction of two deep rock tunnels to provide redundant potable water conveyance to the Authority's Boston metropolitan service area. The Authority has engaged a program support services team for this project. The CIP includes \$2.1 billion for the long-term redundancy project which the Authority anticipates expending over a period of approximately 17 years. The Authority established a dedicated group responsible for the implementation and oversight of the redundancy initiative and projects, similar to the approach taken in constructing the DITP. The Tunnel Unit is currently staffed with eight and is intending to increase to 16 as the project ramps up.

Table 4
Projected Capital Spending, Inflated and Uninflated, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Sewer System¹						
Contracted ²	\$101,094	\$94,868	\$64,659	\$61,992	\$23,324	\$0
Uncontracted ²	\$71,285	\$213,875	\$367,454	\$615,612	\$674,539	\$467,105 ³
<u>Contingency²</u>	<u>\$13,356</u>	<u>\$22,793</u>	<u>\$31,482</u>	<u>\$48,719</u>	<u>\$50,189</u>	<u>\$34,089</u>
Subtotal²	\$185,736	\$331,536	\$463,594	\$726,322	\$748,052	\$501,194
Waterworks System¹						
Contracted ²	\$126,207	\$82,015	\$60,348	\$20,738	\$2,329	\$1,713
Uncontracted ²	\$70,373	\$95,942	\$147,160	\$397,120	\$567,939	\$703,755
<u>Contingency²</u>	<u>\$11,139</u>	<u>\$10,226</u>	<u>\$12,784</u>	<u>\$29,139</u>	<u>\$41,007</u>	<u>\$51,317</u>
Subtotal²	\$207,720	\$188,182	\$220,292	\$446,996	\$611,274	\$756,786
Total CIP - Uninflated ²	\$393,456	\$519,718	\$683,886	\$1,173,318	\$1,359,326	\$1,257,979
Total CIP - Inflated	\$397,226	\$536,478	\$726,195	\$1,285,849	\$1,534,150	\$1,462,522
Reduction for Maximum CIP ⁴	\$0	\$0	\$0	(\$585,849)	(\$834,150)	(\$762,522)
Total CIP Spending	\$397,226	\$536,478	\$726,195	\$700,000	\$700,000	\$700,000

¹ Includes allocated Administrative Division expenses.

² Stated in 2025 dollars throughout forecast period.

³ Capital from Current Revenue applied to Uncontracted total in FY 2031.

⁴ The Authority's projections assume maximum annual CIP spending of \$700 million in FY 2029, \$700 million in FY 2030, and \$700 million in FY 2031.

Table 5 presents the projected flow of funds within the Construction Fund from FY 2026 through FY 2031. Most construction funding is projected to be financed with long-term debt or SRF loans; however, the Authority intends to fund a total of \$144.0 million in capital expenditures through pay-as-you-go current year funding for the projection period. The assumption for future years is that SRF loan availability remains stable beyond FY 2026, but that no grant funding will be available.

Table 5
Construction Fund Projected Cash Flow, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Construction Needs ¹	\$366,354	\$485,686	\$649,101	\$634,723	\$648,648	\$667,619
Financed by:						
Balance: Begin. of Year	\$150,280	\$278,314	\$80,860	\$80,322	\$82,615	\$85,412
Long Term Debt	\$430,888	\$223,732	\$583,063	\$570,515	\$583,945	\$599,758
SRF	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
Pay As You Go	\$21,500	\$22,500	\$23,500	\$24,500	\$25,500	\$26,500
Balance: End of Year²	\$278,314	\$80,860	\$80,322	\$82,615	\$85,412	\$86,050

¹ Construction needs is approximately 85 percent of "Total CIP Spending" line shown on bottom of Table 4, plus two-thirds of the 15 percent deferred three years earlier.

² The Balance: End of Year is equal to the sum of the available sources, less projected construction needs.

Note: Totals may not add exactly due to rounding.

The Authority has developed its projections of borrowing amounts in a fiscal year, such that it begins the following fiscal year with a Construction Fund starting balance that, when combined with SRF loans, grants, and pay-as-you-go capital, is at least 10 percent of the next fiscal year's construction requirement. This, coupled with the availability of TECP, provides a sufficient cushion to prevent disruption of the Authority's capital program from unanticipated or unfavorable capital market conditions.

The capital spending program described in the preceding paragraphs affects the Authority's revenue requirement in two ways:

- Debt service must be paid on the bonds issued to fund the program.
- Sufficient revenues must be generated to comply with the Primary and Secured Coverage requirements.

Table 6 presents existing and projected debt service resulting from the projected capital spending program. Annual debt service in a fiscal year is based on the monthly debt service deposits that are required in accordance with the Resolution. As noted earlier, no Commonwealth debt service assistance is assumed for the projection period.

Table 6
Current and Projected Debt Service, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Senior Debt						
Principal to be Issued in FY ¹	\$475,000	\$250,668	\$646,691	\$632,862	\$647,663	\$665,090
Existing Senior Debt Service	\$251,474	\$332,579	\$331,700	\$387,406	\$417,992	\$480,662
<u>Future Senior Debt Service</u>	<u>\$37,781</u>	<u>\$2,030</u>	<u>\$23,491</u>	<u>\$22,988</u>	<u>\$23,526</u>	<u>\$24,159</u>
Total Senior Debt Service	\$289,255	\$334,608	\$355,190	\$410,394	\$441,518	\$504,821
Debt Service Assistance	\$0	\$0	\$0	\$0	\$0	\$0
<u>Bond Redemption Account</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Senior Debt Service	\$289,255	\$334,608	\$355,190	\$410,394	\$441,518	\$504,821
Subordinated/SRF Debt						
Principal to be Issued in FY ¹	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
Existing Debt Service	\$170,971	\$140,009	\$126,422	\$99,305	\$86,835	\$83,274
<u>Future Sub/SRF Debt Service</u>	<u>\$5,059</u>	<u>\$1,737</u>	<u>\$1,737</u>	<u>\$1,737</u>	<u>\$1,737</u>	<u>\$1,737</u>
Total Sub/SRF Debt Service	\$176,029	\$141,747	\$128,159	\$101,042	\$88,573	\$85,011
<u>Debt Service Assistance</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Sub/SRF Debt Service	\$176,029	\$141,747	\$128,159	\$101,042	\$88,573	\$85,011
Total Debt Service	\$465,284	\$476,355	\$483,349	\$511,437	\$530,091	\$589,832

¹Total principal amount represents the amount of bonds required to provide the Construction Fund Deposit shown on line 1 of Table 5, plus repayment of TECP issued in prior fiscal year(s). This amount is increased to reflect Debt Service Reserve Fund Requirements and cost of issuance.

Note: Totals may not add exactly due to rounding.

Total Senior Debt Service is projected to increase from approximately \$289.3 million in FY 2026 to approximately \$504.8 million in FY 2031 before accounting for proceeds from the Bond Redemption Account, and debt service assistance. In Table 6, Net Senior Debt Service reflects the senior debt service with the reduction of current and anticipated debt service assistance and the Bond Redemption Account. The Bond Redemption Account is a valuable rate-smoothing tool available to the Authority, and the Authority estimates that it will have nearly \$26.1 million in the Bond Redemption Account at the beginning of the forecast period. The Authority does not expect to draw from the Bond Redemption Account during the projection period; however, the timing and amount of actual usage may vary.

Subordinated debt service, including both SRF and other outstanding subordinated Authority debt, is projected to decrease from \$176.0 million in FY 2026 to \$85.0 million in FY 2031. No future variable-rate debt is assumed to be issued over the timeframe of these projections; an assumption that may change based on market conditions. Projected SRF debt service assumes an interest rate of 2.15 percent for FY 2026 and the remainder of the projection period.

3.5 Non-Rate Revenues

The Authority receives revenues from a variety of sources that offset the amount that must be collected from the Local Bodies. Total non-rate revenues are budgeted at \$40.9 million in FY 2026 and are projected to increase to a total of \$50.5 million in FY 2031. Table 7 summarizes these sources from FY 2026 through FY 2031.

Table 7
Projected Non-Rate Revenue, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Stabilization Fund Withdrawal	\$0	\$780	\$782	\$740	\$140	\$12
Miscellaneous	\$17,616	\$18,122	\$18,512	\$18,883	\$19,032	\$19,327
<u>Investment Income</u>	<u>\$23,332</u>	<u>\$28,282</u>	<u>\$24,664</u>	<u>\$26,771</u>	<u>\$29,102</u>	<u>\$31,202</u>
Total Non-Rate Revenue	\$40,948	\$47,184	\$43,957	\$46,394	\$48,274	\$50,541

Note: Totals may not add exactly due to rounding.

Major non-rate revenue sources are briefly described in the following:

Rate Stabilization Fund Withdrawal: When annual revenues exceed expenses, the Authority may deposit the money in the Rate Stabilization Fund. In future years, money may be withdrawn from the Rate Stabilization Fund to reduce rate revenue requirements. The projections cap Rate Stabilization Fund withdrawals at an amount no greater than 10 percent of the Required Debt Service Fund Deposits, net of debt service assistance credited to Senior Debt for such year, consistent with the Resolution, and use such amounts as available to moderate projected rate increases consistent with Authority practice. The Rate Stabilization Fund balance at the end of FY 2025 was \$39.0 million. The Authority anticipates withdrawals of \$780,000 in FY 2027, \$782,000 in FY 2028, \$740,000 in FY 2029, \$140,000 in FY 2030, and \$12,000 in FY 2031.

Investment Income: The Authority earns interest by investing fund balances in a variety of interest-bearing securities. Interest earnings from these funds, except for the Debt Service Reserve Fund, are transferred to the Revenue Fund and are available to meet the ongoing obligations of the Authority. Interest earned in the Debt Service Reserve Fund remains in that Fund to help meet its funding requirement. Total investment income is projected to generate \$23.3 million in FY 2026 and then varying between \$25 million and nearly \$31 million in the forecast period. The fluctuations in investment income between FY 2026 and FY 2031 partially reflect changes in the Construction Fund, Rate Stabilization Fund, and Debt Service Reserve Fund balances.

Miscellaneous: The Authority also receives certain amounts from Local Bodies, primarily the Chicopee Valley Aqueduct ("CVA") communities that are provided water under various contracts, as well as payments from the Town of Clinton for partial operation of the Clinton Wastewater Treatment Plant. The Authority is projected to receive approximately \$45.6 million from Clinton and the CVA communities under the contractual service agreements over the forecast period. The Authority estimates that over the same period it will collect \$15.6 million in water revenue from sewer customers to offset water usage at the DITP. The

Authority also receives a variety of fees, penalties and charges in its normal course of business.

4 Rate Revenue Requirement and Retail Customer Impacts

4.1 Rate Revenue Requirement

Table 8 summarizes the projected rates for FY 2026 through FY 2031, based on the CEB and other factors described herein. For FY 2026, the Authority's rate revenue requirement is projected to increase by 2.7 percent over FY 2025 levels to a total of approximately \$878.8 million. The rate revenue requirement equals the total amount of expenses in a fiscal year (including required reserve deposits and any amounts required to meet coverage requirements) less non-rate revenues. Of this amount, approximately \$555.2 million will be required to meet the expenses of the Sewer System, including allocated administrative and indirect expenses, and approximately \$323.6 million for the Waterworks System.

Rate revenues are projected to increase from approximately \$878.8 million in FY 2026 to approximately \$1,018.2 million in FY 2031, an average annual increase of 3.0 percent. For the Sewer System, the rate revenue requirement is projected to increase from \$555.2 million in FY 2026 to approximately \$626.6 million in FY 2031, an average annual increase of approximately 2.5 percent. The Waterworks System revenue requirement is projected to increase from \$323.6 million in FY 2026 to approximately \$391.6 million in FY 2031, an average annual increase of 3.9 percent.

The Authority historically has attempted to smooth total rate increases to mitigate significant short-term rate increases. Recognizing that smoothing total rate increases is beneficial to Local Bodies receiving both water and sewer service only, in FY 2017, the Authority began to smooth rates at the Sewer and Waterworks Systems level. Rate smoothing at the Systems level has created more sustainable and predictable rates for each System, which has helped mitigate short-term rate spikes and provide consistent rates for the Local Bodies that only receive one service from the Authority.

Table 8
Projected Rate Revenue Requirement Increases, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Sewer Rate Revenue	\$555,163	\$568,656	\$582,342	\$597,056	\$612,132	\$626,607
Waterworks Rate Revenue	\$323,598	\$336,140	\$349,266	\$362,831	\$376,817	\$391,591
Total Rate Revenue	\$878,761	\$904,797	\$931,608	\$959,887	\$988,949	\$1,018,198
Annual Rate Increase	2.7%	3.0%	3.0%	3.0%	3.0%	3.0%

Note: Totals may not add exactly due to rounding.

The projected rate revenue increases are the product of many assumptions, including the rate of growth in Authority operating expenses and economic and financial assumptions. They also assume that the Authority uses the Rate Stabilization Fund as described in this Report.

4.2 Rate Allocation Methodology

The Authority's charges for the services of the Waterworks System and Sewer System, identified as Total Rate Revenue in the preceding table, are billed to Local Bodies on a wholesale basis. This means

that the Authority bills Local Bodies, including special districts, rather than the individual residences or businesses served by the Systems. Separate charges applicable to the Waterworks System and Sewer System are established each year as required by the Enabling Act. These charges, together with other available revenue, are established at levels that are at least sufficient to pay the full annual revenue requirement, as described in subsequent sections.

4.2.1 *Water Rate Methodology*

Using an average cost methodology, the Authority's net annual Waterworks System costs for the current fiscal year, including operation and maintenance, debt service, and reserve fund requirements, are recovered from Local Bodies in proportion to their prior calendar year annual water consumption. In FY 2025, the unit cost of water is \$4,991 per million gallons; and based on the Authority's projections the unit cost of water will be approximately \$5,005 per million gallons in FY 2026, with a unit cost of \$5,829 in FY 2031.

4.2.2 *Contractual Agreements for Water Service*

Twenty-five of the 53 water-served Local Bodies are "contract communities" in which water is supplied pursuant to water supply agreements. The list of water-served communities evolved through various legislative acts that allowed the communities/water districts to join the Waterworks System. The water supply agreements contain terms and conditions agreed to by the respective Local Body and the Authority. Twenty of the 25 contract communities pay for water at the full water rates. The three CVA communities have a separate assessment. Southborough receives its first 150 million gallons per year at no charge. Clinton is also considered a water-served community; however, Clinton withdraws its first 800 million gallons of water per year from the Authority's water supply reservoirs via its own infrastructure free of charge under special legislation. There are four additional entities served by the Authority, including state hospitals and the DCR. The Authority has had and continues to have discussions with additional communities and Local Bodies regarding potential water sales to meet various needs. The Authority currently provides water services to five Local Bodies added to the Waterworks System since its inception.

4.2.3 *Wastewater Rate Methodology*

The Authority's wastewater rate methodology encompasses the following elements:

Operation and Maintenance Expense: Each Local Body's annual allocation in FY 2026 is based upon the average total annual metered flow for the prior three years from each community taking into account three separate prices for each portion of wastewater: total annual flow, pounds of suspended solids, and pounds of biochemical oxygen demand.

Capital Costs: A flow-based method, adjusted for strength, is used to recover one-quarter of the capital costs, and a population-based method is used to recover the remaining three-quarters. For each Local Body in FY 2026, flow calculations are based on the average of the month in the prior three calendar years in which the highest average daily flows occurred for that Local Body. The remaining share of capital costs is allocated based on population: 50 percent of the balance (37.5 percent of the total) assigned on the basis of the Local Body's total or census population and 50 percent of the balance (37.5 percent of the total) on the basis of the presently served population.

The Authority completed a meter replacement program in FY 2023 for the flow meters that were used to allocate flow among Local Bodies to determine each Local Bodies share of costs.

4.2.4 Enforceability of Charges

The Authority's charges to Local Bodies are a general obligation of the Local Bodies. Local Bodies fund payment of the Authority's wholesale rates and charges from several revenue sources, including local retail water and wastewater charges, real and personal property taxes, Commonwealth local aid distributions, or a combination of the preceding. In the event any charge to a Local Body is not paid when due, the Enabling Act authorizes the Authority to recover the amount due, together with interest and other actual damages, by action in the state Superior Court. Without suit, the Authority may also certify to the State Treasurer the amount of any unpaid charge from a Local Body (except the Boston Water and Sewer Commission, the Lynn Water and Sewer Commission, the Dedham-Westwood Water District, and the Lynnfield Water District, which collectively will account for approximately 30.5 percent of total rate revenues in FY 2026), whereupon the State Treasurer is required by the Act to deduct the amount due from any distribution of local aid then payable to such Local Body by the Commonwealth, if any, and instead to pay such amount to the Authority. The Authority has collected 100 percent of its rates and charges in each year of its existence. This local aid intercept has been used only eight times in total, and not since FY 1993. To date, 100 percent of the Authority's rates and charges were collected within 30 days of due dates, except for one instance in which the Authority made special arrangements with a Local Body to extend the due date.

The availability of Commonwealth local aid distributions in the future to satisfy unpaid charges imposed by the Authority with respect to those Local Bodies eligible to receive such distributions will be dependent upon, among other things, the aggregate amount actually appropriated to each Local Body by the state legislature in a fiscal year for local aid distribution, and to the extent to which a Local Body's local aid distribution may have already been accessed under other valid intercept mechanisms.

4.3 Retail Customer Impacts

The Local Bodies and their retail customers will continue to be impacted by the projected increases in the Authority's charges for water and wastewater service over the next several years. Local Bodies will be required to increase their contributions through retail user fee increases. Due to the variety of revenue sources used by the Local Bodies and the differences in service levels, it is difficult to accurately assess the impact of the projected increases in the Authority's charges on the average household in the Authority's service area. The Advisory Board annually surveys the Local Bodies and based on the 2024 *Annual Water and Sewer Retail Rate Survey*, the Advisory Board has estimated that during FY 2024 the average annual household charges for water and wastewater service across the Local Bodies served by the Authority will total \$2,018 using an industry standard benchmark that the average household consumes 90,000 gallons per year. For FY 2026, we project that the average household bill assuming 90,000 gallons for average annual consumption will increase to approximately \$2,189. When making these projections, we have assumed (1) that the Local Body that provides retail services receives both water and sewer services from the Authority, (2) that the Local Body passes on to each household 100 percent of any Authority increases in the form of retail user fees, (3) that the Local Body's charges increase by 5.0 percent annually through FY 2031, and (4) that the Authority's charges constitute approximately 41.0 percent of the Local Bodies' charges in FY 2026.

Table 9 summarizes the projected annual household bills through FY 2031 assuming average household consumption of 90,000 gallons per year. Typical annual household bills are projected to increase to approximately \$2,699 in FY 2031. Of this amount, \$1,050 is the Authority wholesale charge and \$1,649 is the projected local charge.

These estimates of household charges are based on the assumptions regarding inflationary increases, long-term debt interest rates, state and federal assistance, estimates of additional operating expenses related to new facilities, and construction costs of new facilities. These estimated charges are, therefore, subject to change.

We believe that assuming average annual consumption of 90,000 gallons per year overstates residential consumption in many of the Local Bodies, and that most residential customers consume significantly less. Another benchmark that the Authority is using is based on 61,000 gallons per year per household, or 68 percent of the industry benchmark which the Authority believes tracks closer to actual consumption in its service area. Consequently, the average annual household bills described above and presented below are not reflective of the actual cost of water and sewer service being incurred by the Local Bodies' residential customers. At the consumption level of 61,000 gallons, the average retail bill during FY 2026 would be approximately \$1,484, and in FY 2031 the average bill is estimated to be \$1,829.

Table 9
Projected Typical Household Bills, FY 2026-2031
(\$ in 000's)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Combined						
Local	\$1,292	\$1,357	\$1,425	\$1,496	\$1,571	\$1,649
<u>MWRA</u>	<u>\$897</u>	<u>\$925</u>	<u>\$955</u>	<u>\$986</u>	<u>\$1,017</u>	<u>\$1,050</u>
Total	\$2,189	\$2,282	\$2,379	\$2,481	\$2,588	\$2,699
Water						
Local	\$423	\$445	\$467	\$490	\$515	\$540
<u>MWRA</u>	<u>\$462</u>	<u>\$480</u>	<u>\$498</u>	<u>\$518</u>	<u>\$538</u>	<u>\$559</u>
Total	\$885	\$924	\$965	\$1,008	\$1,052	\$1,099
Sewer						
Local	\$869	\$912	\$958	\$1,006	\$1,056	\$1,109
<u>MWRA</u>	<u>\$435</u>	<u>\$446</u>	<u>\$456</u>	<u>\$468</u>	<u>\$480</u>	<u>\$491</u>
Total	\$1,304	\$1,358	\$1,414	\$1,473	\$1,535	\$1,600

The retail rates within the Authority's service area are among the highest in the country according to the Advisory Board's 2024 *Annual Water and Sewer Retail Rate Survey*. The survey found an average annual combined water and sewer household bill of approximately \$2,018 in FY 2024 assuming 90,000 gallons of water use for all 61 communities served by the Authority. However, comparing the costs to households of water and sewer services across jurisdictions is difficult given differing methodologies in establishing user fees, capital assessments, general tax support, and the availability of state and federal financial assistance. In addition, it is important to consider regional variations in water consumption and household income when assessing the impact of such bills on residential customers. The Authority believes that with these factors considered, its service costs are comparable to many utilities across the country.

For certain segments of the Authority's service area population, especially those with low and/or fixed incomes, we believe that the retail rates may be burdensome. If these increases are not mitigated in

some fashion, certain demographic groups within the retail customer base may find the projected increases unaffordable. However, Local Bodies have a variety of means for mitigating these impacts, including lifeline rates, subsidization from other revenue sources, and discounts for senior and low-income households.

Based upon our review and recognizing the availability and use of retail rate alternatives by the Local Bodies, we are reasonably confident that the Authority's projected rates and charges will be within the ability of the individual Local Bodies and their collective retail customer base to afford.

5 Compliance with the General Bond Resolution

Table 10 summarizes our evaluation of the Authority's compliance with certain terms of the Resolution from FY 2026 through FY 2031. The data included in this table regarding non-rate revenues, operating expenses, debt service assistance and reserve fund deposits are described in prior sections. Rate revenue is described in the preceding section. In general, the Authority must generate sufficient rate revenue to meet all operating and capital expenses after accounting for non-rate revenue, such as debt service assistance and investment income. In addition, the Authority's total revenues must be sufficient to comply with the debt service coverage requirements of the Resolution.

Projected annual revenue requirements of the Authority, including operation and maintenance expenses, debt service, and deposits into the various reserve funds are discussed previously. The Authority may deposit certain year-end surpluses from operations into the Rate Stabilization Fund (line 18) and use the accumulated balance in this fund to mitigate the impact of future increases in revenue requirements, subject to the terms of the Resolution and management discretion. Year-end surpluses have resulted from favorable variances of capital financing and other operating expenses, and non-rate revenues.

In addition to meeting its yearly cash requirements, the annual revenues of the Authority must be adequate to comply with certain covenants of the Resolution, including the covenants prescribed in Section 705 as to annual level of rates and charges and the required annual debt service coverage ratio (the "Rate Covenant"), as well as the covenants outlined in Section 206 concerning conditions precedent to the issuance of additional revenue bonds (the "Additional Bonds Test"). (For a more complete description of these requirements, see the Official Statement, of which this Appendix C is a part, including Appendix D, Summary of Certain Provisions of the General Bond Resolution.)

In order to comply with the Rate Covenant, annual revenues of the Authority must be adequate to: (1) meet all annual revenue requirements including operation and maintenance expenses, *pro rata* debt service fund deposits, and reserve fund requirements; and (2) provide revenue available for revenue bond debt service payments in each fiscal year equal to the sum of the Primary and Secured Bond Coverage Ratios. Revenue available from current year operations must provide the Primary Bond Coverage Ratio of 120 percent (1.2 x).

The Authority is also required to maintain Revenues Available for Bond Debt Service at a level equal to 110 percent (1.1 x) of debt service on all senior and secured bonds, including bonds issued to the SRF (Secured Bond Rate Covenant).

As shown on lines 23 through 25 of Table 10, the Authority is projected to generate sufficient revenues to comply with the applicable coverage requirements. The projected Primary Bond Coverage Ratio (line 24) exceeds the 120 percent requirement for all forecasted years. The Secured

Bond Coverage Ratio (line 25) is projected to equal or surpass the 110 percent level in all forecasted years.

Table 10
Projected Compliance with Resolution, FY 2026-2031
(\$ in 000's)

		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
	Revenues						
1	Non-Rate Revenues:						
2	Investment Income	\$23,332	\$28,282	\$24,664	\$26,771	\$29,102	\$31,202
3	Rate Stabilization Fund	\$0	\$780	\$782	\$740	\$140	\$12
4	Miscellaneous	\$17,616	\$18,122	\$18,512	\$18,883	\$19,032	\$19,327
5	<u>Rate Revenue Requirement</u>	<u>\$878,761</u>	<u>\$904,797</u>	<u>\$931,608</u>	<u>\$959,887</u>	<u>\$988,949</u>	<u>\$1,018,198</u>
6	Total Revenue	\$919,709	\$951,980	\$975,566	\$1,006,281	\$1,037,223	\$1,068,738
7	Operating Expenses	\$368,564	\$381,471	\$396,149	\$406,388	\$420,838	\$396,873
8	Chelsea Facility Lease	\$3,217	\$3,217	\$3,217	\$3,217	\$3,217	\$3,217
9	<u>Other Post-Employment Benefits</u>	<u>\$5,349</u>	<u>\$5,404</u>	<u>\$5,438</u>	<u>\$5,449</u>	<u>\$5,434</u>	<u>\$5,390</u>
10	Net Operating Revenues	\$542,579	\$561,888	\$570,762	\$591,227	\$607,734	\$663,259
11	Debt Service						
12	Senior Debt Service	\$289,255	\$334,608	\$355,190	\$410,394	\$441,518	\$504,821
13	Debt Service Assistance & Bond Redemption Account	\$0	\$0	\$0	\$0	\$0	\$0
14	<u>Secured Debt Service</u>	<u>\$176,029</u>	<u>\$141,747</u>	<u>\$128,159</u>	<u>\$101,042</u>	<u>\$88,573</u>	<u>\$85,011</u>
15	Total Debt Service	\$465,284	\$476,355	\$483,349	\$511,437	\$530,091	\$589,832
16	Watershed and PILOT	\$35,119	\$36,172	\$37,258	\$38,375	\$39,527	\$40,712
17	Reserve Fund Deposits	\$1,967	\$2,151	\$2,446	\$1,707	\$2,408	(\$3,994)
18	Rate Stabilization Fund Deposits	\$0	\$0	\$0	\$0	\$0	\$0
19	Current Revenue for Capital	\$21,500	\$22,500	\$23,500	\$24,500	\$25,500	\$26,500
20	CP Interest for Water Pipeline Program	\$10,209	\$10,209	\$10,209	\$10,209	\$10,209	\$10,209
21	Debt Service Defeasance	\$8,500	\$14,500	\$14,000	\$5,000	\$0	\$0
22	Balance Available Year End	\$0	\$0	\$0	\$0	\$0	\$0
23	Rate Covenant Test						
24	Primary Coverage¹	1.88	1.68	1.61	1.44	1.38	1.31
25	Secured Coverage²	1.17	1.18	1.18	1.16	1.15	1.12

¹ Primary Coverage equals Net Revenues divided by Senior Debt.

² Secured Coverage equals Net Revenues divided by Total Debt.

Note: Totals may not add exactly due to rounding.

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SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a brief summary of certain provisions of the Massachusetts Water Resources Authority (the “Authority”) Amended and Restated General Revenue Bond Resolution, that became effective as of April 23, 2015, as amended as of July 23, 2025 (as amended and supplemented to date, the “General Resolution”). As described in the Official Statement, a modification to the General Resolution (the “Modification”) was approved by the Authority’s Board of Directors on July 23, 2025, which Modification is effective with respect to the Bonds, and will be effective with respect to other Subordinate Bonds and Senior Bonds if and when the requisite consents have been obtained.

This summary does not purport to be complete and reference is made to the General Resolution, including each Supplemental Resolution thereto, for full and complete statements of its terms and provisions.

“Accountant” shall mean CliftonLarsenAllen LLP or any independent certified public accountant (or a firm thereof) of recognized standing, selected by the Authority and satisfactory to the Trustee and may be the accountant regularly auditing the books of the Authority.

“Adjusted Debt Service” for any period of time, with respect to any category or Series of Secured Bonds shall mean, the Debt Service for such period of time with respect to such Series except that, if any Refundable Principal Installment of such Series is included in Debt Service for such period of time, Adjusted Debt Service shall mean Debt Service determined as if such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the date identified in the Supplemental Resolution authorizing such Series (which date may be no later than the last date on which such Series could have been stated to mature under the Act as in effect on the date of issuance of such Series), in installments which would have required level annual payments of the sum of Principal Installments and interest over such period. Interest deemed payable in any period of time after the actual due date of any Refundable Principal Installment of any Series of Secured Bonds shall be calculated at the applicable Refundable Principal Installment Pro Forma Interest Rate (using the actuarial method of calculation).

“Aggregate Adjusted Debt Service” shall mean, for any Fiscal Year, and with respect to Bonds or Subordinated Bonds, the aggregate of the Adjusted Debt Service on all Series of Bonds or Subordinated Bonds for such Fiscal Year.

“Authorized Representative” shall mean, with respect to the Authority, the Chairman, the Vice Chairman, the Executive Director, the Director of Finance or the Treasurer of the Authority and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the Authority to perform such act or sign such document.

“Bond” or “Bonds” shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered pursuant to the General Resolution in the manner described under the heading “**Conditions Precedent to Delivery of a Series of Bonds**” and shall also mean any Parity Bond Anticipation Notes and any Parity Reimbursement Obligation incurred with respect to Bonds, but shall not mean Subordinated Bonds, other Bond Anticipation Notes or other Indebtedness.

“Bond Anticipation Notes” shall mean any of the notes issued in anticipation of a Series of Secured Bonds pursuant to the General Resolution and shall include, unless the context otherwise indicates, Parity Bond Anticipation Notes and Subordinated Parity Bond Anticipation Notes.

“Bond Counsel’s Opinion” shall mean an opinion by Greenberg Traurig, LLP, or any attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of public instrumentalities, selected by the Authority and satisfactory to the Trustee and may be an attorney or firm regularly providing services to the Authority.

“Business Day” shall mean any day other than a Saturday, a Sunday or any other day on which any Fiduciary is authorized or required by law to be closed for business.

APPENDIX D

“Capital Budget” shall mean the capital expenditure budget of the Authority as in effect from time to time in accordance with Section 8(b) of the Act and the General Resolution.

“Capital Improvements” shall mean extensions, improvements, enlargements, betterments, alterations, renewals and replacements of the System or other property of the Authority (including land, equipment and other real or personal property), which (i) is used or useful in connection with the System or any part thereof, (ii) is constructed, acquired or made by or on behalf of the Authority subsequent to the date of adoption of the General Resolution, and (iii) is properly chargeable (whether or not so charged by the Authority) according to generally accepted accounting principles, as additions to utility plant accounts.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including any regulations promulgated thereunder or applicable thereto.

“Commonwealth Obligations” shall mean obligations of the Authority payable to the Commonwealth, including without limitation obligations with respect to principal of, premium, if any, or interest on Commonwealth debt required to be paid by the Authority under applicable law, amounts payable to the Commonwealth pursuant to Section 5(b) of the Act, state taxes, payments in lieu of taxes collected by the Commonwealth on behalf of any municipality, payments on account of administrative costs of the Watershed Division and state governmental charges of all other kinds, but not including Water Pollution Abatement Obligations; and shall also include Special Payment Obligations, which shall be payable equally and ratably with all other Commonwealth Obligations.

“Consulting Engineer” shall mean CDM Smith Inc. or any independent engineer or firm of engineers selected by the Authority pursuant to the General Resolution.

“Costs” as applied to any Project, shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the Authority, of undertaking and carrying out such Project including, without limitation, any item of “cost” as defined in the Act.

“Credit Facility” shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, the senior long term debt obligations of which (or the holding company of any bank) are rated in either of the highest two rating categories by each Rating Agency which provides for payment of all or a portion of the Principal Installments or interest due on any Series of Secured Bonds or provides funds for the purchase of such Secured Bonds or portions thereof.

The Modification deletes the following from the foregoing definition: “the senior long term debt obligations of which (or the holding company of any bank) are rated in either of the highest two rating categories by each Rating Agency”, (i) effective as of July 23, 2025 with respect to any Series of Bonds issued on or after July 23, 2025, (ii) effective with respect to other Subordinated Bonds when and if the requisite consents have been obtained, and (iii) effective with respect to other Bonds if and when the requisite consents have been obtained.

“Current Expenses” shall mean any expenses incurred by or for the account of the Authority or reimbursable by or to the Authority for maintaining, repairing or operating the System and engaging in other activities authorized by the Act including, without limiting the generality of the foregoing, any item of “current expense” as defined in the Act, amounts defined herein as Operating Expenses, Debt Service, Commonwealth Obligations or Water Pollution Abatement Obligations, and other current expenses required or permitted by law to be paid by or reimbursable to the Authority.

“Debt Service” for any period of time shall mean, as of any date of calculation and with respect to any Series of Indebtedness, an amount equal to the sum of (i) interest payable during such period of time on Indebtedness of such Series (including any interest payable on any Parity Bond Anticipation Notes), except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (ii) the Principal Installments of the Indebtedness of such Series payable during such period of time. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Indebtedness of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by

application of Sinking Fund Installments and (y) as to future period, Variable Rate Indebtedness will bear interest at the greater of (A) the rate or rates which were assumed by the Authority in the current Operating Budget to be borne by such Variable Rate Indebtedness during such period or (B) the weighted average of the actual rate or rates borne by such Variable Rate Indebtedness over the preceding month, or (C) but only for the first Fiscal Year in which such Variable Rate Indebtedness is Outstanding, the interest rate stipulated by the Authority in the Supplemental Resolution authorizing such Indebtedness.

“Defeasance Obligations” shall mean the obligations described in clause (a), (b), (c), (d) or (j) of the definition of Investment Securities; provided that such obligations shall not be redeemable prior to the maturity date or stated redemption date relied upon in satisfying the conditions of the General Resolution with respect to defeasance.

“Designated Debt” shall mean any Series of Secured Bonds with respect to which there shall be in effect a Qualified Swap.

“Depository” shall mean any bank or trust company selected by the Authority, as the case may be, as a depository of moneys to be held under the provisions of the General Resolution, any may include the Trustee.

“Event of Default” shall mean any event specified as such in the General Resolution.

“Fiduciary” shall mean the Trustee or any Paying Agent or Depository.

“Financial Guaranties” shall mean one or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or the holding company of any such banking institution) have (at the time of issue of such letter of credit) a rating in either of the two highest categories from each Rating Agency; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers or multiline insurers the obligations insured by which are eligible for a rating in either of the two highest categories from each Rating Agency; in each case providing for the payment of sums for the payment of Principal Installments of and interest on Secured Indebtedness in the manner provided in the General Resolution; and providing further that any such Financial Guaranty must be drawn upon on a date which is at least seven days prior to the expiration date of such Financial Guaranty in an amount equal to the deficiency which would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration data as provided in a related Supplemental Resolution.

“Fiscal Year” shall mean the twelve-month period commencing July 1 of any calendar year and ending June 30 of the succeeding calendar year or such other twelve-month period as may be provided by the Act or authorized by the Authority pursuant to the Act.

“Governmental Obligations” shall mean direct general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Grant Agreements” shall mean any and all agreements between the Authority (by original execution or by transfer from the Metropolitan District Commission pursuant to the Act) and the United States of America or the Commonwealth, or any agency, department, bureau, commission or other instrumentality of either thereof, all as the same may be amended or supplemented from time to time, providing for or relating to the provision of Grant Receipts to the Authority.

“Grant Receipts” shall mean any money received by or on behalf of the Authority under or pursuant to a Grant Agreement as or on account of a grant or contribution, heretofore or hereafter made, in aid of or with respect to any Project (including without limitation any such moneys received by the Commonwealth or the Metropolitan District Commission in trust for the Authority pursuant to Sections 4 and 5 of the Act as or on account of a grant or contribution, heretofore made, in aid of or with respect to any improvement to the System).

“Indebtedness” shall mean indebtedness for borrowed money of the Authority, including without limitation all Bonds, Subordinated Bonds, Bond Anticipation Notes, Reimbursement Obligations, Special Subordinated Indebtedness and the Prior Notes but shall not include Special Payment Obligations.

APPENDIX D

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority or by a duly appointed subcommittee of its Board of Directors and in effect at the time of the making of such investment:

- (a) Government Obligations;
- (b) Certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Mortgage Corporation; Student Loan Marketing Association; Federal Home Loan Banks; Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; Federal Land Banks; or any other agency or instrumentality of the United States of America; or the International Reconstruction Development Bank;
- (d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency of person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by Congress;
- (e) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (ii) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the three highest long-term rating categories by S&P and Moody’s (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the three highest rating categories of such Rating Agency, and provided further that with respect to (i) and (ii) any such obligations are held by the Trustee or a bank, trust company or national banking association (other than the issuer of such obligations, unless the issuer is the Trustee);
- (f) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above with any registered broker/dealer or with any commercial bank, provided that (i) a specific written repurchase agreement governs the transaction, (ii) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (A) a Federal Reserve Bank, or (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (iii) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;
- (g) Money market funds rated in the highest category by S&P and Moody’s (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest rating category of such Rating Agency;

(h) Commercial paper rated in the highest rating category by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest rating category of such Rating Agency;

(i) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c), (d) and (f) above;

(j) Obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations, or Government Obligations which have been stripped of their unmature interest coupons and interest coupons stripped from Government Obligations, held in trust for the payment thereof which obligations are rated in the highest rating category by each Rating Agency;

(k) Short-term or long-term obligations the interest on which is excludable from gross income for Federal income tax purposes and that are rated in the three highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the three highest rating categories of such Rating Agency, or shares of investment companies or cash equivalent investments which are authorized to invest primarily in such obligations;

(l) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth;

(m) investment contracts with banks or other financial institutions whose long-term unsecured debt or claims-paying ability is rated in one of the three highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the three highest rating categories of such Rating Agency;

(n) forward purchase agreements for the delivery of securities described in subparagraph (a), (b), (c), (d), (h) or (k) above from financial institutions rated in one of the three highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in one of the three highest rating categories by such Rating Agency; and

(o) any other investment authorized pursuant to an amendment or supplement to the General Resolution.

Obligations of any Fiduciary or an affiliate thereof may be Investment Securities, provided that they otherwise qualify.

"Local Body Default" shall mean a default in the payment of any Rates and Charges due to the Authority by a Local Body, as certified by an Authorized Representative of the Authority in accordance with the provisions of the General Resolution.

"Moody's" shall mean Moody's Investors Service, Inc.

"Net Revenues" shall mean with respect to a period of time all Revenues accrued in such period in accordance with general accepted accounting principles less the Operating Expenses incurred or payable during such period in accordance with generally accepted accounting principles; provided, however, that the proceeds of revenue anticipation notes shall not constitute Revenues and the principal amount of such notes shall not constitute Operating Expenses for the purpose of calculating Net Revenues.

"Operating Budget" shall mean the Operating Budget duly adopted by the Authority in the same manner as its Current Expense Budget, except as provided in the General Resolution, as amended from time to time, in accordance with the General Resolution, which Operating Budget may constitute a portion of, or an exhibit or appendix to, such Current Expense Budget.

APPENDIX D

“Operating Expenses” shall mean the Authority’s expenses, whether or not annually recurring, of maintaining, repairing and operating the System and engaging in other activities authorized by the Act including, without limiting the generality of the foregoing, amounts for administrative expenses including costs of salaries and benefits and amounts required to finance pension benefits earned by employees of the Authority, as provided in the Act; cost of insurance, payments for engineering, financial, accounting, legal and other services rendered to the Authority, payments under any interest rate exchange, cap, or other hedge agreement which have been designated by the authority as Operating Expenses for purposes of the General Resolution in such agreement; costs incurred or payable by the Authority with respect to the System Real Property (as defined in the Act); costs of issuance not financed in the Costs of a Project paid by the Authority; and payments of interest on revenue anticipation notes and other Current Expenses; but not including depreciation, recognition upon disposal or other retirement of a capital asset, Debt Service payable from any Fund or Account established hereunder, Commonwealth Obligations, Water Pollution Abatement Obligations, Special Payment Obligations, and expenses incurred in connection with a separate facility financing as described under “**Additional Indebtedness - Special Subordinated Indebtedness.**”

“Option Bonds” shall mean Secured Bonds which by their terms may be tendered by and at the option of the owner thereof for purchase or payment by the Authority prior to the stated maturity thereof.

“Outstanding”, when used with reference to Bonds or any other Indebtedness, shall mean, as of any date, all Bonds or other evidences of Indebtedness theretofore or thereupon being authenticated and delivered under the General Resolution except:

- (a) any Bonds or other evidences of Indebtedness canceled by the Trustee at or prior to such date;
- (b) any Bond or other evidence of Indebtedness (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust hereunder either; (i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or (iii) any combination of (i) and (ii) above, and, if such Bond or other evidence of Indebtedness or portion thereof is to be redeemed, for which notice of redemption has been given as provided in the General Resolution, or the applicable Supplemental Resolution, or provision satisfactory to the Trustee has been made for the giving of such notice;
- (c) any Bond or other evidence of Indebtedness in lieu of or in substitution for which other Bonds or other evidences of Indebtedness have been authenticated and delivered; and
- (d) any Bond or other evidence of Indebtedness deemed to have been paid as provided in the General Resolution.

“Parity Bond Anticipation Notes” shall mean Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by the General Resolution to secure the Bonds.

“Parity Reimbursement Obligation” shall mean a Reimbursement Obligation the payment of which is secured by a pledge of, and a lien on, Revenues on a parity with the lien created in favor of a class of Secured Bonds by the General Resolution.

“Parity Subordinated Bonds” shall mean the Authority’s General Revenue Bonds (Subordinated Series), 2005 Series D, originally issued on November 16, 2005, and each Series of Subordinated Bonds or Bond Anticipation Notes theretofore or thereafter issued on a parity with such 2005 Series D Subordinated Bonds, and shall also mean any Subordinated Parity Bond Anticipation Notes and any Parity Reimbursement Obligations incurred with respect to Parity Subordinated Bonds.

“Payment Date” shall mean, with respect to any class of Secured Bonds, each date on which interest or a Principal Installment or both shall be due and payable on any of such Outstanding Secured Bonds according to their respective terms.

“Primary Bond Coverage Requirement” shall mean, for any twelve-month period, the product of the Primary Bond Coverage Ratio and the Required Debt Service Fund Deposits for all Outstanding Bonds for such period.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series of Secured Indebtedness, so long as any obligations of such Series are Outstanding, (i) the principal amount of obligations of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for obligations of such Series. For the purposes of the preceding sentence, “Principal Amount” shall include (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the “principal amount” with respect to any Bonds or Subordinated Bonds which do not pay full current interest for all or any part of their term, (y) the Tender Option Price of any Option Bonds which may be tendered to the Authority for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility which is not in default and (z) the principal amount of any Parity Reimbursement Obligation. Principal Installment shall, however, not include the principal of Bond Anticipation Notes.

“Pro Forma Bond Issue” shall mean when used with reference to the Debt Service Reserve Fund Requirement or the Subordinated Debt Service Reserve Fund Requirement in connection with a Series of Variable Rate Indebtedness, the hypothetical fixed rate long-term bond issue set forth in the Supplemental Resolution authorizing such Series, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Variable Rate Indebtedness to which it relates, and (ii) such interest rate or rates as the Authority shall reasonably deem to be the equivalent of the rates which would have been borne by such Series of Variable Rate Indebtedness if such Series had been issued as a Series of Fixed Rate Indebtedness; provided that such interest rate shall be not less than 80% of the “30-year revenue bond index” then most recently published by *The Bond Buyer* or, if such index is no longer published such other substantially comparable index as determined by the Authority with the approval of the Trustee.

“Project” shall mean any undertaking or other activity by or on behalf of the Authority to maintain, improve or enlarge the System or to maintain, improve or enlarge any facilities owned or operated by any Local Body the maintenance, improvement or enlargement of which directly or indirectly affects the Waterworks Operations or Sewer Operations of the Authority or to acquire, construct, maintain, improve or enlarge any other facilities or properties to be lawfully owned or operated by the Authority including, without limitation, any “project” as defined in the Act.

“Qualified Swap” shall mean an interest rate exchange, cap or other hedge agreement (i) whose Designated Debt is all or part of a particular Series of Secured Bonds, and (ii) which has been designated to the Trustee by the Authority as a Qualified Swap with respect to such Secured Bonds.

“Rates and Charges” shall mean all charges, whether denominated as charges, fees, rates, assessments or otherwise, established by the Authority for the water supply or sewer services provided by the Authority.

“Rating Agencies” shall mean Moody’s and S&P and their respective successors and assigns if such rating agencies are maintaining a rating on the Secured Bonds at the request of the Authority, and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Secured Bonds and which is maintaining a rating on the Secured Bonds at the request of the Authority.

“Rebate Fund Requirement” means, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Series Resolution authorizing the issuance of a Series of Indebtedness as the amount required to be maintained in the Rebate Fund with respect to such Indebtedness.

“Redemption Price” shall mean, when used with respect to a Secured Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the General Resolution.

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“Refundable Principal Installment” shall mean any Principal Installment for any Series of Bonds or Subordinated Bonds which the Authority intends to pay with moneys which are not Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds or Subordinated Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only until the date of adoption of the Rates and Charges for the Fiscal Year (after which time such Refundable Principal Installment shall be treated as payable in level payments of the sum of the Principal Installments and interest over a five-year period commencing in such Fiscal Year at an interest rate determined by the Authority, set forth on a Certificate based on then prevailing interest rates for obligations such as the Bonds or the Subordinated Bonds, as the case may be) in which such Principal Installment comes due unless the Authority has delivered to the Trustee a Certificate of an Authorized Representative to the effect that it has made provision for the payment of such Principal Installment from a source other than Revenues.

“Refundable Principal Installment Pro Forma Interest Rate” shall mean, when used with reference to a Refundable Principal Installment, such hypothetical fixed interest rate as the Authority shall designate in the Supplemental Resolution authorizing such Refundable Principal Installment, based on then prevailing interest rates for obligations such as the Bonds or the Subordinated Bonds, as the case may be, to be the net interest cost which would have been borne by the Bonds or the Subordinated Bonds, as the case may be, constituting such Refundable Principal Installment if they had been payable on a level debt service basis over a period from the due date of such Refundable Principal Installment through the date identified in the Supplemental Resolution authorizing such Refundable Principal Installment (which date may be no later than the last date on which such Refundable Principal Installment could have been stated to mature under the Act as in effect on the date of issuance of such Refundable Principal Installment).

“Regularly Scheduled Qualified Swap Payments” shall mean the regularly scheduled payments under the terms of a Qualified Swap which are payable by the Authority absent any termination, default or dispute in connection with such Qualified Swap.

“Reimbursement Obligation” shall mean the obligation of the Authority described in the General Resolution to reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder together with interest thereon, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

“Renewal and Replacement Reserve Cash Requirement” shall mean the greater of (a) the lesser of (i) the Renewal and Replacement Reserve Fund Requirement and (ii) \$10,000,000, and (b) the Renewal and Replacement Reserve Requirement minus the unutilized credit available to the Authority under any commercial paper program or committed line of credit established by the Authority for the purpose of financing capital spending of the Authority.

“Required Debt Service Fund Deposits” shall mean, for any period of time, all deposits made to the Principal and Interest Accounts of the Debt Service Fund for such period whether pursuant to the provisions of the General Resolution described in paragraph (i) under the heading **“Flow of Funds from the Revenue Fund”** or provisions regarding transfer of investment earnings described in paragraph (ii) under the heading **“Investment of Certain Funds”** (including earnings retained in the Debt Service Fund) or any other provision of the General Resolution or any Supplemental Resolution, but shall not include amounts transferred from the Capitalized Interest Account or amounts paid from state debt service assistance which the Authority elects not to include in Revenues or other funds of the Authority that are not Revenues and are not transferred from other Funds or Accounts established under the General Resolution. For the purpose of this definition, for each Series of Designated Debt consisting of Bonds for any period, the amount required to be deposited into the Interest Account of the Subordinated Debt Service Fund pursuant to the provisions of the General Resolution described in clauses (a)(iii)(B) and (a)(iii)(E) under the heading **“Flow of Funds from the Revenue Fund”** shall be deemed to be solely the Regularly Scheduled Qualified Swap Payments relating to such Series of Designated Debt provided in the applicable Qualified Swap (and calculated, if variable in rate, as provided in the definition of “Debt Service”).

“Required Subordinated Debt Service Fund Deposits” shall mean, for any period of time, all deposits required to be made to the Principal and Interest Accounts of the Subordinated Debt Service Fund for such period with respect to Parity Subordinated Bonds, whether pursuant to the provisions of the General Resolution described in paragraph (a) under the heading **“Flow of Funds from the Revenue Fund”** or provisions regarding transfer of investment earnings described in paragraph (b) under the heading **“Investment of Certain Funds”** (including earnings retained

in the Subordinated Debt Service Fund) or any other provision of the General Resolution or any Supplemental Resolution providing for the issuance of Parity Subordinated Bonds; provided, however, that such deposits shall not include amounts transferred from the Capitalized Interest Account or amounts paid from state debt service assistance which the Authority elects not to include in Revenues or other funds of the Authority that are not Revenues and are not transferred from other Funds or Accounts established under the General Resolution. For purposes of determining Required Subordinated Debt Service Fund Deposits with respect to any Series of Parity Subordinated Bonds constituting Water Pollution Abatement Obligations, such deposit requirements shall be determined in accordance with any debt service schedule set forth in the Supplemental Resolution or other agreement or instrument relating to such Series of Parity Subordinated Bonds that identifies loan payments net of contract assistance and reserve fund earnings, if applicable, as adjusted from time to time, but no adjustment on account of a failure to receive payment of any investment in such a reserve fund or of any contract assistance shall be required to be made unless the Authority shall determine to do so and, further, no adjustment on account of the use of a reserve fund to cover a payment default shall be required, unless the Authority shall determine to do so, in determining Required Subordinated Debt Service Fund Deposits occurring prior to the earlier of (i) eighteen months following the date which follows the occurrence of the event resulting in the increased loan payment or (ii) the next establishment by the Authority of its Rates and Charges which can feasibly incorporate the increased loan payment resulting from such event. For the purpose of this definition, for each Series of Designated Debt consisting of Parity Subordinated Bonds for any period, the amount required to be deposited into the Interest Account of the Debt Service Fund pursuant to the provisions of the General Resolution described in clauses (a)(ii)(B) and (a)(ii)(E) under the heading **“Flow of Funds from the Revenue Fund”** shall be deemed to be solely the Regularly Scheduled Qualified Swap Payments relating to such Series of Designated Debt provided in the applicable Qualified Swap (and calculated, if variable in rate, as provided in the definition of “Debt Service”).

“Revenues” shall mean and include all income, revenue, receipts, and other moneys derived by the Authority from its operation of the Systems and engaging in other activities authorized by the Act and all accounts, general intangibles and contract or other rights to receive the same, whether existing at the date of adoption of the General Resolution or thereafter coming into existence and whether held by the Authority at such date or thereafter acquired, and the proceeds thereof including, without limiting the generality of the foregoing, all “revenue” as defined in the Act and receipts from Rates and Charges and, except to the extent provided in the General Resolution, the proceeds of insurance and condemnation awards received with respect to, and proceeds from the sale or other disposition of any portion of, the System, and shall include, without limiting the foregoing, all interest and investment income or moneys held under the General Resolution which are deposited in the Revenue Fund, the Operating Fund or the Debt Service Fund, but not including the proceeds of any Special Subordinated Indebtedness or any Grant Receipts (except to the extent otherwise provided herein or in any other resolution of the Authority), any revenues, receipts or other moneys of a facility financed with repayments of principal of loans made from the Revolving Loan Fund, or any amounts permitted to be received and held outside of the various Funds and Accounts established by the General Resolution.

“Revenues Available for Bond Debt Service” shall mean, with respect to a twelve-month period, Net Revenues for such period plus (i) amounts transferred from the Rate Stabilization Fund to the Revenue Fund during such period; and (ii) amounts transferred from the Operating Reserve Fund to the Operating Fund in such period; provided, however, for purposes of calculating Revenues Available for Bond Debt Service, the sum of clause (i) and (ii) above shall not exceed the product of (x) the difference between the Primary Bond Coverage Ratio and 1.0, if any, and (y) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period; and provided, further, that for purposes of calculating Revenues Available for Bond Debt Service the amount included pursuant to clause (i) above shall not exceed the product of (x) 0.1 and (y) the Required Debt Service Fund Deposits for all Outstanding Bonds for such period. Revenues deposited to the General Fund which are subsequently transferred to the Rate Stabilization Fund shall not be included in Revenues Available for Bond Debt Service in the year that such Revenues are deposited to the General Fund.

“Revenues Available for Subordinated Debt Service” shall mean with respect to a Fiscal Year, Revenues Available for Bond Debt Service less Required Debt Service Fund Deposits on all Series of Bonds Outstanding during such Fiscal Year.

“S&P” shall mean S&P Global Ratings.

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“Secured Bond Coverage Ratio” shall mean 1.1 as adjusted from time to time pursuant to the General Resolution.

“Secured Bond Coverage Requirement” shall mean, for any twelve-month period, the product of the Secured Bond Coverage Ratio and the sum of (i) the Required Debt Service Fund Deposits of all Outstanding Bonds for such period and (ii) the Required Subordinated Debt Service Fund Deposits for all Outstanding Parity Subordinated Bonds for such period.

“Secured Bonds” or “Secured Indebtedness” shall mean all Bonds and all Subordinated Bonds.

“Series” or “Series of Secured Bonds” shall mean all of the Secured Bonds authenticated and delivered on original issuance identified pursuant to the Supplemental Resolution authorizing such Secured Bonds as a separate Series of Secured Bonds and any Secured Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the General Resolution regardless of variations in maturity, interest rate or other provisions.

“Sewer Operations” shall mean the “sewer division” established pursuant to Section 8(a) of the Act.

“Sinking Fund Installment” shall mean, as of any particular date of calculation, the amount required by the General Resolution or any Supplemental Resolution to be paid by the Authority on a future date for the retirement of the principal amount of Outstanding Bonds or Subordinated Bonds which are stated to mature subsequent to such future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond or Subordinated Bond.

“Special Credit Facility” shall mean, with respect to any Series of Secured Bonds or portion thereof, a Credit Facility (a) which provides funds for (i) the direct payment of the Principal Installments of and interest on such Secured Bonds when due, or (ii) the payment of the Principal Installments of and interest on such Secured Bonds in the event amounts otherwise pledged to the payment thereof are not available when due, or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the Authority for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose), and (b) which (i) requires the Authority to directly reimburse the issuer of such Credit Facility for amounts paid thereunder, and (ii) provides that such obligation is a Parity Reimbursement Obligation.

“Special Payment Obligations” shall mean payment obligations under any interest rate exchange, cap or other hedge agreement or other long-term contract which have been designated as payable from the Commonwealth Obligation Fund in such agreement.

“Special Subordinated Indebtedness” shall mean Indebtedness incurred in anticipation of grant receipts; incurred in anticipation of revenues; payable from and secured by the General Fund; incurred with respect to the financing of a separate facility; or incurred in connection with the Revolving Loan Fund, all in accordance with the provisions of the General Resolution.

“SRF Bonds” shall mean Water Pollution Abatement Obligations of the Authority.

“SRF Program Bonds” shall mean bonds of the Trust secured by SRF Bonds.

“Subordinated Bonds” shall mean bonds or indebtedness which have a lien subordinate to the lien of the Bonds, on the Funds and Accounts and property established under the General Resolution, and shall also mean any Subordinated Parity Bond Anticipation Notes and any Parity Reimbursement Obligation incurred with respect to Subordinated Bonds; provided that the Subordinated Bonds have no lien on the Debt Service Fund or the Debt Service Reserve Fund.

“Subordinated Debt Service Reserve Fund Requirement” shall mean the aggregate of the amounts, if any, required to be deposited in the Subordinated Debt Service Reserve Fund pursuant to all Supplemental Resolutions authorizing the issuance of Subordinated Bonds.

“Subordinated Parity Bond Anticipation Notes” shall mean Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by the General Resolution to secure Subordinated Bonds.

“Supplemental Bond Coverage Requirement” for any Fiscal Year shall mean, unless the context otherwise indicates, the Required Debt Service Fund Deposits for all Bonds Outstanding as of the beginning of such Fiscal Year, times the Supplemental Bond Coverage Ratio.

“Supplemental Resolution” shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds or Subordinated Bonds or otherwise amending or supplementing the General Resolution, adopted in accordance with the General Resolution.

“System” shall mean collectively the “Waterworks System” and the “Sewer System” as such terms are defined in Section 1(o) and 1(v) of the Act.

“Tax Exempt Indebtedness” shall mean Indebtedness the interest on which is excluded from gross income of the holder thereof for federal income tax purposes which was accompanied by a favorable Bond Counsel’s Opinion regarding such exclusion on the date of such Indebtedness.

“Tender Option Price” shall mean, with respect to any Option Bond tendered for purpose or payment in accordance with the Supplemental Resolution authorizing such Option Bond, an amount equal to the principal amount of such Option Bond.

“Trust” shall mean the Massachusetts Clean Water Trust (formerly the Massachusetts Water Pollution Abatement Trust) first established pursuant to Chapter 275 of the Acts of 1989 of the Commonwealth.

“Trust Bond Resolution” shall mean a bond resolution of the Trust providing for the issuance of a series of SRF Program Bonds.

“Variable Rate Indebtedness” shall mean, as of any date of determination, any Indebtedness on which the interest rate borne thereby may vary during any part of its remaining term.

“Water Pollution Abatement Obligations” shall mean obligations incurred and owing by the Authority to the Trust.

“Watershed Division” shall mean the Division of Watershed Management established by Section 42 of Chapter 372 of the Acts of 1984 of the Commonwealth.

“Waterworks Operations” shall mean the “waterworks division” established pursuant to Section 8(a) of the Act.

The Pledge Effected by the General Resolution

(a) Under the General Resolution, there are pledged for the payment of the Bonds, in accordance with their terms and the provisions of the General Resolution, subject only to the provisions of the General Resolution permitting the application thereof for or to the purposes and on the terms and conditions therein set forth: (i) all Revenues; (ii) all moneys or securities in any of the Funds, Accounts and Subaccounts (except the Operating Fund, the Rebate Fund, the Note Payment Fund, and the Subordinated Debt Service Reserve Fund) together with the investment earnings thereon except to the extent such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Resolution, and (iii) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the General Resolution.

(b) Subject only to the prior pledge created for the payment of the Bonds described in paragraph (a) above, and on the terms and conditions described therein with respect to such prior pledge, the property described in clauses (i) through (iii) of paragraph (a) (except moneys or securities in the Debt Service Fund and the Debt Service

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Reserve Fund) and the Subordinated Debt Service Reserve Fund are further pledged under the General Resolution to the payment of the Subordinated Bonds. (Section 501)

Additional Indebtedness

(a) Except for additional Indebtedness issued in accordance with the provisions of the General Resolution as described below under “**Conditions Precedent to Delivery of a Series of Bonds**”, “**Conditions Precedent to Delivery of a Series of Subordinated Bonds**” and “**Conditions Precedent to Delivery of Refunding Secured Bonds**”, the Authority shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by any Fiduciary under the General Resolution, but the Authority shall not be prevented from issuing bonds or notes or other obligations for the corporate purposes of the Authority payable out of, or secured by a pledge of, Revenues to be derived on and after the date that the pledge of the Revenues provided in the General Resolution shall be discharged and satisfied as provided in the General Resolution and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the General Resolution and the lien and pledge created by the General Resolution.

(b) Notwithstanding anything in the General Resolution to the contrary, so long as no default under the General Resolution shall have occurred and be continuing, the Authority may issue at any time or from time to time:

(i) Indebtedness issued in anticipation of Grant Receipts which may be secured solely by a pledge of the proceeds of such Indebtedness, the Grant Receipts anticipated, other amounts on deposit from time to time in any separate account established by the Authority to hold Grant Receipts, earnings thereon and other amounts not constituting Revenues under the General Resolution; or

(ii) Indebtedness issued in anticipation of the Revenues to be received in a particular Fiscal Year, whether unsecured or secured by a pledge of Revenues; provided that (A) any such Indebtedness shall be payable no later than one year from its date of issue (or, in the case of Indebtedness issued to renew any such Indebtedness, no later than one year from the date of issue of the original issue of Indebtedness), (B) the aggregate amount of such Indebtedness Outstanding at any one time in a Fiscal Year shall not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year, and (C) the proceeds of such Indebtedness (other than the proceeds of Indebtedness issued to pay a prior issue of such Indebtedness) shall be deposited in the Revenue Fund; or

(iii) Indebtedness payable from and secured by amounts on deposit in or to be deposited in the General Fund pursuant to the General Resolution.

Any Indebtedness described in this paragraph (b), in addition to the security therefor described herein, may be issued as general obligations of the Authority or as special obligations payable solely from the Revenues, Grant Receipts, proceeds, moneys, securities or funds pledged as security therefor.

(c) Notwithstanding anything in the General Resolution to the contrary, the Authority may issue Indebtedness secured solely by the revenues, receipts or other moneys derived by the Authority from the lease, license, operation, sale or other disposition of any facility or equipment (whether or not part of the System) hereafter constructed or acquired by or on behalf of the Authority with the proceeds of such Indebtedness. Such Indebtedness shall be special, limited obligations of the Authority payable solely out of the revenues, receipts and other moneys pledged therefor. Such revenues, receipts and other moneys shall not be considered Revenues under the General Resolution provided that (i) neither the debt service on such Indebtedness nor any cost of the acquisition, construction, operation, maintenance or repair of any such facility or equipment nor provision for reserves for any of the foregoing shall be paid from the proceeds of Secured Indebtedness or from Revenues (other than Revenues deposited in or available for deposit in the General Fund pursuant to the General Resolution) or shall be included in Operating Expenses, (ii) any such revenues, receipts and moneys in excess of such debt service, cost of acquisition, construction, operation, maintenance and repair and reserves shall be deposited in the Revenue Fund (and upon such deposit shall be deemed Revenues), and (iii) prior to the issue of any such Indebtedness, the Authority shall deliver to the Trustee a certificate of the Consulting Engineer certifying that the lease, license, operation, sale or other disposition of such facility or equipment and the application of the revenues, receipts and other moneys derived therefrom to the operation,

maintenance and repair thereof and the payment of the debt service on the Indebtedness issued therefor and the provision of reserves for the foregoing, will not result in any decrease in the Revenues projected by such Consulting Engineer to be received by the Authority during the succeeding five Fiscal Years (including the Fiscal Year in which such Indebtedness is issued).

(d) Notwithstanding anything in the General Resolution to the contrary, the Authority may issue Indebtedness secured by a pledge of moneys in the Revolving Loan Fund which either (i) have been committed to loans to Local Bodies, or (ii) represent payments made by Local Bodies on loans previously made from the Revolving Loan Fund, or by a pledge of moneys in the General Fund. Any lien granted on such moneys in the Revolving Loan Fund to secure such Indebtedness shall be senior to the pledge of the General Resolution but any lien granted on moneys in the General Fund to secure such Indebtedness shall be junior to such pledge. Any such Indebtedness shall be issued pursuant to a separate resolution of the Authority and each instrument evidencing such Indebtedness shall state expressly that the holders of such Indebtedness shall have no rights to the Revenues or other moneys held in Funds and Accounts established under the General Resolution except for moneys in the Revolving Loan Fund or in the General Fund as described in this paragraph. (Section 709)

Conditions Precedent to Delivery of a Series of Bonds

The Bonds of a Series shall be executed by the Authority for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of certain documents and opinions relating to such Bonds as described in the General Resolution and:

(a) except in the case of any Series of Refunding Secured Bonds issued in the manner described in clause (a)(i) under the heading “**Conditions Precedent to Delivery of Refunding Secured Bonds**” or any Parity Bond Anticipation Notes,

(i) a Certificate of an Authorized Representative of the Authority certifying that for the most recent period of twelve consecutive months preceding the date on which such Bonds are to be issued for which such information is available, Revenues Available for Bond Debt Service were at least equal to the Primary Bond Coverage Requirement provided that for any Series of Bonds issued on or prior to June 30, 1990 the requirement described in this section (a)(i) shall be deemed satisfied; and

(ii) either:

(A) a Certificate of the Consulting Engineer certifying that for both the Fiscal Year in which such Bonds are to be issued and the Fiscal Year immediately following, projected Revenues Available for Bond Debt Service, assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the Primary Bond Coverage Requirement for all Series of Bonds Outstanding in such Fiscal Year, taking into account the Series of Bonds to be issued and any other Series of Bonds which is projected to be issued on or before the last day of such Fiscal Year; or

(B) a certificate of the Consulting Engineer certifying that:

(1) for the Fiscal year in which such Bonds are to be issued, projected Revenues Available for Bond Debt Service, calculated without assuming any increase in Rates and Charges other than those then approved in accordance with the General Resolution, and assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the sum of (x) the Required Debt Service Fund Deposits for all Series of Bonds then Outstanding in such Fiscal Year, taking into account the particular Series of Bonds to be issued, and (y) any amounts required to be deposited in the Operating Reserve Fund, the Insurance Reserve Fund or the Renewal and Replacement Reserve Fund to satisfy the applicable Requirement for such Fund, taking into account the particular Series of Bonds to be issued; and

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(2) for the Fiscal Year immediately following the Fiscal Year in which such Bonds are to be issued, projected Revenues Available for Bond Debt Service, calculated as described in paragraph (ii)(B)(1) above, but adjusted to reflect any increases in Operating Expenses shown on the Authority's proposed or final Operating Budget for such following Fiscal Year or, if such Budget has not been submitted, as adjusted to reflect an increase in Operating Expenses over the previous three Fiscal Years, are at least equal to the sum of (x) the Required Debt Service Fund Deposits on all Series of Bonds included for purposes of paragraph (ii)(B)(1)(x) above, and (y) only if such Operating Budget has been adopted, any amounts required to be deposited in the Operating Reserve Fund to satisfy the Operating Reserve Fund Requirement in such Fiscal Year.

(b) a Certificate of the Authorized Representative of the Authority, dated as of the date of delivery of such Bonds, stating that there is no Event of Default by the Authority with respect to the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution; provided, however that the Authority need deliver no such certification with respect to compliance with covenants as to Rates and Charges for a Series of Refunding Secured Bonds issued pursuant to the General Resolution; and

(c) such further documents and moneys as are required by the General Resolution or any Supplemental Resolution. (Section 206)

Conditions Precedent to Delivery of Subordinated Bonds.

(a) The Subordinated Bonds of a Series shall be executed by the Authority for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of the items, opinions and certificates described in the provisions under the heading "**Conditions Precedent to Delivery of a Series of Bonds**" (except for the requirements described in paragraph (a) of such section), restated as appropriate for the issuance of Subordinated Bonds and any items, opinions or certificates required by the Supplemental Resolution authorizing such Subordinated Bonds.

(b) In addition, so long as any Parity Subordinated Bonds are outstanding, then Secured Bonds which are paid on a parity with or senior to the Parity Subordinated Bonds may be issued by the Authority only if there shall have been delivered to the Trustee in addition to any documents required as described in paragraph (a) above:

(i) a Certificate of a Consulting Engineer of the Authority certifying that for the most recent period of 12 consecutive months preceding the date on which such parity or senior Secured Bonds are to be issued for which such information is available, Revenues Available for Bond Debt Service were at least equal to the Secured Bond Coverage Requirement; and

(ii) either (A) a Certificate of a Consulting Engineer of the Authority certifying that for both the Fiscal Year in which such parity or senior Secured Bonds are to be issued and the Fiscal Year immediately following, projected Revenues Available for Bond Debt Service, assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the Secured Bond Coverage Requirement for all Series of Bonds and Parity Subordinated Bonds Outstanding in such Fiscal Year, taking into account the Series of parity or senior Secured Bonds to be issued and any other Series of parity or senior Secured Bonds which is projected to be issued on or before the last day of such Fiscal Year; or (B) a Certificate of an Authorized Representative of the Authority certifying that:

(1) for the Fiscal Year in which such parity or senior Secured Bonds are to be issued, projected Revenues Available for Bond Debt Service, calculated without assuming any increase in Rates and Charges other than those then approved in accordance with the General Resolution, and assuming transfers from the Rate Stabilization Fund only to the extent such assumption is set forth in a Certificate of the Authority, are at least equal to the sum of (x) the Required Debt Service Fund Deposits and Required Subordinated Debt Service Fund Deposits for all Series of Bonds and Parity Subordinated Bonds then Outstanding in such Fiscal Year, taking into account the particular Series of parity or senior Secured Bonds to be issued, and (y) any amounts required to be deposited in the Operating Reserve Fund, the Insurance Reserve Fund or the Renewal and Replacement Reserve

Fund to satisfy the Requirement for such Fund, taking into account the particular Series of parity or senior Secured Bonds to be issued; and

(2) for the Fiscal Year immediately following the Fiscal Year in which such parity or senior Secured Bonds are to be issued, projected Revenues Available for Bond Debt Service, calculated as described in paragraph (b)(ii)(B)(1) above, but adjusted to reflect any increases in Operating Expenses shown on the Authority's proposed or final Operating Budget for such following Fiscal Year or, if such Budget has not been submitted as adjusted to reflect an increase in Operating Expenses not less than the average percentage increase in Operating Expenses over the previous three Fiscal Years, are at least equal to the sum of (x) the Required Debt Service Fund Deposits and the Required Subordinated Debt Service Fund Deposits on the Series of Bonds and Parity Subordinated Bonds included for purposes of paragraph (b)(ii)(B)(1) above, and (y) any amounts required to be deposited in the Operating Reserve Fund to satisfy the applicable Requirement for such Fund in such Fiscal Year. (Section 206A)

Conditions Precedent to Delivery of Refunding Secured Bonds

One or more Series of Refunding Secured Bonds may be issued pursuant to the General Resolution at any time to refund any Outstanding Secured Bonds provided that (i) with respect to Bonds issued to refund Bonds, (A) Aggregate Adjusted Debt Service on the Bonds immediately after the issuance of such Refunding Secured Bonds for each Fiscal Year shall be no greater than Aggregate Adjusted Debt Service on all Bonds immediately prior to the issuance of such Refunding Secured Bonds, and (B) the final maturity of all Bonds Outstanding immediately after the issuance of such Refunding Secured Bonds shall be no later than the final maturity of all Bonds Outstanding immediately prior to the issuance of such Refunding Secured Bonds, (ii) with respect to Parity Subordinated Bonds issued to refund Parity Subordinated Bonds, (A) Aggregate Adjusted Debt Service on all Parity Subordinated Bonds immediately after the issuance of such Refunding Secured Bonds for each Fiscal Year shall be no greater than Aggregate Adjusted Debt Service on all Parity Subordinated Bonds Outstanding immediately prior to the issuance of such Refunding Secured Bonds, and (B) the final maturity of all Parity Subordinated Bonds Outstanding immediately after the issuance of such Refunding Secured Bonds shall be no later than the final maturity immediately prior to the issuance of such Refunding Secured Bonds, or (iii) the requirements described in paragraph (a) under the heading "**Conditions Precedent to Delivery of a Series of Bonds**" in the case of an issue of additional Bonds, or the requirements described in paragraph (b) under the heading "**Conditions Precedent to Delivery of Subordinated Bonds**" in the case of an issue of additional Parity Subordinated Bonds, shall have been satisfied after giving effect to the proposed refunding, all as shown in a Certificate signed by an Authorized Representative of the Authority (and, as to certain matters, a Certificate signed by the Consulting Engineer) and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Secured Bonds. Refunding Secured Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds, Accounts and Subaccounts required by the provisions of the Supplemental Resolution authorizing such Secured Bonds.

Express Reservation of Rights

The Authority expressly reserves the right to issue Subordinated Bonds payable from the Subordinated Debt Service Fund prior to, on a parity with or junior to the SRF Bonds, to establish one or more covenants for the sole benefit of some or all of such additional Subordinated Bonds, and to fund one or more accounts within the Subordinated Debt Service Reserve Fund for the sole benefit of some or all of such Subordinated Bonds. (Sixth Supplemental Resolution Section 309)

Bond Anticipation Notes

Whenever the Authority shall authorize the issuance of a Series of Secured Bonds, the Authority may, by resolution, authorize the issuance of notes (and renewals thereof) in anticipation of such Secured Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Secured Bonds in anticipation of which such notes are issued. The proceeds of such Secured 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 General Resolution. The Authority may

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pledge the Revenues to the payment of the interest on such notes which pledge may be on a parity with the pledge securing all Bonds in which event such interest shall be payable from the Debt Service Fund. The Authority may also pledge the Revenues and moneys on deposit in the General Fund and the Rate Stabilization Fund to the payment of the principal of such notes but such pledge shall be subordinate to the pledge securing the payment of the Secured Bonds. (Section 208)

Special Subordinated Indebtedness

The Authority may, at any time, or from time to time, issue Special Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on such amounts in such Funds as may from time to time be available for the purpose of payment thereof as provided in the General Resolution. Any pledge of or lien on amounts held by the Trustee shall be, and shall be expressed to be subordinate in all respects to the pledge created by the General Resolution as security for the Secured Bonds. Such Special Subordinated Indebtedness shall be issued only on the terms and conditions described in paragraphs (b), (c) and (d) under the heading “**Additional Indebtedness**”. (Section 709)

Credit Facilities

(a) In connection with the issuance of any Series of Secured Bonds under the General Resolution, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Debt Service or to become due on such Secured Bonds, providing for the purchase of such Secured Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Secured Bonds by the Authority.

(b) The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the “Reimbursement Obligation”); provided, however, that no Reimbursement Obligation shall be deemed to be Outstanding for the purposes of the General Resolution until amounts are paid under such Credit Facility. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, Revenues on a parity with the lien created by the General Resolution securing Bonds or Subordinated Bonds (a “Parity Reimbursement Obligation”). Any such Parity Reimbursement Obligation shall be deemed to be a Secured Bond. (Section 210)

Establishment of Funds and Accounts

- (a) The following Funds and Accounts are established by the General Resolution:
- (i) Construction Fund, containing a:
 - (A) Waterworks System Account; and
 - (B) Sewer System Account;
 - (ii) Cost of Issuance Fund;
 - (iii) Revenue Fund;
 - (iv) Operating Fund;
 - (v) Debt Service Fund, containing a:
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;
 - (vi) Subordinated Debt Service Fund, containing a:
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;
 - (vii) Debt Service Fund containing a Common Account;
 - (viii) Subordinated Debt Service Reserve Fund containing a Common Account;
 - (ix) [Reserved]
 - (x) Commonwealth Obligation Fund;
 - (xi) Rebate Fund;

- (xii) Operating Reserve Fund;
- (xiii) Insurance Reserve Fund;
- (xiv) Renewal and Replacement Reserve Fund;
- (xv) Water Pollution Abatement Fund;
- (xvi) Rate Stabilization Fund;
- (xvii) Revolving Loan Fund;
- (xviii) General Fund; and
- (xix) Note Payment Fund.

(b) Any Supplemental Resolution which provides for a Special Credit Facility may establish one or more “Special Accounts” in the Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund.

(c) Unless otherwise expressly provided in the General Resolution, all of the Funds, Accounts and Subaccounts shall be held by the Trustee, except the Operating Fund and the Construction Fund or any Accounts or Subaccounts therein, which may be held by one or more Depositaries. (Section 502)

Construction Fund

There shall be deposited from time to time in the Subaccounts of the Construction Fund: (i) the proceeds of casualty insurance, contractors’ performance bonds and any condemnation, as determined by the Authority in accordance with the General Resolution; (ii) the balance remaining of the proceeds of any Bond Anticipation Notes issued to pay the Costs of a Project after payment or provision for payment of such notes; (iii) any amounts required to be deposited therein pursuant to the General Resolution or any Supplemental Resolution; (iv) any moneys transferred pursuant to the General Resolution from the Rate Stabilization Fund or from the General Fund; and (v) any other amounts received by the Authority for or in connection with the Waterworks System and the Sewer System, respectively, and determined by the Authority to be deposited therein, which are not otherwise required to be applied by the General Resolution. Except as otherwise described under the heading “**Priority of Funds in Event of Debt Service Fund Shortfall**” or “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**” or if investment earnings on moneys in the Construction Fund are required to be transferred to the Rebate Fund, amounts in the Construction Fund shall be expended only to pay Costs of a Project pursuant to requisitions filed in accordance with the Supplemental Resolution. At any time from time to time the Trustee may transfer amounts on deposit therein between a particular Subaccount within the Waterworks System Account and the corresponding Subaccount within the Sewer System Account upon receipt of a Certificate of an authorized Representative of the Authority requesting such transfer. If the Authority at any time cannot certify that it reasonably expects the moneys on deposit in any Subaccount of the Construction Funds which constitutes the proceeds of Tax Exempt Indebtedness to be expended for the Costs of a Project, then such shall be transferred to the Redemption Account and applied solely to the redemption of Secured Bonds of the applicable Series on the first date on which such Secured Bonds may be called without premium (unless the Authority shall elect to call such Secured Bonds earlier at a premium) to the extent that other moneys are not available in any other Funds and Accounts established under the General Resolution, amounts on deposit in the Construction Fund shall be applied as described below under “**Priority of Funds in Event of Debt Service Shortfall**” and “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**” to the payment of Bonds and Subordinated Bonds when due. (Section 503)

Cost of Issuance Fund

There shall be deposited from time to time in a separate Subaccount of the Cost of Issuance Fund for each Series of Secured Bonds issued under the General Resolution any amounts required to be deposited therein pursuant to the terms of a Supplemental Resolution with respect to such Series. Moneys in the Cost of Issuance Fund shall be paid upon the filing by the Authority with the Trustee its requisition therefor (in the form set forth in a Supplemental Resolution) signed by an Authorized Representative of the Authority. (Section 504)

Deposits of Revenues

The Authority shall promptly cause all Revenues received to be deposited in the Revenue Fund held by the Trustee. There shall also be deposited into the Revenue Fund by the Trustee or any other Fiduciary all other amounts required by the General Resolution to be so deposited. (Section 505)

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Flow of Funds from the Revenue Fund

(a) On the last Business Day of each month the Trustee shall, after making any transfers that are required by the General Resolution, from the amounts on deposit in the Revenue Fund, make the following deposits in the following order:

(i) To the Operating Fund, the amount necessary to make the amount on deposit therein equal to Operating Expenses for the next succeeding three months, as shown on the Operating Budget.

(ii) To the Debt Service Fund:

(A) on a pro rata basis the amount necessary to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate which was assumed in calculating the amount required for a prior deposit made pursuant to subparagraph (B) below;

(B) on a pro rata basis to each Subaccount of the Interest Account, after taking into account any available moneys in the corresponding Subaccount of the Capitalized Interest Account if any, the amount necessary to increase the amount on deposit in each such Subaccount so that it equals interest included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month (assuming, in the case of Variable Rate Bonds, no further adjustments in the applicable interest rate);

(C) on a pro rata basis to each Subaccount of the Principal Account the amount necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Principal Installment included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue (assuming such Principal Installment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month; provided, however, that no deposit shall be required to be made with respect to a Bond prior to 12 months before the next Principal Installment coming due on such Bond;

(D) on a pro rata basis to each Subaccount of the Redemption Account the amount, if any, necessary to increase the amount on deposit in each Subaccount so that it equals the Redemption Price of Outstanding Bonds of the applicable Series then called for redemption (other than from Sinking fund Installments) as of any date on or prior to last day of the next succeeding month, after taking into account amounts on deposit in the applicable Subaccount within the Principal Account, if any, available to pay such Bonds called for redemption; and

(E) on a pro rata basis to each Subaccount of the Interest Account established with respect to Regularly Scheduled Qualified Swap Payments relating to a Series of Designated Debt consisting of Bonds, the amount (if any) necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Regularly Scheduled Qualified Swap Payment next coming due with respect to such Series of Designated Debt accrued and unpaid and to accrue (assuming such Regularly Scheduled Qualified Swap Payment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month.

The Trustee shall not be required to make any payments into the Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the General Resolution granted to secure payment of Bonds pursuant to the provisions of the General Resolution described under the heading “**Defeasance.**”

(iii) To the Subordinated Debt Service Fund deposits determined with respect to Subordinated Bonds in the same manner as the deposits described in clause (ii) above with respect to Bonds, provided, that there also shall be paid on a pro rata basis to each Subaccount of the Interest Account established with respect

to Regularly Scheduled Qualified Swap Payments relating to a Series of Designated Debt, the amount (if any) necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Regularly Scheduled Qualified Swap Payment next coming due with respect to such Series of Designated Debt accrued and unpaid and to accrue (assuming such Regularly Scheduled Qualified Swap Payment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding month.

The Trustee shall not be required to make any payments into the Subordinated Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the General Resolution granted to secure payment of Bonds and when the aggregate amount of money in the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the General Resolution granted to secure payment of Subordinated Bonds, all pursuant to the provisions of the General Resolution described under the heading **“Defeasance.”**

(iv) To the Debt Service Reserve Fund,

(A) to the Common Account therein one-twelfth of the amount, if any, necessary to increase the amount on deposit in such Account, determined as of the first day of the Fiscal Year, to an amount equal to the Debt Service Reserve Fund Requirement (provided that no such deposit shall be required in a Fiscal Year following the funding of the Common Account in connection with the issuance of a Series of Bonds pursuant to the General Resolution); and

(B) to each Special Account the deposit required by any Supplemental Resolution.

(v) To the Subordinated Debt Service Reserve Fund,

(A) to each Series Subaccount of the Common Account therein the amount, if any, necessary to increase the amount on deposit in such Subaccount to the level required by any Supplemental Resolution; and

(B) to each Special Account the deposit required by any Supplemental Resolution.

(vi) [Reserved].

(vii) To the Commonwealth Obligation Fund, the amount equal to the amount of Commonwealth Obligations (including, without limitation, Special Payment Obligations) payable during the next succeeding month, as shown on the Operating Budget.

(viii) To the Rebate Fund, the amount of the Rebate Fund Requirement, if any, determined in accordance with the Supplemental Resolution.

(b) On each December 31 and June 30, or, if such days are not Business Days, on the next preceding Business Day, the Trustee shall, from the amounts on deposit in the Revenue Fund, and after making the deposits described in paragraph (a) above, make the following deposits in the following order:

(i) To the Operating Reserve Fund, one half of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Operating Reserve Fund Requirement for the current Fiscal Year.

(ii) To the Insurance Reserve Fund, one half of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Insurance Reserve Fund Requirement for the current Fiscal Year.

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(iii) To the Renewal and Replacement Reserve Fund, one half of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and Renewal and Replacement Reserve Requirement for the current Fiscal Year.

(iv) To the Water Pollution Abatement Fund, the amount necessary to increase the amount on deposit therein so that it equals the amount of Water Pollution Abatement Obligations payable during the next six months, as certified by an Authorized Representative of the Authority.

(v) To the Revolving Loan Fund, such amount as the Authority may from time to time determine.

(vi) Subject to the provisions described in paragraph (c) below, the General Fund, any moneys remaining after making the deposits set forth above.

(c) On any June 30 and December 31 on which deposits are to be made as described in paragraph (b) above, after making the deposits described in clauses (i) through (v) of paragraph (b) above, the Trustee, on direction of an Authorized Representative, shall retain all or portion of the remaining moneys in the Revenue Fund to provide additional moneys for deposits required under paragraph (a) above during the next six months. (Section 506)

Operating Fund

The Operating Fund shall be established as one or more accounts with one or more banks or trust companies, as the Authority shall determine, which shall be Depositaries. Moneys held in the Operating Fund shall be applied by the Authority to the payment of Operating Expenses in accordance with the Operating Budget. Moneys in the Revenue Fund and the Operating Reserve Fund shall be paid by the Trustee to the Authority for deposit into the Operating Fund pursuant to the General Resolution. If on any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Operating Fund exceeds the amount equal to the next three months of Operating Expenses as shown on the Authority's Operating Budget then such excess shall be transferred to the Revenue Fund. (Section 507)

Debt Service Fund

(a) The Trustee shall, for each Series of Bonds Outstanding, pay (i) on each Bond Payment Date, from the moneys on deposit in the applicable Subaccounts within the Principal Account and Interest Account of the Debt Service Fund the amounts required for the payment of the Principal Installments and for the payment of interest, respectively, due on such Date; (ii) on any redemption date other than for sinking fund redemption, from the applicable Subaccounts within the Interest Account and Redemption Account of the Debt Service Fund the amounts required for the payment of accrued interest and for the payment of principal of and premium, if any, respectively, on Bonds to be redeemed; and (iii) on any date of purchase, from the applicable Subaccounts within the Principal Account and of the Debt Service Fund, the amounts required for the payment of principal and interest, respectively, of any Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Resolution.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Debt Service Fund for each Sinking Fund Installment shall, at the direction of an Authorized Representative of the Authority, be applied (together with amounts in the applicable Subaccount within the Interest Account of the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee at the written direction of the Authority prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

(i) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase; or

(ii) to the redemption of such Bonds, if then redeemable by their terms, at or below the Redemption Price referred to in clause (i) above;

provided, however, that the Trustee shall not call for redemption or purchase any Bonds as described in paragraph (b) which have already been called for redemption pursuant to the provisions of the General Resolution.

(c) Upon the purchase or redemption of any Bond as described in paragraph (b) above, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(d) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to the General Resolution, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in the amount of such Sinking Fund Installment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. (Section 508)

Priority of Funds in Event of Debt Service Fund Shortfall

If on any Bond Payment Date there shall be insufficient monies available in the applicable Subaccount within the applicable Account in the Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Bonds then due, after drawing any moneys available for such purpose from any applicable Credit Facility or Special Account in the Debt Service Reserve Fund, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account not yet committed to the redemption of Bonds; (ii) the General Fund; (iii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iv) the Rate Stabilization Fund; (v) the Water Pollution Abatement Fund; (vi) the Renewal and Replacement Reserve Fund; (vii) the Insurance Reserve Fund; (viii) the Operating Reserve Fund; (ix) the Commonwealth Obligation Fund; (x) [Reserved]; (xi) [Reserved]; (xii) the Common Account in the Debt Service Reserve Fund; (xiii) the Subordinated Debt Service Fund; (xiv) the Cost of Issuance Fund; and (xv) the Construction Fund. (Section 508(e))

In connection with the issuance or maintenance of any Designated Debt consisting of Bonds, the Authority may establish within the Interest Account of the Debt Service Fund one or more Subaccounts for the purpose of holding funds to be applied to the payment of Regularly Scheduled Qualified Swap Payments relating to such Designated Debt. Such moneys shall be applied by the Trustee, at the direction of the Authority, to the payment of such Regularly Scheduled Qualified Swap Payments. (Section 508(f))

Subordinated Debt Service Fund

(a) The Trustee shall, for each Series of Subordinated Bonds Outstanding, make payments similar to those set forth with respect to Bonds under the heading “**Debt Service Fund.**” The Trustee shall also apply moneys in the Subordinated Debt Service Fund as set forth under the heading “**Priority of Funds in Event of Debt Service Fund Shortfall.**” Moneys in the Subordinated Debt Service Fund shall also be transferred to the Note Payment Fund and applied to the payment of interest on notes issued pursuant to the terms described under the heading “**Bond Anticipation Notes**” to the extent provided in any Supplemental Resolution authorizing such notes.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Subordinated Debt Service Fund for each Sinking Fund Installment may be applied (together with amounts in the applicable Subaccount within the Interest Account of the Subordinated Debt Service Fund with respect to interest on the Subordinated Bonds for which such Sinking Fund was established) by the Trustee to the purchase or redemption of Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established in the same manner as moneys in the Debt Service Fund may be applied to Bonds as described in paragraph (b) under the heading “**Debt Service Fund.**” Upon such purchase or redemption, an amount equal to the principal amount of the Subordinated Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter

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to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(c) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established in the amount of such Sinking Fund Installment. The Trustee shall so call such Subordinated Bonds for redemption whether or not it then has moneys in the Subordinated Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date.

(d) In connection with the issuance or maintenance of any Designated Debt, the Authority may establish within the Interest Account of the Subordinated Debt Service Fund one or more Subaccounts for the purpose of holding funds to be applied to the payment of Regularly Scheduled Qualified Swap Payments relating to such Designated Debt. Such moneys shall be applied by the Trustee, at the direction of the Authority, to the payment of such Regularly Scheduled Qualified Swap Payments. (Section 509)

Priority of Funds in Event of Subordinated Debt Service Fund Shortfall

If on any Subordinated Bond Payment Date there shall be insufficient moneys available in the applicable Subaccount within the applicable Account in the Subordinated Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Subordinated Bonds then due, after drawing any moneys available for such purpose from any applicable Credit Facility or Special Account in the Subordinated Debt Service Reserve Fund, subject to any transfers to be made on such date pursuant the terms described under the heading “**Priority of Funds in Event of Debt Service Fund Shortfall**,” the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account of the Subordinated Debt Service Fund not yet committed to the redemption of Bonds; (ii) the General Fund; (iii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iv) the Rate Stabilization Fund; (v) the Water Pollution Abatement Fund; (vi) the Renewal and Replacement Reserve Fund; (vii) the Insurance Reserve Fund; (viii) the Operating Reserve Fund; (ix) the Commonwealth Obligation Fund; (x) [Reserved]; (xi) [Reserved]; (xii) the Common Account in the Subordinated Debt Service Reserve Fund; (xiii) the Costs of Issuance Fund; and (xiv) the Construction Fund. (Section 509(e))

Debt Service Reserve Fund

(a) Amounts on deposit in each of the Subaccounts within the Common Account in the Debt Service Reserve Fund shall be applied on a pro rata basis, to the extent other funds are not available therefor pursuant to the General Resolution, solely to pay the Principal Installments of and interest on the Bonds when due. Amounts on deposit in each of the Special Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to the General Resolution, solely to pay the Principal Installments of and interest on the Bonds of the Series to which such Special Account relates as and when specified in the applicable Supplemental Resolution.

(b) If, as of June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount in the Common Account exceeds the Debt Service Reserve Fund Requirement for the Fiscal Year then ending after giving effect to any Financial Guaranty deposited in the Common Account, the Trustee shall withdraw from the Common Account the amount of any excess therein as of the date of such withdrawal and deposit the moneys so withdrawn (i) if and to the extent that such excess occurred on account of a reduction of the Debt Service Reserve Fund Requirement or the deposit of a Financial Guaranty, into the Redemption Account of the Debt Service Fund or the Redemption Account of the Subordinated Debt Service Fund, as the Authority shall direct, to be applied to the redemption of Secured Bonds, and (ii) otherwise, first into the Interest Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Account pursuant to the provisions of the General Resolution described in paragraph (a) under the heading “**Flow of Funds from the Revenue Fund**” and second to the Principal Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Account pursuant to the provisions of the General Resolution described in paragraph (a) under the heading “**Flow of Funds from the Revenue Fund**.” Any balance of such excess remaining shall be applied as described in the previous sentence with respect to deposits required pursuant to the provisions of the General Resolution described in paragraph (a) under the heading “**Flow of Funds from the Revenue Fund**” for

as many succeeding months as is necessary to fully apply such excess. If, as of June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount in any Special Account exceeds its requirement under the applicable Supplemental Resolution for the Fiscal Year then ending, after giving effect in the case of each such Account to any Financial Guaranty deposited in such Account, the Trustee shall withdraw from such Account the amount of any excess therein as of the date of such withdrawal and deposit the moneys so withdrawn (i) if and to the extent that such excess occurred on account of a reduction of a reserve requirement or the deposit of a Financial Guaranty, into the Redemption Account of the Debt Service Fund or the Redemption Account of the Subordinated Debt Service Fund, as the Authority shall direct, to be applied to the redemption of Secured Bonds, and (ii) otherwise, first into the applicable Subaccount of the Interest Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to the General Resolution and second to the related Subaccount of the Principal Account of the Debt Service Fund until the amount on deposit therein is equal to the next deposit required to be made to such Subaccount pursuant to the provisions of the General Resolution described in paragraph (a) under the heading “**Flow of Funds from the Revenue Fund.**” Any balance of such excess remaining shall be applied as described in the previous sentence with respect to deposits required pursuant to the provisions of the General Resolution described in paragraph (a) under the heading “**Flow of Funds from the Revenue Fund**” for as many succeeding months as is necessary to fully apply such excess.

(c) Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Series of Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

(d) In lieu of the required deposits and transfers to any Account in the Debt Service Reserve Fund, the Authority may cause to be deposited in any such Account Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required under the General Resolution) on any date on which moneys will be required to be withdrawn from the applicable Account in the Debt Service Reserve Fund and such withdrawal cannot be met by moneys on deposit in the applicable Account. If a disbursement is made pursuant to Financial Guaranties, the Authority shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the applicable Account, funds in the amount of the disbursement made under such Financial Guaranties.

(e) In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Subaccount and Account related to the Bonds to be refunded all or any portion of the amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction, provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the General Resolution, and (ii) after giving effect to any amounts being simultaneously deposited therein, the amount remaining in each Subaccount and Account after such withdrawal shall not be less than the applicable Requirement. (Section 510)

Subordinated Debt Service Reserve Fund

Moneys in the Subordinated Debt Service Reserve Fund shall be applied to the Subordinated Bonds in a manner similar to the application of moneys in the Debt Service Reserve Fund to payment of Bonds. (Section 511)

Commonwealth Obligation Fund

Moneys in the Commonwealth Obligation Fund shall be transferred to the Commonwealth to satisfy Commonwealth Obligations due and payable by the Authority, provided that moneys in such Fund which are to be applied to Special Payment Obligations shall be transferred as directed by a Certificate of an Authorized Representative. The Trustee shall also apply moneys in the Commonwealth Obligation Fund as described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**” and “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall.**” If as of any June 30, the amount on deposit in the Commonwealth Obligation Fund is in excess of the amount payable on the Commonwealth Obligations in the Fiscal Year then ending then such excess shall be transferred to the Revenue Fund. (Section 512)

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Certain Notices

The Authority has agreed that so long as any SRF Bonds are outstanding it will provide to the Trust notice of any draw pursuant to the provisions described under the heading “**Priority of Funds in Event of Debt Service Fund Shortfall**” or “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**” or any draw on the Community Obligation and Revenue Enhancement Fund or Debt Service Reserve Fund for the purpose of paying debt service on any Secured Bond. (Sixth Supplemental Resolution Section 308)

Operating Reserve Fund

(a) Moneys in the Operating Reserve Fund shall be transferred to the Operating Fund to be applied to the payment of Operating Expenses upon delivery of a Certificate of an Authorized Representative of the Authority to the effect that moneys on deposit in the Operating Fund are insufficient therefor. The Trustee shall also apply moneys in the Operating Reserve Fund as provided under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**” and “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**.”

(b) If on any December 31 or June 30 Revenues are insufficient to make the deposits to the Operating Reserve Fund required to be made from the Reserve Fund, or if on any date the Authority delivers a Certificate to the Trustee to the effect that moneys in the Operating Fund and the Operating Reserve Fund are insufficient to meet Operating Expenses then due and payable then, subject to any transfers to be made on such date described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**” and “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**,” the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iii) the Rate Stabilization Fund; (iv) the Water Pollution Abatement Fund; (v) the Renewal and Replacement Reserve Fund; and (vi) the Insurance Reserve Fund. On each June 30, excesses in the Operating Reserve Fund shall be transferred to the Revenue Fund. (Section 514)

Insurance Reserve Fund

(a) Moneys in the Insurance Reserve Fund may be applied by the Authority only to the purpose and in the manner provided for the proceeds of insurance set forth in the General Resolution. The Trustee shall also apply moneys in the Insurance Reserve Fund as described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**” and “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**.”

(b) If on any day on which a transfer from the Revenue Fund to the Insurance Reserve Fund is required pursuant to the General Resolution Revenues are insufficient to make the required deposits to the Insurance Reserve Fund from the Revenue Fund, or if on any date the Authority delivers a Certificate to the Trustee to the effect that moneys in the Insurance Reserve Fund are insufficient to meet claims properly payable from such Fund then due and payable then, subject to any transfers to be made on such date described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**,” “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**” and “**Operating Reserve Fund**,” the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iii) the Rate Stabilization Fund; (iv) the Water Pollution Abatement Fund; and (v) the Renewal and Replacement Reserve Fund. On each June 30 excesses in the Insurance Reserve Fund shall be transferred to the Revenue Fund.

(c) (i) The Authority is required to annually review the sufficiency of the Insurance Reserve Fund Requirements no later than 120 days after the end of each Fiscal Year, and to certify to the Trustees of the Insurance Reserve Fund Requirement for the next ensuing Fiscal Year. (ii) The Authority is required to have the Consulting Engineer or any insurance consultant review the adequacy of the Insurance Reserve Fund and the Insurance Reserve Fund Requirements every three years. (Section 515)

Renewal and Replacement Reserve Fund

(a) Moneys in the Renewal and Replacement Reserve Fund shall be applied to the Cost of any Capital Improvement which is not provided for by moneys available in the Construction Fund or the Operating Fund. The Trustee shall withdraw from such Fund and deposit in one or more special separate Subaccounts established for such purpose in the Construction Fund or, if the Authority has by resolution determined to subsequently finance such Capital Improvement by the issuance of Secured Bonds in a Subaccount relating to such Secured Bonds, any amount requested by the Authority but only upon receipt of a certificate of an Authorized Representative (i) specifying the Capital Improvement to which such amount will be applied, its estimated Cost and estimated completion date, and (ii) certifying (A) that such Capital Improvement is reasonably required for the continued operation of the System or the maintenance of Revenues, (B) that all or a portion of the Cost of such Capital Improvement was not included in the Cost of Capital Improvements to be financed in whole or in part from the Operating Fund, and (C) that only the Cost of such Capital Improvement that is in excess of the amounts available therefor in such Fund, is being or has previously been requisitioned from the Renewal and Replacement Reserve Fund. Upon completion of such Capital Improvement, any amount so deposited and not necessary to pay the Cost of such Capital Improvement shall be redeposited in the Renewal and Replacement Reserve Fund. The Trustee shall also apply moneys in the Renewal and Replacement Reserve Fund as described under the headings **“Priority of Funds in the Event of Debt Service Fund Shortfall,” “Priority of Funds in Event of Subordinated Debt Service Shortfall,” “Operating Reserve Fund,”** and **“Insurance Reserve Fund.”**

(b) If on any day on which a transfer from the Reserve Fund to the Renewal and Replacement Reserve Fund is required described under the headings **“Priority of Funds in Event of Debt Service Fund Shortfall,” “Priority of Funds in Event of Subordinated Debt Service Shortfall,” “Operating Reserve Fund,”** and **“Insurance Reserve Fund”** Revenues are insufficient to make the deposits to the Renewal and Replacement Reserve Fund required to be made from the Revenue Fund, or if on any date the Authority delivers a Certificate to the Trustee to the effect that moneys in the Renewal and Replacement Reserve Fund are insufficient to meet the Costs of a Capital Improvement to be funded as described in paragraph (a) above then due and payable then, subject to any transfers to be made on such date provided under the headings **“Priority of Funds in Event of Debt Service Fund Shortfall,” “Priority of Funds in Event of Subordinated Debt Service Shortfall,” “Operating Reserve Fund,”** and **“Insurance Reserve Fund,”** the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) amounts in the Revolving Loan Fund not yet committed to loans to Local Bodies; (iii) the Rate Stabilization Fund; and (iv) the Water Pollution Abatement Fund.

(c) If on any June 30 or, if such day is not a Business Day, on the next preceding Business Day, the amount in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Reserve Cash Requirement for the Fiscal Year then ending, such excess shall be transferred to the Revenue Fund or shall be retained in the Renewal and Replacement Reserve Fund upon the delivery of a Certificate of an Authorized Representative of the Authority to the effect that such amounts being retained are necessary to meet the Costs of Capital Improvements properly payable from such Fund as described in paragraph (a) above.

Water Pollution Abatement Fund

(a) Moneys in the Water Pollution Abatement Fund shall be transferred as directed by the Authority for the payment of Water Pollution Abatement Obligations upon receipt by the Trustee of the Certificate of an Authorized Representative that moneys in respect to Water Pollution Abatement Obligations are due and payable by the Authority. The Trustee shall also apply moneys in the Water Pollution Abatement Fund as described under the headings **“Priority of Funds in Event of Debt Service Fund Shortfall,” “Priority of Funds in Event of Subordinated Debt Service Fund Shortfall,” “Operating Reserve Fund,” “Insurance Reserve Fund,”** and **“Renewal and Replacement Reserve Fund.”**

(b) On each June 30, excesses in the Water Pollution Abatement Fund shall be transferred to the Revenue Fund. (Section 516A)

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Rate Stabilization Fund

Moneys shall be transferred to the Rate Stabilization Fund from the General Fund as provided in the General Resolution. Moneys in the Rate Stabilization Fund may be transferred to a separate Subaccount of the Construction Fund upon receipt of a Certificate of an Authorized Representative to the effect that such moneys are necessary to pay the Costs of Projects for which no other funds in the Construction Fund are available. Moneys in the Rate Stabilization Fund shall be transferred to the Revenue Fund upon delivery to the Trustee of a Certificate of an Authorized Representative of the Authority or in accordance with the provisions of an Operating Budget. The Trustee shall also apply moneys in the Rate Stabilization Fund as described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**,” “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**,” “**Operating Reserve Fund**,” “**Insurance Reserve Fund**,” and “**Renewal and Replacement Reserve Fund**.” Moneys in the Rate Stabilization Fund shall also be transferred to the Note Payment Fund and applied to the payment of principal of and interest on Bond Anticipation Notes to the extent provided in any Supplemental Resolution authorizing such notes. (Section 517)

Revolving Loan Fund

Moneys in the Revolving Loan Fund shall be used to make loans on such terms and conditions as the Authority may deem appropriate to Local Bodies receiving water or sewer service from the Authority for the purpose of financing capital improvements to be made to the water distribution and waste-water collection systems of such Local Bodies. Repayments of principal and interest on such loans shall be transferred upon receipt by the Authority to the Trustee and deposited in the Revolving Loan Fund unless the Authority shall instruct the Trustee that repayments of interest on such loans are to be deposited in the Revenue Fund. Any such interest payments deposited in the Revenue Fund shall be deemed “Revenues.” Any such loans and repayments, together with any notes or other instruments evidencing such loans and any security provided therefor and the rights to receive such repayments, and any amounts on deposit in the Revolving Loan Fund committed to funding such loans may be pledged as security for any Indebtedness incurred pursuant to the General Resolution for the purpose of funding such loans. The Trustee shall also apply moneys in the Revolving Loan Fund as described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**,” “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**,” “**Operating Reserve Fund**,” “**Insurance Reserve Fund**,” and “**Renewal and Replacement Reserve Fund**.” (Section 518)

General Fund

(a) Moneys in the General Fund shall be transferred to the Rate Stabilization Fund upon delivery to the Trustee of a Certificate of an Authorized Representative of the Authority (i) to the effect that, for the previous Fiscal Year, the requirements of the Combined Bond Coverage Requirement have been satisfied, and (ii) setting forth the amount of Revenues Available for Bond Debt Service for such period in excess of the Primary Bond Coverage Requirement for such period which are then on deposit in the General Fund and which are to be transferred by the Trustee to the Rate Stabilization Fund, provided that the transfer shall not be in an amount greater than such excess. The Trustee shall also transfer moneys in the General Fund to a separate subaccount of the Construction Fund upon receipt of a Certificate of an Authorized Representative to the effect that such moneys are necessary to pay the Costs of Projects for which no other funds in the Construction Fund are available. Moneys in the General Fund may also be transferred to the Redemption Account and applied to the redemption of Secured Bonds. The Trustee shall also apply moneys in the General Fund as described under the headings “**Priority of Funds in Event of Debt Service Fund Shortfall**,” “**Priority of Funds in Event of Subordinated Debt Service Fund Shortfall**,” “**Operating Reserve Fund**,” “**Insurance Reserve Fund**,” and “**Renewal and Replacement Reserve Fund**.” Moneys in the General Fund shall also be transferred to the Note Payment Fund and applied to the payment of principal of and interest on Bond Anticipation Notes to the extent provided in any Supplemental Resolution authorizing such notes.

(b) On any date, subject to the requirements of the shortfall provisions of the Debt Service Fund, the Subordinated Debt Service Fund, the Operating Reserve Fund, the Insurance Reserve Fund and the Renewal and Replacement Reserve Fund, the Authority may, by a Certificate of its Authorized Representative and without any further showing, direct that moneys be transferred from the General Fund to any Fund or Account established under the General Resolution other than the Revenue Fund, the Operating Fund, the Principal and Interest Accounts in the Debt Service Fund and the Rate Stabilization Fund. (Section 519)

Note Payment Fund

(a) The Authority shall deposit into a separate account of the Note Payment Fund the proceeds of any Secured Bonds issued to provide for the payment of Bond Anticipation Notes of the Authority as directed by the Supplemental Resolution for such Secured Bonds and shall deposit amounts transferred pursuant to the General Resolution as described in paragraph (a) under the heading “**Subordinated Debt Service Fund**” and paragraph (a) under the heading “**General Fund**.”

(b) Moneys on deposit in a subaccount of the Note Payment Fund shall be applied to the payment of the Bond Anticipation Notes with respect to which such subaccount was established upon receipt by the Trustee of a Certificate of the Authority as required by General Resolution. Any moneys remaining in a subaccount of the Note Payment Fund after payment of the Bond Anticipation Notes with respect to which such account was established shall be transferred to and deposited in a separate subaccount established within the Construction Fund. (Section 520)

Depositories

All moneys or securities held by the Trustee under the provisions of the General Resolution shall constitute trust funds and the Trustee may, and shall, if directed in writing by an Authorized Representative of the Authority, deposit such moneys or securities with one or more Depositories in trust for the Trustee. Moneys or securities in the Operating Fund shall be deposited by the Authority with one or more Depositories in trust for the Authority. All moneys or securities deposited under the provisions of the General Resolution with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the General Resolution, and each of such Funds established by the General Resolution shall be a trust fund for the purposes thereof. Each Depository holding moneys or securities in trust for the Trustee shall be a bank or trust company organized under the laws of the Commonwealth or a national banking association (having its principal office within the Commonwealth), having capital stock, surplus and undivided earnings aggregating at least \$100,000,000 (or such greater amount as set forth in a Supplemental Resolution) and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the General Resolution. (Section 521)

Investment of Certain Funds

(a) Moneys held in the Debt Service Fund, the Subordinated Debt Service Fund and the Note Payment Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities (other than those of the type described in paragraph (e) of the definition of “Investment Securities” in the General Resolution) which mature not later than at such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Subject to the provisions of the General Resolution, moneys held in the Debt Service Reserve Fund and the Subordinated Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities (other than those of the type described in paragraph (e) of the definition of “Investment Securities” in the General Resolution) which mature not later than at such times as shall be necessary to provide moneys when needed for payment to be made from such Funds. Moneys held in any other Fund or Account established under the General Resolution may be invested and reinvested in Investment Securities. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from any Authorized Representative of the Authority, which may for this purpose include one or more investment advisors designated in writing by such Representative from time to time. In making any investment in any Investment Securities with moneys in any Fund or Account established under the General Resolution, the Authority and the Trustee may combine such moneys with moneys in any other Fund or Account. Moneys in any Fund or Account shall be invested so as to mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund or Account.

(b) Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Funds and Accounts, other than the Construction Fund, the Cost of Issuance Fund, the Operating Fund, the Note Payment Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Subordinated Debt Service Fund, and the Subordinated Debt Service Reserve Fund shall be paid into the Revenue Fund, on the last Business Day of each month. Interest and other investment earnings on any moneys or investments in the Operating Fund, the Debt Service Fund, the Subordinated Debt Service Fund, and the Note Payment Fund shall be retained in the Fund in which such earnings accrued, provided

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that the Authority may direct that the earnings on moneys in the Operating Fund may be deposited in the Revenue Fund. Interest and other investment earnings on any moneys or investments in the Debt Service Fund and the Debt Service Reserve Fund shall be paid on the last Business Day of each month, first to the Interest Account of the Debt Service Fund and second to the Principal Account of the Debt Service Fund; and interest and any other investment earnings on the Subordinated Debt Service Reserve Fund shall be paid on the last Business Day of each month, first to the Interest Account of the Subordinated Debt Service Fund and second to the Principal Account of the Subordinated Debt Service Fund; provided, however, that the Authority may direct that investment earnings on any moneys or investments in the Debt Service Fund or the Subordinated Debt Service Reserve Fund may be deposited for such period of time as the Authority may determine in the Revenue Fund or the Construction Fund if the Authority shall obtain a Bond Counsel's Opinion to the effect that such application of earnings shall not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes. Interest and other investment earnings on any other moneys or investments in the Construction Fund attributable to any series of Secured Bonds shall be paid on the last Business Day of each month, to the related Subaccounts of the Debt Service Fund (or the Subordinated Debt Service Fund if so specified in the applicable Supplemental Resolution) first to the Interest Account and second to the Principal Account; provided, however, that the Authority may from time to time direct that all or a portion of such earnings may be retained in the Construction Fund for any period of time if there shall be provided a Certificate of an Authorized Officer of the Authority on the date of such direction and on each July 1 thereafter, so long as such direction remains in effect, (i) certifying for the most recent preceding period of twelve consecutive months, Revenues Available for Bond Debt Service were at least equal to the Primary Bond Coverage Requirement, and (ii) projecting that Revenues Available for Bond Debt Service will be at least equal to and, if the period so directed by Authority includes it, the following Fiscal Year. Earnings retained in the Construction Fund are not included in the calculation of Revenues Available for Bond Debt Service. For purposes of this paragraph, interest does not include the return of accrued interest paid in connection with the purchase of any investment.

(c) Notwithstanding the foregoing, the Authority may direct that investment earnings reasonably expected to be subject to the requirements of Section 148(f) of the Code or the Treasury Regulations applicable thereto may be deposited directly to the Rebate Fund to the extent desirable to comply with the requirements of Section 148(f) of the Code or the Treasury Regulations applicable thereto.

(d) Pursuant to the provisions described in paragraph (b) above, investment earnings derived from moneys on deposit from time to time in the Construction Fund and the Subordinated Debt Service Fund attributable to the SRF Bonds shall be transferred on the last Business Day of each month to the related Subaccounts of the Subordinated Debt Service Fund, first to the Interest Subaccount and second to the Principal Subaccount. (Section 523 and Second Supplemental Resolution Section 401)

Valuation and Sale of Investments

Obligations purchased as an investment of moneys in any Fund created under the provisions of the General Resolution shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to such Fund.

In computing the amount in any Fund created under the provisions of the General Resolution for any purpose provided in the General Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations or the market value thereof, whichever is lower. Any deficiency resulting from a decrease in the valuation of investments held in the Debt Service Reserve Fund may be disregarded for purposes of calculating deposits required from the Revenue Fund (but not for purposes of deposits required to make the amount on deposit in each Subaccount of the Debt Service Reserve Fund equal to the applicable Series Debt Service Reserve Fund Requirement) provided that the amount on deposit in the Debt Service Reserve Fund is at least 95% of the Debt Service Fund Requirement. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be made annually on June 30 for all Funds and at such other times as the Authority shall determine or as may be required by the General Resolution. (Section 524)

Rebate Fund

Upon the issuance, sale and delivery of any Series of Indebtedness subject to the Rebate Fund Requirement, the Trustee shall establish a separate account within the Rebate Fund for such Series. Funds on deposit in the Rebate Fund shall be applied as set forth in the applicable Supplemental Resolution. Unless otherwise specified in the applicable Supplemental Resolution, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be transferred to the Revenue Fund. (Section 525)

Holding of Special Deposits

Except as otherwise provided in any Supplemental Resolution, (i) any Grant Receipts held by or for the account of the Authority in connection with the System which are required to be applied under the terms of the applicable Grant Agreement directly to the payment of Costs of acquisition, construction or alteration of a Project which is the subject of such Grant Agreement, and (ii) any Grant Receipts or other moneys which have been pledged to the payment of any Special Subordinated Indebtedness issued pursuant to the provisions of the Operating Reserve Fund described in paragraph (a)(i) or (b) under the heading “**Special Subordinated Indebtedness**” (including, without limitation, proceeds of any such indebtedness) and (iii) any moneys which are subject to refund by the Authority or held for the account of others including, without limitation, any amounts which, under any agreement by the Authority providing for adequate separation of such amounts from Revenues, are collected by the Authority on behalf of others for services rendered or commodities provided to customers of the System, any amounts deducted by the Authority from wage and salary payments to the employees of the Authority, any amounts contributed by the Authority to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the Authority and any amounts held as deposits, and (iv) any state debt service assistance which the Authority elects not to include in Revenues, together with any investments of such Grant Receipts or other moneys and interest and profits thereon to the extent such interest and profits are also pledged, segregated or held for the account of others or subject to refund to others, may be held by the Authority in such manner and in such depositaries or accounts, outside of the various Funds and Accounts established by the General Resolution, as the Authority may otherwise by resolution provide. At the election of the Authority such Grant Receipts and other moneys may be deposited in separate accounts maintained by the Authority with the Trustee or any other Depositary; moneys described in clause (iv) above shall be deposited by the Trustee in the Debt Service Fund or the Subordinated Debt Service Fund upon the instructions of the Authority, which instructions shall specify the timing and amount of each such deposit and the Account or Accounts of such Funds to which the deposits are to be made. (Section 526)

Covenants of the Authority

In the General Resolution, the Authority covenants, among other things, as follows:

Covenant as to Rates and Charges; Debt Service Coverage Ratio

(a) The Authority shall for each Fiscal Year fix and adjust Rates and Charges with respect to its Waterworks and Sewer Operations, which Rates and Charges shall be adopted by the Authority’s Board of Directors strictly in accordance with the provisions of the Act as in effect on the original date of adoption of the General Resolution (i.e., January 24, 1990) and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, so as to provide funds, in the aggregate and separately, with respect to costs and operations allocable to the Waterworks and Sewer Operations at least sufficient with other revenues of the Authority, if any, available therefor (i) to pay all Current Expenses, (ii) to pay all Debt Service on Indebtedness of the Authority as the same becomes due and payable, (iii) to create and maintain all reserves established pursuant to the General Resolution or reasonably required by any other agreement securing Indebtedness of the Authority or as otherwise determined by the Authority to be necessary or desirable, (iv) to pay all costs of maintenance and replacement of the System, and costs of improving, extending and enlarging the System as determined by the Authority to be necessary or desirable, to be funded as Current Expenses in order to carry out the purposes of the Authority, (v) to provide for payments to the Commonwealth for debt service as provided in the Act, and (vi) to pay or provide for all amounts which the Authority may be obligated to pay or provide for by any law or contract including the General Resolution or other agreement securing Indebtedness of the Authority and including any amount to be repaid to the Commonwealth to reimburse the Commonwealth for the debt service paid by the Commonwealth on a bond issued under Section 5(f) of

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the Act. The charges of the Authority for delivery of water and for sewage collection, disposal and treatment services shall be established as charges of general application to be borne by the Local Body utilizing such services (provided, however, that the Authority reserves the right to impose charges of special application in accordance with the Act) and shall be established at a level sufficient to meet the revenue requirements of the Authority as described in this paragraph.

(b) Without limiting the provisions described in paragraph (a) above, the Authority shall fix and adjust Rate and Charges, which Rates and Charges shall be adopted by the Authority's Board of Directors strictly in accordance with the provisions of the Act as in effect on the original date of adoption of the General Resolution and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, sufficient to provide Revenues Available for Bond Debt Service in each Fiscal Year that are (i) at least equal to the Primary Bond Coverage Requirement, and (ii) so long as any Parity Subordinated Bonds shall be Outstanding, at least equal to the Secured Bond Coverage Requirement.

(c) Without limiting the provisions described in paragraph (a) or (b) above, the Authority shall fix and adjust Rates and Charges, which Rates and Charges shall be adopted by the Authority's Board of Directors strictly in accordance with the provisions of the Act as in effect on the original date of adoption of the General Resolution and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, sufficient to provide Revenues Available for Subordinated Debt Service in each Fiscal Year at least equal to the coverage requirement, if any, set forth in a Supplemental Resolution in connection with a Series of Subordinated Bonds.

(d) The Primary Bond Coverage Ratio may be adjusted from time to time by the Authority by the adoption of a Supplemental Resolution provided that: (i) the Authority shall have provided evidence to the Trustee that the details of such adjustment have been provided in writing to each Rating Agency then assigning a rating on Outstanding Secured Bonds and that each such Rating Agency has either (x) confirmed in writing that such adjustment will not adversely affect such ratings, or (y) issued a rating on a Series of Bonds to be issued which is not less than the rating assigned by such Rating Agency to Outstanding Bonds of such category, or any other evidence satisfactory to the Trustee that such adjustment will not adversely affect the then current ratings, if any, assigned to any Outstanding Secured Bonds by such Rating Agency; and (ii) the Primary Bond Coverage Ratio shall not be less than 1.1.

(e) If in any Fiscal Year Revenues shall not satisfy the requirements described in paragraph (a) above, or Revenues Available for Bond Debt Service or Revenues Available for Subordinated Debt Service shall not satisfy the requirements described in paragraph (b) or (c) above, respectively, then the Authority shall not be deemed to be in default under the General Resolution so long as it shall have complied or is diligently proceeding to comply with the requirements described in paragraphs (f) and (g) below.

(f) On or before the last day of each Fiscal Year the Authority shall review the adequacy of its rates, fees, rentals and other charges with respect to the System and the Authority's other corporate purposes to satisfy the requirements described under this heading for the next succeeding Fiscal Year. If such review, or any report of a Consulting Engineer or Rate Consultant provided in connection with such review or in accordance with any section hereof, indicates that the rates, fees, rentals and other charges with respect to the System and the Authority's other corporate purposes are, or are likely to be, insufficient to meet the requirements described under this heading for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that rates, fees, rentals and other charges with respect to the System and the Authority's other corporate purposes are or are likely to be insufficient to meet such requirements, the Authority shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency.

(g) Within 180 days of the close of each Fiscal Year while Bonds are Outstanding, the Authority shall deliver to the Trustee a certificate of an Authorized Representative stating, if such was the case, that the Authority satisfied the requirements described in paragraphs (a), (b) and (c) above in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the Authority so that it will comply with such requirements in the then current Fiscal Year. Such certificate shall be accompanied by a Certificate of the Accountant in accordance with the General Resolution setting forth the amounts for the preceding Fiscal Year which are necessary

to determine compliance with the requirements described in paragraph (a), (b) and (c) above. If the amounts set forth in the certificate of the accountants indicate that the Authority was not in compliance for such Fiscal Year with the provisions described in paragraph (a), (b) or (c) above, the Consulting Engineer or Rate Consultant shall review the adequacy of the Authority's rates, fees, rentals and other charges with respect to the System and shall recommend changes necessary for the Authority to be in compliance with the provisions described in paragraphs (a), (b) and (c) above by the end of the then current Fiscal Year. The Authority covenants, to the extent permitted by and in accordance with the Act, to use its best efforts to effect such changes as are so recommended by the Consulting Engineer or Rate Consultant. (Section 705)

Sale, Lease or Encumbrance of Property

(a) Except as described under this heading and authorized under the Act, no part of the System shall be sold, mortgaged, leased or otherwise disposed of or encumbered.

(b) The Authority may from time to time sell or exchange or otherwise dispose of at any time and from time to time any property or facilities constituting part of the System which either (i) are worn out or obsolete, or (ii) in the opinion of the Authority are no longer useful in the operation of the System, and if the market value of such property or facilities to be sold or otherwise disposed of in any Fiscal Year, as determined by the Authority, is in excess of one tenth of one percent (0.1%) of the book value of the entire System, the Authority delivers to the Trustee a certificate of an Authorized Representative stating, in the opinion of the signer, that the sale, exchange or other disposition of such property or facilities will not impair the ability of the Authority to satisfy the Rates and Charges covenants in the then current or any future Fiscal Year. Any proceeds of such sale, exchange or other disposition not used to replace the property so sold or exchanged shall be deposited by the Authority in the Revenue Fund.

(c) To the extent permitted by the Act, the Authority may mortgage, grant security interests in, or otherwise encumber any real or personal property included in the System, or may lease any lessee any real or personal property to be used in the operation of the System, provided that the aggregate annual payments required to be made by the Authority under all such mortgages, security interests, encumbrances and leases shall not in any Fiscal Year exceed twenty-five percent (25%) of the total Current Expenses for such Fiscal Year as shown in the Current Expense Budget then in effect. The proceeds of sale, if any, of any such property mortgaged or otherwise encumbered, after satisfying the mortgage, security interest or other encumbrance secured by the same, shall be deposited in the Revenue Fund. Until so deposited, such proceeds shall not be deemed Revenues under the General Resolution.

(d) To the extent permitted by the Act, the Authority may lease as lessor or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such lease, contract, license, easement or right does not, in its opinion (as evidenced, in the event of any such lease, contract, license, easement or right which extends for more than one year or which is irrevocable, by a Certificate of an Authorized Representative delivered to the Trustee), impede the operation by the Authority of the System. Except as described under the heading "**Special Subordinated Indebtedness**," any payments to the Authority under or in connection with any such lease, contract, license, easement or right (except any such payments specifically excluded from the definition of Revenues) shall constitute Revenues under the General Resolution. (Section 706)

Operation, Maintenance and Reconstruction

(a) The Authority shall operate, or cause to be operated, the System properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that the operation of the System may be properly and advantageously conducted, and, if any useful part of the System is damaged or destroyed or taken through the exercise of eminent domain, the Authority shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use and the replacement of such part so taken; provided, however, that nothing in the General Resolution shall require the Authority to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall have been filed with the Trustee (i) a certificate of an Authorized Representative stating that in the opinion of the signer (A) abandonment of operation of such part is economically justified, and (B) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the Authority to satisfy the Rates and Charges covenants in the current or any

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future Fiscal Year, and (ii) a certificate of a Consulting Engineer concurring in such opinion of the Authorized Representative if the book value of such part of the System exceeds one percent (1.0%) of the book value of the entire System.

(b) The Authority shall establish and enforce reasonable rules and regulations governing the operation, use and services of the System. All compensation, salaries, fees and wages paid by the Authority in connection with the maintenance, repair and operation of the System shall be reasonable.

(c) Nothing in the General Resolution shall be deemed to preclude the Authority from undertaking such other Projects or exercising such other powers unrelated to the operation of the System as may be permitted from time to time under the Act and approved by its Board of Directors. (Section 707)

Insurance and Condemnation

(a) The Authority shall at all times either (i) keep all property which is a part of the System and which is of an insurable nature and of the character usually insured by water or sewer utility systems similar to the Authority insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts, and with such deductibles, if any, as are customary, and also at all times maintain insurance against loss or damage from such hazards and risks to persons and the property of others, and with such deductibles, if any, as are usually insured against by water or sewer utility systems similar to the Authority, or (ii) maintain the Insurance Reserve Fund at the Insurance Reserve Fund Requirement. In determining the amounts and types of insurance and deductibles, if any, to be maintained as described in this paragraph, the Authority may rely upon the advice of a Consulting Engineer or an insurance consultant of recognized standing selected by the Authority and satisfactory to the Trustee. All policies of insurance shall be payable to the Authority or to the Trustee. On or before the last day of each Fiscal Year, the Authority shall deliver to the Trustee a certificate of an Authorized Representative listing the types and amounts of insurance then maintained by the Authority and the insurers therefor.

(b) All proceeds of insurance maintained as described in paragraph (a) above shall be applied as provided in the General Resolution, including to the restoration, replacement or reconstruction of the property or facility lost or damaged. Such application also may include the redemption of Secured Bonds of the Series to which such proceeds relate on the first date on which such Secured Bonds may be called without premium (unless the Authority shall elect to call such Secured Bonds earlier at a premium).

(c) If any property or facility comprising part of the System shall be taken through the exercise of the power of eminent domain, the Authority shall apply the proceeds of any award received on account of such taking to the replacement of the property or facility so taken or deposit such proceeds in the Renewal and Replacement Reserve Fund or the Operating Reserve Fund to the extent that the costs of such replacement were paid from the Renewal and Replacement Reserve Fund or the Operating Reserve Fund, unless the Authority determines in accordance with the General Resolution not to replace such property or facility. Any proceeds of such award not applied to such replacement or remaining after such work has been completed shall be deposited in the Revenue Fund, except that any proceeds resulting from the taking of all or substantially all of the System shall be deposited with the Trustee in the Redemption Account of the Debt Service Fund for the purpose of redemption of Secured Bonds or for the defeasance of Secured Bonds as provided in the General Resolution. (Section 708)

Consulting Engineer; Rate Consultant

The Authority shall, until the Secured Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Consulting Engineer by the General Resolution, employ an independent engineer or engineering firm having a nationwide and favorable repute for skill and experience in such work and, except in the case of the firm serving as Consulting Engineer at the time of the adoption of the General Resolution, who shall be reasonably acceptable to the Trustee. (Section 710)

The Authority shall, until the Secured Indebtedness and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Rate

Consultant by the General Resolution, employ an independent accountant or firm of independent accountants, or a management consultant or management consulting firm, or independent engineer or engineering firm (which may also be the Consulting Engineer), having, in any case, a nationwide and favorable reputé for skill and experience in such work and, except in the case of the firm serving as the Rate Consultant at the time of the adoption of the General Resolution, who shall be reasonably acceptable to the Trustee. (Section 711)

Operating Budget

(a) Not less than thirty days prior to the beginning of each Fiscal Year the Authority shall prepare and deliver to the Trustee a preliminary Operating Budget, and not less than one day prior to the beginning of each Fiscal Year, shall adopt, in accordance with applicable powers, procedures, responsibilities and limitations established by the Act for adoption of the Current Expense Budget, and file with the Trustee a copy of the Operating Budget, duly certified by an Authorized Representative of the Authority, showing on a monthly basis the estimated Operating Expenses to be paid from the Operating Fund and Commonwealth Obligations to be paid from the Commonwealth Obligation Fund, as well as the Revenues or other moneys held under the General Resolution estimated to be available to pay such Operating Expenses and Commonwealth Obligations (including the amount of each item constituting a component thereof) for the ensuing Fiscal Year, together with any other information required to be set forth therein by the General Resolution. The Authority shall not incur aggregate Operating Expenses and Commonwealth Obligations in any Fiscal Year in excess of the amount budgeted in the Operating Budget, as amended and supplemented for such Fiscal Year, except in case of emergency or as required by law and shall promptly file with the Trustee a written report of any such excess expenditure signed by an Authorized Representative and as soon as practicable thereafter adopt and file with the Trustee an amendment to the Operating Budget.

(b) In conjunction with the adoption and filing, or any amendment, of the Operating Budget, the Authority shall certify the Operating Reserve Fund Requirement for the Fiscal Year to which such Budget relates; provided that (i) the Operating Reserve Fund Requirement shall not be less than one-sixth of the annual Operating Expenses set forth in such Budget, and (ii) the Authority's certificate shall be consistent with the latest recommendation of the Consulting Engineer made in conjunction with its report pursuant to the General Resolution. In addition, the Authority shall at the same time certify the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year to which such Budget relates, provided that the Authority's certificate shall be consistent with the latest recommendation of the Consulting Engineer made pursuant to the General Resolution. In addition, the Authority will certify the assumed interest rate on each Series of Variable Rate Indebtedness then Outstanding for which deposits will be required to be made from the Reserve Fund to the Debt Service Fund and the Subordinated Debt Service Fund pursuant to the General Resolution. If the Authority shall not certify the Operating Reserve Fund Requirement or the Renewal and Replacement Reserve Fund Requirements as aforesaid, the requirement for the Fiscal Year shall be the Requirement in effect for the previous Fiscal Year until the new requirement is certified as aforesaid.

(c) If for any reason the Authority shall not have adopted the Operating Budget as provided in the General Resolution, the Operating Budget for the then current Fiscal Year shall be deemed to be the Operating Budget for the ensuing Fiscal Year until a new Operating Budget is adopted.

(d) The Authority may at any time adopt an amended Operating Budget for the then current or ensuing Fiscal Year, but no such amended Operating Budget shall supersede any prior Budget until the Authority shall have filed with the Trustee and the Advisory Board a copy of such amended Operating Budget and shall have complied in all respects with the requirements of the Act applicable to the Current Expense Budget in adopting any amended Operating Budget.

(e) In addition to the Authority's right to amend the Operating Budget pursuant to the General Resolution, the Authority may reallocate amounts budgeted to specific items or months within the Operating Budget then in effect at any time by delivery of a Certificate of its Authorized Representative provided that no such reallocation shall result in an increase in the sum of the aggregate Operating Expenses and Commonwealth Obligations for the Fiscal Year covered by such Operating Budget. (Section 712)

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Capital Budget

(a) Not less than forty-five days prior to the beginning of each Fiscal Year the Authority shall prepare and file with the Trustee a proposed program of Projects to be undertaken by the Authority during such Fiscal Year and the next two ensuing Fiscal Years, identifying the Projects to be carried out, the estimated Costs thereof and the period of construction thereof, together with a proposed Capital Budget for the Projects to be undertaken in at least the first of such Fiscal Years. Not less than one day prior to the beginning of each Fiscal Year the Authority shall adopt and file with the Trustee a final Capital Budget for the Projects or parts thereof to be undertaken by the Authority in such Fiscal Year. The Capital Budget shall show all projected expenditures as well as the sources of moneys projected to be available to meet the same. The Capital Budget shall further identify the Projects to be undertaken, the nature of the work, the estimated Costs thereof and the estimated completion date of each Project.

(b) The Authority may from time to time amend or supplement the Capital Budget for the Fiscal Year then in progress by filing with the Trustee a certificate of an Authorized Representative setting forth the amendment or supplement. (Section 713)

Accounts and Reports

(a) The Authority shall maintain its books and accounts in accordance with generally accepted accounting principles applicable to water or sewer utilities such as the Authority and in accordance with such other principles of accounting as the Authority deems appropriate. Said books and accounts shall at all times be subject to the inspection of the Trustee and the Holder or Holders of not less than one percent (1.0%) in principal amount of Outstanding Secured Bonds of any category or their representatives duly authorized in writing.

(b) The Authority shall annually, within 180 days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such year, accompanied by financial statements, audited by and containing the report of an independent Accountant relating to the operations and properties of the System for such Fiscal Year and setting forth in reasonable detail its financial condition as of the end of such year and the income and expenses for such year, and including a summary of the receipts in and disbursements from the Funds and Accounts maintained under the General Resolution during such Fiscal Year and the amounts held therein at the end of such Fiscal Year. Each report of such Accountant or firm of Accountants shall state that the financial statements of the Authority were prepared in accordance with generally accepted accounting principles, or shall state in what respects such financial statements do not conform with such generally accepted accounting principles. If in connection with such annual audit such Accountant submits any written recommendations as to internal accounting controls or related matters, such recommendations shall also be filed with the Trustee. Each annual report shall be accompanied by a certificate of the accountant or firm of accountants auditing the same to the effect that in the course of and within the scope of their examination of such financial statements made in accordance with generally accepted auditing standards nothing came to their attention that would lead them to believe that a default had occurred under the General Resolution or, if such is not the case, specifying the nature of the default.

(c) Within 120 days after the close of every third Fiscal Year following the Fiscal Year in which the initial Series of Bonds under the General Resolution is issued the Authority shall file with the Trustee a copy of a certificate of a Consulting Engineer setting forth in reasonable detail (i) its findings as to whether the properties of the System have been maintained during such three-year period, and are then being maintained, in good repair and sound operating condition, (ii) its estimate of the amount, if any, required to be expended to place such properties in such condition and the approximate time required therefor, (iii) its recommendations, if any, as to improved management and proper maintenance, repair, and operation of, and capital improvements to, the System during the ensuing three-year period, (iv) its recommendations as to the adequacy of the Renewal and Replacement Reserve Fund Requirement to fund emergency repairs and replacements and other expenditures for repairs and replacements not provided for in the Operating Budget and the Capital Budget, and (v) its recommendations as to the adequacy of the Authority's rates, fees, rentals and other charges. If such certificate sets forth that the properties of the System are not then being maintained in good repair and sound operating condition, the Authority shall restore the properties to good repair and sound operating condition as promptly as is practicable. (Section 714)

Rates for Services

So long as any Secured Indebtedness is Outstanding, no free service related to the System shall be furnished by the Authority to any Local Body or to any person, firm, or corporation, except as described below. Any service rendered by the System to any Local Body or person, firm, or corporation shall be charged at the same rate and in the same manner in which any other user, within the same classification, is or would be charged for similar service. For purposes of this section, the Authority may make classifications among users of the System as permitted by the Act, which classifications may be based on reasonable distinctions related to the Authority's corporate purposes. The Authority may continue provisions for subsidization of water charges to which any Local Body is entitled in accordance with contract or other lawful obligations assumed by the Authority as successor to the MDC or otherwise entered into by the Authority prior to the adoption of the General Resolution. (Section 715)

Non-Payment of Rates; Certification to Commonwealth Treasurer

(a) The Authority may in its discretion determine when an overdue payment shall constitute a Local Body Default, and be so certified, until such time as any such payment shall have been overdue for twelve months, whereupon the Authority shall certify such default as a Local Body Default. The Authority may make, with respect to any moneys received from a Local Body, reasonable allocations between its charges to such Local Body for the provision of waterworks or sewer services. The Authority shall notify the Trustee within thirty days of any overdue Payment that remains unpaid, of the existence of such overdue payment and shall promptly notify the Trustee upon the declaration of such default as a Local Body Default. Within five Business Days of the determination of a Local Body Default, the Authority shall send to each Local Body receiving waterworks services, if such default was with respect to waterworks services or sewer services, if such Default was with respect to sewer services from the Authority, including the defaulting Local Body, a notice, a copy of which shall be sent to the Trustee, specifying (i) that a Local Body Default has occurred; (ii) the amount of such Local Body Default; (iii) that unless such default is cured an allowance equal to such amount, including any interest or late charges on the overdue amount, shall be incorporated into the charges to each Local Body in connection with the Authority's next ensuing rate-setting process; and (iv) the approximate amount by which the Rates and Charges to be assessed against each Local Body shall be increased on account of the inclusion of such allowance in Rates and Charges. Further, the Authority shall by the earlier of (x) eighteen months from the date of such Local Body Default, or (y) the next establishment by the Authority of its Rates and Charges following the Local Body Default which can feasibly incorporate the allowance referred to above, provided that the defaulting Local Body shall not have cured its default, assess each Local Body, including the defaulting Local Body, a pro rata share, based on each Local Body's share of total charges for water and sewer services, respectively, of the amount of such Local Body Default, including any interest or charges on the overdue amount, which assessment shall be in addition to the Rates and Charges required to comply with the Rates and Charges covenants of the General Resolution. The Authority shall provide the Trustee with written evidence that such assessment has been made.

(b) In addition to the requirements described in paragraph (a) above, the Authority shall take such steps as may be necessary under the provisions of the Act to collect delinquent rates or charges, and to enforce liens for non-payment of rates or charges, in a practicable and timely manner. Without limiting the foregoing, in the event that any Local Body, which has received a certification of the Authority's charges, shall fail to pay the same to the Authority when due after demand by the Authority, the Authority shall promptly certify to the Treasurer and Receiver General of the Commonwealth the amount owing to the Authority by said Local Body in accordance with Section 10(b) of the Act. The Authority shall promptly certify its charges to each Local Body and, in the event of a Local Body's failure to pay the Authority's charges, shall promptly demand the payment of same. (Section 716)

Tax Covenants

The General Resolution includes several covenants by the Authority as to federal and state tax matters, including a general covenant to take, or require to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Series of Tax Exempt Indebtedness and the continued exemption from Massachusetts income taxation of the interest on Indebtedness, including, without limitation, the preparation and filing of any statements required to be filed by the Authority in order to establish and maintain such tax exclusion and exemption. In addition, the Authority shall not take, or permit to be taken on its

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behalf, any action which would adversely affect the exclusion from federal gross income, or the exemption from Massachusetts income taxation, of the interest on any Series of Tax Exempt Indebtedness.

Notice to Rating Agencies of Certain Contracts

The Authority shall notify each Rating Agency, prior to executing any interest rate exchange, cap or other hedge agreement of the general terms of such agreement, whether payments under such agreement are payable as Special Payment Obligations or as Operating Expenses. (Section 512)

Supplemental Resolutions

Supplemental Resolutions Effective Upon Filing with Trustee

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted by the Authority, which upon the filing with the Trustee of a copy thereof certified by an Authorized Representative, shall be fully effective in accordance with its terms:

(a) to close the General Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Resolution on, the authentication and delivery of Secured Bonds or the issuance of other Indebtedness;

(b) to add to the covenants and agreements of the Authority in the General Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the General Resolution as theretofore in effect including any covenants necessary for compliance with the Code, including without limitation Section 148(f) thereof or regulations promulgated thereunder;

(c) to add to the limitations and restrictions in the General Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the General Resolution as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the General Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the General Resolution;

(e) to authorize Secured Bonds of a Series and, in connection therewith specify and determine the matters and things referred to in the General Resolution with respect to conditions precedent to delivery of Secured Bonds, and also any other matters and things relative to such Secured Bonds which are not contrary to or inconsistent with the General Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Secured Bonds including, without limiting the generality of the foregoing, provisions amending or modifying the General Resolution to provide for the issuance of Secured Bonds in book-entry form or in coupon form payable to bearer;

(f) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Resolution, of the Revenues or of any other moneys, securities or funds;

(g) to modify the Primary Bond Coverage Ratio in accordance with the provisions of the General Resolution;

(h) to modify any of the provisions of the General Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds or Subordinated Bonds of any Series affected by the amendment Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds or Subordinated Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds or Subordinated Bonds issued in exchange therefor or in place thereof;

(i) to modify the definition of Investment Securities as directed by the Authority's Board of Directors provided that the Authority shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Secured Bonds and that each such Rating Agency has either (x) confirmed in writing that such modification will not adversely affect such ratings, or (y) issued a rating on a Series of Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Secured Bonds by any Rating Agency; or

(j) to subject to the General Resolution additional revenues, security or collateral. (Section 801)

Supplemental Resolutions Effective upon Consent of Trustee

(a) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Representative, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto shall be fully effective in accordance with its terms:

(A) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the General Resolution; or

(B) to insert such provisions clarifying matters or questions arising under the General Resolution as are necessary or desirable and are not contrary to or inconsistent with the General Resolution as theretofore in effect; or

(C) to provide for additional duties of the Trustee.

(b) Any such Supplemental Resolution may also contain one or more of the purposes permitted in Supplemental Resolutions that are effective upon filing with the Trustee, and in that event, the consent of the Trustee required as described under this heading shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes described in paragraph (a) above. (Section 802)

Supplemental Resolutions Effective with Consent of Bondholders

At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by holders of any Secured Bonds in accordance with and subject to the provisions of the General Resolution relating to amendments, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative and upon compliance with the provisions of the General Resolution, shall become fully effective in accordance with its terms as provided in the provisions of the General Resolution relating to amendments. (Section 803)

Amendments

Mailing of Notice of Amendment

Any provision in the General Resolution for the mailing of a notice or other paper to any holder of the Secured Bonds shall be fully complied with if it is mailed, by first-class mail, postage prepaid only (i) to each owner of Bonds or Subordinated Bonds, respectively, then Outstanding at his address appearing upon the registry books, and (ii) to the Trustee. (Section 901)

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Powers of Amendment

Any modification or amendment of the General Resolution or of the rights and obligations of the Authority and of the holders of the Secured Bonds under the General Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution, (i) of the holders of at least 51% of the aggregate principal amount of the Bonds Outstanding at the time such consent is given and at least 51% of the aggregate principal amount of the Subordinated Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Secured Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 51% of the aggregate principal amount of the Secured Bonds of the several Series so affected Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Secured Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Secured Bonds shall not be required and such Secured Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Secured Bonds under this section; and provided, further, that in connection with the initial issuance of a Series of Secured Bonds, the underwriters of such Series may give such consent with respect to such Series and such consent shall be binding upon all subsequent holders of such Series; and provided, further, that with respect to any Series of Secured Bonds which is secured by a Credit Facility that is not in default, the consent of the issuer of the Credit Facility shall be effective for the purposes of this sentence in place of the consent of the holders of the aggregate principal amount of the Secured Bonds of such Series Outstanding. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or Subordinated Bond or shall reduce the percentages or otherwise change the classes of Secured Bonds the consent of the holders of (or of the issuers of Credit Facilities for) 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 its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the General Resolution if the same adversely affects or diminishes the rights of the holders of Secured Bonds of such Series. The Trustee in its discretion may make a determination, binding on holders of Secured Bonds, as to whether any particular Series or maturity would be affected by any modification or amendment of the General Resolution. For the purposes of this paragraph, the holders of the Secured Bonds may include the initial holders thereof, regardless of whether such Secured Bonds are being held for immediate resale. (Section 902)

Modifications by Unanimous Consent

Notwithstanding anything contained in the General Resolution with respect to Supplemental Resolutions and amendments, the terms and provisions of the General Resolution and the rights and obligations of the Authority and of the holders of Secured Bonds may be modified or amended in any respect upon the adopting and filing of a Supplemental Resolution and the consent of the holders of all Secured Bonds then Outstanding, such consent to be given as provided in the General Resolution except that no notice to the holders of Secured Bonds either by mailing or publication shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the holders of Secured Bonds. (Section 904)

Events of Default

The occurrence of any one or more of the following events shall constitute an Event of Default under the General Resolution:

- (a) a default in the due and punctual payment of a Principal Installment or the Redemption Price of any Secured Bonds when and as the same shall become due and payable, whether at maturity or upon earlier redemption, or otherwise; or
- (b) a default in the due and punctual payment of any installment of interest on any Secured Bonds, when and as such interest installment shall become due and payable; or
- (c) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part or on the part of the Authority in the General Resolution, any Supplemental Resolution or in

the Secured Bonds contained, and such default shall continue for a period of forty-five days after written notice thereof stating that such notice is a “Notice of Default” to the Authority by the Trustee, or to the Authority and to the Trustee by the holders of not less than a majority in principal amount of the Secured Bonds Outstanding, provided that such forty-five day period shall be extended to such longer period of time as the Trustee may deem appropriate in the event of defaults which by their nature will require such longer period of time to cure if the Authority shall commence such cure within such forty-five day period and pursue the same diligently to completion; or

(d) if the Authority (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the System, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority or of the whole or any substantial part of the System.

Upon the happening and continuance of any Event of Default, the Trustee shall give notice of such occurrence to the registered holders of the Secured Bonds. Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, the Trustee shall, in any such case, unless the principal of all the Secured Bonds then Outstanding shall already have become due and payable, declare the principal of all Secured Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the General Resolution or in any of the Secured Bonds contained to the contrary notwithstanding. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that, if at any time after such declaration, but before the Secured Bonds shall have matured by their terms, all overdue installments of principal and interest upon the Secured Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the General Resolution (except the interest accrued since the next preceding interest date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Secured Bonds or under the General Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of a majority in principal amount of the Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, by written notice to the Authority and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted without a direction from the holders of the Secured Bonds as aforesaid at the time of such request, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the holders of a majority in principal amount of the Bonds Outstanding or if no Bonds are Outstanding, Subordinated Bonds Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. The Trustee shall not be liable for any decision made in good faith as to whether or not to declare all Secured Bonds to be due and payable. (Section 1001)

Application of Revenues and Other Moneys After Default

(a) The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the Authority, or a Depositary in any Fund, Account or Subaccount under the General Resolution, and (ii) as promptly as practicable after receipt thereof, the Revenues.

(b) During the continuance of an Event of Default, the Trustee shall apply such Revenues and the income therefrom as follows and in the following order:

(i) to the payment of the reasonable and proper fees, charges and expenses (including reasonable attorneys fees) of the Fiduciaries and of any engineer or firm of engineers or accountants or firm of accountants selected by the Trustee and to the payment of any fees and expenses required to keep any Financial Guaranties, or Credit Facilities in full force and effect;

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(ii) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the System necessary to prevent loss of Revenues or to provide for the continued operation of the System, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the Authority for other purposes) selected by the Trustee;

(iii) to the payment of the interest and principal or Redemption Price then due on the Bonds as follows:

(A) unless the principal of all of the Bonds shall be due and payable,

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

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

(B) if the principal of all of the Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination of preference; and

(iv) to the payment of the interest and principal or Redemption Price then due on the Subordinated Bonds in a manner similar to the payment of such amounts with respect to Bonds, as described above.

Any amounts on deposit in the Subordinated Debt Service Reserve Fund shall not be applied as set forth above to the payment of principal amount and interest on Bonds and any amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund shall not be applied as set forth above to the payment of the principal amount and interest on Subordinated Bonds.

(c) If and when all overdue installments of interest on all Secured Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Authority under the General Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Secured Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the General Resolution or the Secured Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the General Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former position and rights under the General Resolution, and all Revenues shall thereafter be applied as provided in the General Resolution. (Section 1003)

Proceedings Brought by Trustee

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the holders of the Secured Bonds under the General Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the General Resolution.

(b) The holders of a majority in principal amount of the Bonds at the time Outstanding, or if no Bonds are Outstanding, of Subordinated Bonds Outstanding, may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the holders of Secured Bonds not parties to such direction.

(c) Upon commencing a suit in equity or upon the commencement of judicial proceedings by the Trustee to enforce any right under the General Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the General Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default, and, as a matter of right against the Authority, without notice or demand and without regard to the adequacy of the security for the Secured Bonds, the Trustee shall, to the extent permitted by law, be entitled to the appointment of a receiver of the moneys, securities and funds then held by the Authority in any Fund, Account or Subaccount under the General Resolution and, subject to application of the Revenues, with all such powers as the court or courts making such appointment shall confer; but notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it under the General Resolution or agreed to provide to be delivered or pledged with it under the General Resolution.

(d) Regardless of the happening of an Event of Default, the Trustee shall have the power to, but (unless requested in writing by the holders of a majority in principal amount of the Secured Bonds then Outstanding, and furnished with reasonable security and indemnity) shall be under no obligation to, institute and maintain such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, as it may determine shall be necessary or expedient to prevent any impairment of the security under the General Resolution, any impairment of the ability of the Authority or the Trustee to satisfy any of its agreements or obligations hereunder, or the impairment of any protection provided by the General Resolution of the interests of the holders of Secured Bonds by any acts which may be unlawful or in violation of the General Resolution, and such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, as the Trustee may determine shall be necessary or expedient to preserve or protect its interest and the interests of the holders of any Secured Bonds. (Section 1004)

Restrictions on Action by Holders of Secured Bonds

No holder of any Secured Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the General Resolution or the execution of any trust under the General Resolution or for any remedy under the General Resolution, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the General Resolution, and the holders of at least a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding of Subordinated Bonds Outstanding, shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted as described under this heading or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more holders of Secured Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the General Resolution, or to enforce any right under the General Resolution, except

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in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the General Resolution shall be instituted, had and maintained in the manner provided in the General Resolution and for the equal benefit of all holders of the Outstanding Bonds, in accordance with their rights and interests under the General Resolution and all holders of Outstanding Subordinated Bonds, in accordance with their rights and interests under the General Resolution. (Section 1005)

The Trustee

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the General Resolution by giving not less than sixty days' written notice to the Authority and publishing notice thereof, at the Trustee's expense, specifying the date when such resignation shall take effect once in each week for two successive calendar weeks in an authorized newspaper, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or the holders of any Secured Bonds as provided in the General Resolutions, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 1107)

Removal of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the holders of a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding, of the Subordinated Bonds then Outstanding, or their attorneys-in-fact duly authorized, excluding any Secured Bonds held by or for the account of the Authority. The Trustee may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the General Resolution with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Authority or the holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, excluding any Secured Bonds held by or for the account of the Authority. Notwithstanding the foregoing provisions, at the end of the Fiscal Year of the Authority ending June 30, 2006, and at the end of every second Fiscal Year thereafter, the Authority may remove the Trustee, except during the existence of an Event of Default, upon 120 days written notice to the Trustee by filing with the Trustee an instrument signed by an Authorized Representative of the Authority. (Section 1108)

Appointment of Successor Trustee

(a) In case at any time the Trustee 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 the Trustee, or its property, shall be appointed, or if any public offering shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the holder of a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding of the Secured Bonds then Outstanding, excluding any Secured Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of any Secured Bonds or by their attorneys-in-fact duly authorized and delivered to such successor trustee, notification thereof being given to the Authority and the predecessor Trustee; but (unless a successor trustee shall have been appointed by the holders of the Secured Bonds as aforesaid) the Authority by a duly executed written instrument signed by an Authorized Representative shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the holders of the Secured Bonds as authorized in the General Resolution. The Authority shall publish notice of any such appointment made by it once in each week for two consecutive calendar weeks, in an authorized newspaper, the first publication to be made within twenty days after such appointment. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the holders of the Secured Bonds as authorized in the General Resolution.

(b) If in a proper case no appointment of a successor trustee shall be made pursuant to the foregoing provisions of the General Resolution within forty-five days after the Trustee shall have given to the Authority written notice as provided in the General Resolution or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Secured Bond may apply to any court of competent

jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

(c) Any Trustee appointed under the provisions of the General Resolution in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association, and having a capital and surplus aggregating at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Resolution. (Section 1109)

Defeasance

(a) If the Authority shall pay or cause to be paid to the holders of all Secured Bonds then Outstanding, the Principal Installments and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Representative and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the holders of such Secured Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys, securities and funds held by them pursuant to the General Resolution which are not required for the payment or redemption of Secured Bonds not theretofore surrendered for such payment or redemption.

(b) Secured Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect described in paragraph (a) above. Subject to the provisions described in paragraph (c) below, any Outstanding Secured Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect described in paragraph (a) above if (i) in case any of said Secured Bonds are to be redeemed on any date prior to the maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish as provided in the General Resolution notice of redemption of such Secured Bonds (other than the Secured Bonds which have been purchased by the Trustee at the direction of the Authority as hereinafter provided prior to the publication of such notice of redemption) on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same, time, shall be sufficient, to pay when due the Principal Installments or Redemption Price, if applicable, and interest due and to become due on said Secured Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Secured Bonds are not to be redeemed within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the authorized newspapers a notice to the holders of such Secured Bonds that the deposit referred to in clause (i) above has been made with the Trustee and that said Secured Bonds are deemed to have been paid as described under this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal Installments or Redemption Price, if applicable, on said Secured Bonds (other than Secured Bonds which have been purchased by the Trustee at the direction of the Authority as hereinafter described prior to the publication of the notice of redemption referred to in clause (i)); provided, however, that in connection with the provision for payment of any Secured Bonds which are then in non-certificated form, the requirements described in clause (iii) above shall be deemed satisfied upon mailing of the notice described in clause (iii) by registered mail to the securities depository which is the registered owner, or whose nominee is the registered owner, of such Secured Bonds. The Trustee shall, as and to the extent necessary, apply moneys held by it as described under this heading to the retirement of said Secured Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Secured Bonds, all in the manner provided in the General Provisions.

The Trustee shall, if so directed by the Authority (x) prior to the maturity date of Secured Bonds deemed to have been paid as described under this heading which are not to be redeemed prior to the maturity date or (y) prior to the publication of the notice of redemption referred to in clause (i) of the paragraph above with respect to any Secured Bonds deemed to have been paid as described under this heading which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Secured Bonds and redeem or sell Defeasance

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Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Secured Bonds and the Trustee shall immediately thereafter cancel all such Secured Bonds so purchased; provided, however, that the Trustee shall receive a certificate of the Accountant showing that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Secured Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Secured Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be, and a Bond Counsel's opinion to the effect that such redemption or sale of such Defeasance Obligations will not adversely affect the exclusion of the interest on such Secured Bonds from gross income of the holders thereof for federal income tax purposes and that such redemption or sale otherwise complies with the provisions of the General Resolution. Except as otherwise described in paragraphs (b) and (c) under this heading, neither Defeasance Obligations nor moneys deposited with the Trustee as described under this heading nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, but shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Secured Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledged securing said Secured Bonds otherwise existing under the General Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested at the written direction of an Authorized Representative of the Authority in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Secured Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment, shall be paid over to the Authority, as received by the Trustee free and clear of any lien or pledge securing said Secured Bonds or otherwise existing under the General Resolution.

(c) For purposes of determining whether Variable Rate Indebtedness shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, in accordance with the provisions described in the second sentence of paragraph (b) under this heading, the interest to come due on such Variable Rate Indebtedness on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Indebtedness having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment securities on deposit with the Trustee for the payment of interest on such Variable Rate Indebtedness is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Indebtedness in order to satisfy the provisions described in the second sentence of paragraph (b) under this heading, the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any lien or pledge securing the Secured Bonds or otherwise existing under the General Resolution.

(d) Option Bonds shall be deemed to have been paid in accordance with the provisions described in the second sentence of paragraph (b) under this heading, only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the holders of such Option Bonds upon the exercise of any options provided to the holders of such Option Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the provisions described in paragraph (b) under this heading, the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Option Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien or pledge securing said Option Bonds or otherwise existing under the General Resolution.

(e) Anything in the General Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Secured Bonds which remain unclaimed for two years after the date when such Secured Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Secured Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free

from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the holders of any Secured Bonds shall look only to the Authority for the payment of such Secured Bonds; provided, however, that before being required to make any such payment to the Authority, the Fiduciary may, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in an authorized newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority. (Section 1201)

Preservation and Inspection of Documents

All documents received by an Fiduciary under the provisions of the General Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any holder of any Secured Bonds and any person that the Trustee can reasonably determine is a beneficial owner of any Secured Bonds held by or on behalf of a securities depository, and their agents and their representatives, any of whom may make copies thereof. Upon the receipt of a written request by any such beneficial owner or any holder of any Secured Bonds, or their agents or their representatives, the Trustee shall provide copies of any reports or certificates delivered to the Trustee pursuant to any provision of the General Resolution. At the direction of the Authority, the Trustee shall require the party requesting such reports or certificates to pay or reimburse the Trustee for the direct costs of reproducing and mailing such reports or certificates. (Section 1204)

No Recourse on the Secured Bonds

No recourse shall be had for the payment of the principal of or interest on the Secured Bonds or for any claim based thereon or on the General Resolution against any member or officer of the Authority or any person executing the Secured Bonds. (Section 1206)

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Massachusetts Water Resources Authority
Deer Island
33 Tafts Avenue
Boston, Massachusetts 02128

Re: Massachusetts Water Resources Authority Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series C (the “Series C Bonds”), Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D (the “Series D Bonds”), Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series E (the “Series E Bonds”), and Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series F (the “Series F Bonds”, and together with the Series C Bonds, the Series D Bonds and the Series E Bonds, the “Bonds”)

We have acted as bond counsel to the Massachusetts Water Resources Authority (the “Authority”) in connection with the authorization, sale, issuance and delivery of the above-captioned Bonds. In that capacity, we have examined the provisions of Chapter 372 of the Acts of 1984 of The Commonwealth of Massachusetts, as amended (the “Act”), the Authority’s Amended and Restated General Revenue Bond Resolution, effective as of April 23, 2015, as amended as of July 23, 2025 (as amended and supplemented to date, the “General Resolution”), the Eighty-Ninth Supplemental Resolution Authorizing the Issuance of up to \$184,338,000 Massachusetts Water Resources Authority Multi-Modal Subordinated General Revenue Refunding Bonds, Parts 1 through 4, adopted on July 23, 2025 (collectively, the “Supplemental Resolution”), and the Issuance Resolution of the Authority adopted on July 23, 2025 (the “Issuance Resolution,” and together with the General Resolution and the Supplemental Resolution, the “Resolutions”), and we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such records of the Authority, certificates of officers of the Authority and other documents and instruments, and have made such other investigation of facts and examination of Massachusetts and federal law, as we have deemed necessary or proper for the purpose of rendering this opinion. We also have examined a record of proceedings relating to the authorization, sale, issuance and delivery of the Bonds and copies identified to our satisfaction of one Bond of each maturity of each Series as executed. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolutions.

The Bonds are being issued by means of a book-entry system, with bond certificates immobilized at or on behalf of The Depository Trust Company, New York, New York (“DTC”), and not available for distribution to the public, evidencing ownership of the Bonds in Authorized Denominations with transfer of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

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

(a) The Authority is duly organized and validly existing under the Act as a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts, with the right and power under the Act to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.

(b) The Bonds are general obligations of the Authority secured by the Resolutions and a pledge of the Revenues received by or for the account of the Authority and moneys on deposit in the funds and accounts pledged as security therefor under the Resolutions, and the Resolutions create the valid pledge and

lien which they purport to create for the benefit of the holders of the Bonds, subject to the application of such pledged Revenues and moneys to the purposes and on the conditions permitted by the Resolutions.

(c) The Bonds have been duly authorized, executed, authenticated and delivered and all conditions required by the Resolutions precedent to the issuance of the Bonds have been met. The Bonds are valid and binding general obligations of the Authority enforceable in accordance with their terms and entitled to the benefits and security of the Resolutions, subject only to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles.

(d) The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding agreements of the Authority enforceable in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles.

(e) The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Authority must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure by the Authority to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Authority has covenanted to comply with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. Assuming continuing compliance with such covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludible from gross income for federal income tax purposes, and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on "applicable corporations" (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income.

(f) Under existing law as currently enacted and construed, 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 or the income therefrom under the laws of any state other than Massachusetts.

In rendering the foregoing opinions we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason. This opinion is limited to the matters expressly set forth herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. Copies of this opinion may not be delivered to and may not be relied upon by any other party without our express prior written consent.

Respectfully submitted,

GREENBERG TRAURIG, LLP

REIMBURSEMENT AGREEMENT

dated as of October 1, 2025,

between

MASSACHUSETTS WATER RESOURCES AUTHORITY

and

BANK OF AMERICA, N.A.

relating to:

\$41,955,000

**Massachusetts Water Resources Authority
Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D**

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REIMBURSEMENT AGREEMENT

This **REIMBURSEMENT AGREEMENT** dated as of October 1, 2025 (as amended, modified or restated from time to time, this “*Agreement*”), is between **MASSACHUSETTS WATER RESOURCES AUTHORITY** (the “*Authority*”) and **BANK OF AMERICA, N.A.**, a national banking association.

W I T N E S S E T H :

WHEREAS, the Authority (such term and each other capitalized term used herein having the meaning set forth in Article I hereof) has agreed to issue its Bonds pursuant to the terms of the Supplemental Resolution;

WHEREAS, to enhance the marketability of the Bonds, the Authority has requested that the Bank issue the Letter of Credit to secure a source of funds to be devoted exclusively to the payment by the Trustee, when and as due, of the principal of or portion of the purchase price corresponding to the principal of the Bonds and interest on the Bonds, and has applied to the Bank for the issuance by the Bank of the Letter of Credit in the original stated amount of \$42,589,498; and

WHEREAS, the Bank has agreed to issue the Letter of Credit upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter contained, and to induce the Bank to issue the Letter of Credit, the Bank and the Authority agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01. Defined Terms. In addition to the terms defined in the Resolution, the following terms shall have the meanings set forth below:

“*Acceleration Drawing*” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Trustee to the Bank in the form of Annex L to the Letter of Credit.

“*Act*” means the Massachusetts Water Resources Authority Act, being Chapter 372 of the Acts of 1984 of The Commonwealth of Massachusetts, as amended from time to time, unless expressly stated to refer to the Act as in effect on a specific date.

“*Affiliate*” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of,

the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“Agreement” has the meaning set forth in the introductory paragraph hereof.

“Alternate Credit Facility” has the meaning set forth in the Supplemental Resolution.

“Alternate Liquidity Facility” has the meaning set forth in the Supplemental Resolution.

“Amortization Commencement Date” means, with respect to any Liquidity Advance, the earlier to occur of (i) the ninetieth (90th) day immediately succeeding the date the related Liquidity Advance was made and (ii) the Stated Expiration Date.

“Amortization End Date” means, with respect to any Liquidity Advance, the earlier to occur of (i) the third anniversary of the date the related Liquidity Advance was made and (ii) the date each Liquidity Advance is required to be paid in full as provided in clauses (A), (B), (C), (D) and (E) of Section 2.03(a)(iii) hereof.

“Amortization Payment Date” means, with respect to each Liquidity Advance (i) the related Amortization Commencement Date and the first Business Day of every sixth calendar month occurring thereafter prior to the related Amortization End Date, and (ii) the related Amortization End Date.

“Applicable Law” means (a) all applicable common law and principles of equity and (b) all applicable provisions of all (i) constitutions, statutes, rules, regulations and orders of all Governmental Authorities, (ii) Governmental Approvals and (iii) orders, decisions, judgments, writs, injunctions and decrees of all courts (whether at law or in equity) and arbitrators.

“Audited Financial Statements” means the audited consolidated balance sheet of the Authority for the fiscal year ended June 30, 2024, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Authority, including the notes thereto.

“Authority” means a body politic and corporate and a public instrumentality of the Commonwealth, and its successors and assigns.

“Authority Bonds” means (i) Bonds owned or held by the Authority or held by the Trustee, or its agents, for the account of the Authority or (ii) Bonds which the Authority has notified the Trustee, or which the Trustee knows, were purchased by another Person for the account of the Authority with moneys furnished by the Authority.

“Authorized Officer” means any person authorized from time to time in writing by the Authority, or its successors and assigns, to perform a designated act or execute a designated document.

“Available Amount” has the meaning set forth in the Letter of Credit.

“Bank” means Bank of America, N.A., and its successors and assigns.

“Bank Agreement” means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement (such as a continuing covenant agreement or supplemental bondholder’s agreement), bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons undertake(s) to make or provide funds to make, payment of, to purchase or to provide credit enhancement for bonds, notes or other obligations of the Authority secured by or payable from Revenues.

“Bank Bonds” has the meaning set forth in the Supplemental Resolution.

“Bank Rate” means the rate of interest per annum with respect to a Liquidity Advance: (i) for any day commencing on the date such Liquidity Advance is made up to and including the earlier of (x) the ninetieth (90th) day next succeeding the date such Liquidity Advance was made or (y) the Stated Expiration Date, equal to the Base Rate from time to time in effect, and (ii) for any day commencing on or after the earlier of (x) the ninety-first (91st) day next succeeding the date such Liquidity Advance was made or (y) the Stated Expiration Date and at all times thereafter, equal to the Base Rate from time to time in effect plus one percent (1.00%); *provided*, however, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, *“Bank Rate”* shall mean the Default Rate; *provided*, further, that in no event shall the Bank Rate be less than the applicable rate on any Bonds which are not Bank Bonds.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time plus one percent (1.00%), (ii) the Federal Funds Rate in effect at such time plus two percent (2.00%), and (iii) seven percent (7.00%).

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. Section 1010.230.

“Bonds” means the Authority’s \$41,955,000 Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D.

“Business Day” has the meaning set forth in the Letter of Credit.

“Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any Law, rule, regulation or treaty, (b) any change in any Law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a *“Change in Law,”* regardless of the date enacted, adopted or issued.

“*Closing Date*” means October 22, 2025, subject to the satisfaction or waiver by the Bank of the conditions precedent set forth in Article IV hereof.

“*Code*” means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

“*Commonwealth*” means The Commonwealth of Massachusetts.

“*Communication*” means this Agreement, any Related Document and any document, any amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to any Related Document.

“*Compliance Certificate*” means a certificate substantially in the form of Exhibit A hereto.

“*Contract*” means any resolution (other than the General Resolution and the Supplemental Resolution), indenture, contract, agreement (other than this Agreement), other contractual restriction, lease, mortgage or instrument.

“*Conversion Date*” means the date on which the interest rate borne by the Bonds is converted to a rate other than the Weekly Rate.

“*Custody Agreement*” means that certain Custody Agreement dated as of the Closing Date between the Bank and the Trustee in substantially the form of Appendix II hereto.

“*Debt*” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements, bank agreements or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business and not past due for more than 60 days after the date on which such trade account was created), (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, (f) all Guarantees by such Person of Debt of other Persons, (g) the maximum amount of all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments and (h) all obligations of such Person under any Swap Contract.

“*Debtor Relief Laws*” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“*Default*” means any event or condition that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“*Default Rate*” means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus four percent (4.00%).

“*Designated Jurisdiction*” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“*Drawing*” means and includes an Acceleration Drawing, an Interest Drawing, a Liquidity Drawing, a Redemption Drawing and a Stated Maturity Drawing.

“*Electronic Record*” and “*Electronic Signature*” shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

“*EMMA*” means Electronic Municipal Market Access as provided by the Municipal Securities Rulemaking Board.

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, Laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“*Environmental Liability*” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Authority directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“*ERISA Affiliate*” means any trade or business (whether or not incorporated) under common control with the Authority within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“*Event of Default*” with respect to this Agreement has the meaning set forth in Section 7.01 of this Agreement and, with respect to any Related Document, has the meaning assigned therein.

“*Excess Interest*” has the meaning set forth in Section 2.11 hereof.

“*Facility Fees*” has the meaning set forth in the Fee Agreement.

“*Federal Funds Rate*” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such

rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

“*Fee Agreement*” means that certain Fee Agreement dated the Closing Date between the Bank and the Authority, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“*Fiscal Year*” means the twelve-month period from July 1 through the following June 30.

“*Fitch*” means Fitch Ratings, Inc., and any successor rating agency.

“*FRB*” means the Board of Governors of the Federal Reserve System of the United States, together with any successors thereof.

“*Fund*” has the meaning set forth in the General Resolution.

“*General Resolution*” means the Amended and Restated General Revenue Bond Resolution of the Authority, effective as of April 23, 2015, as amended as of July 23, 2025, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*GAAP*” means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the Authority, including, without limitation, those principles set forth in the statements and pronouncement of the Government Accounting Standards Board.

“*Governmental Approvals*” means an authorization, consent, approval, permit, license, certificate of occupancy or an exemption of, a registration or filing with, or a report to, any Governmental Authority.

“*Governmental Authority*” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, without limitation, any supra-national bodies such as the European Union or the European Central Bank).

“*Guarantee*” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Debt or other obligation of the payment or performance of such Debt or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation, or (iv) entered into for the purpose of assuring in any other

manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Debt to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“*Hazardous Materials*” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“*Indemnatee*” has the meaning set forth in Section 8.03 hereof.

“*Ineligible Bonds*” means Bank Bonds, Authority Bonds or Bonds bearing interest at a rate other than the Weekly Rate.

“*Interest Drawing*” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Trustee to the Bank in the form of Annex C to the Letter of Credit.

“*Interest Payment Date*” has the meaning set forth in the Supplemental Resolution.

“*Issuance Resolution*” means the Issuance Resolution adopted by the Board of Directors of the Authority on July 23, 2025, relating to this Agreement, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*Laws*” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“*Letter of Credit*” means the direct pay letter of credit supporting the Bonds issued by the Bank for the account of the Authority in favor of the Trustee pursuant to this Agreement in substantially the form of Appendix I hereto with appropriate insertions, as the same may be amended, modified or restated from time to time in accordance with the provisions hereof and thereof.

“*Lien*” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or

preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“*Liquidity Advance*” has the meaning set forth in Section 2.03(a) hereof.

“*Liquidity Drawing*” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Trustee to the Bank in the form of Annex E to the Letter of Credit.

“*Margin Stock*” has the meaning ascribed to such term in Regulation U promulgated by the FRB, as now and hereafter from time to time in effect.

“*Material Adverse Effect*” means: (a) a material impairment of the ability of the Authority to perform its obligations under any Related Document to which it is a party; or (b) a material adverse effect upon the legality, validity, binding effect or enforceability against the Authority of any Related Document to which it is a party or the rights, security, interests or remedies of the Bank hereunder or under any other Related Document.

“*Maximum Interest Rate*” means the lesser of (i) the maximum rate of interest on the relevant obligation permitted by applicable law and (ii) twenty-five percent (25%) per annum.

“*Moody’s*” means Moody’s Investors Service, Inc., and any successor rating agency.

“*Most Favored Nations Provision*” means a provision in a Bank Agreement that provides for the incorporation by reference of, or requires the entering into any amendment to incorporate any: (i) more restrictive or different covenant, (ii) more restrictive or different event of default, (iii) greater right or remedy or (iv) other different, additional or more restrictive provisions than were originally provided in such Bank Agreement.

“*Multiemployer Plan*” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Authority or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“*Multiple Employer Plan*” means a Plan which has two or more contributing sponsors (including the Authority or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

“*Obligations*” means the Bank Bonds, the Liquidity Advances, the Facility Fees, the Reimbursement Obligations and all other obligations of the Authority to the Bank arising under or in relation to this Agreement or any other Related Document.

“*OFAC*” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“*Official Statement*” means the Official Statement dated October 16, 2025, relating to the Bonds, as amended and supplemented from time to time.

“*Owner*” has the meaning set forth in the Resolution.

“*Parity Debt*” means, without duplication, the following types of obligations to the extent payable from or secured by Revenues on parity with the Bonds, the Bank Bonds and other Subordinated Bonds: (a) all obligations of the Authority for borrowed money, (b) all obligations of the Authority evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of the Authority to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of the Authority under leases which are or should be, in accordance with GAAP, consistently applied, recorded as capital leases, (e) all obligations of the Authority to reimburse or repay any bank or other Person in respect of amounts paid or advanced under a letter of credit, credit agreement, liquidity facility or other instrument (to the extent not included in subclause (a) above), (f) all obligations of other Persons secured by a Lien on Revenues, whether or not such obligations are assumed by the Authority, (g) all obligations of other Persons guaranteed directly or indirectly by the Authority and (h) obligations of the Authority in respect of Swap Contracts, including interest rate swap agreements.

“*Parity or Senior Debt*” means (a) the Bonds, (b) the Bank Bonds, (c) all Senior Debt, (d) all Parity Debt and (e) any other Debt issued or incurred by or on behalf of the Authority and secured on a parity with or senior to the Lien on Revenues securing the payment of the principal and purchase price of and interest on the Bonds and the Bank Bonds.

“*Participant*” has the meaning set forth in Section 8.07(b) hereof.

“*PATRIOT Act*” has the meaning set forth in Section 8.17 hereof.

“*Pension Plan*” means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by the Authority and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

“*Person*” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“*Plan*” means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of the Authority or any ERISA Affiliate or any such Plan to which the Authority or any ERISA Affiliate is required to contribute on behalf of any of its employees.

“*Prime Rate*” means on any day, the rate of interest in effect for such day as publicly announced from time to time by the Bank as its “prime rate.” The “*prime rate*” is a rate set by the Bank based upon various factors including the Bank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by the

Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“Rating Agency” means any of Fitch, Moody’s or S&P, as applicable.

“Redemption Drawing” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Trustee to the Bank in the form of Annex D to the Letter of Credit.

“Reimbursement Obligations” means, collectively, any and all obligations of the Authority to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Liquidity Advance, including in each instance all interest accrued thereon which obligations are evidenced and secured by the Bank Bonds.

“Related Documents” means this Agreement, the General Resolution, the Supplemental Resolution, the Issuance Resolution, the Tender Agent Agreement, the Bonds, the Remarketing Agreement, the Custody Agreement, the Letter of Credit, the Fee Agreement, the Official Statement and any other documents related to any of the foregoing or executed in connection therewith, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing permitted hereunder and thereunder.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“Remarketing Agent” means Goldman Sachs & Co. LLC, and its assigns and successors appointed as Remarketing Agent pursuant to the Supplemental Resolution.

“Remarketing Agreement” means each Remarketing Agreement, dated as of October 22, 2025, between the Remarketing Agent and the Authority, including any amendment, modification or supplement thereto or amendment thereof entered into in accordance with the provisions hereof and thereof.

“Resolution” means the General Resolution, as amended and supplemented to date, including as amended and supplemented by the Issuance Resolution and the Supplemental Resolution.

“Revenue Fund” has the meaning set forth in the General Resolution.

“Revenues” has the meaning set forth in the General Resolution.

“S&P” means S&P Global Ratings, and any successor rating agency.

“*Sanction(s)*” means any international economic sanction administered or enforced by the United States Government (including, without limitation, OFAC), the United Nations Security Council, the European Union, His Majesty’s Treasury or other relevant sanctions authority.

“*Secured Bond Coverage Ratio*” has the meaning assigned to such term in the General Resolution.

“*Secured Bonds*” has the meaning assigned to such term in the General Resolution.

“*Senior Debt*” has the same meaning as “Bonds” as such term is defined in the General Resolution.

“*Stated Expiration Date*” has the meaning set forth in the Letter of Credit.

“*Stated Maturity Drawing*” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Trustee to the Bank in the form of Annex F to the Letter of Credit.

“*Subordinated Bonds*” has the meaning set forth in the General Resolution.

“*Substitution Date*” means the date on which the Letter of Credit is replaced by an Alternate Credit Facility or Alternate Liquidity Facility pursuant to the terms of the Supplemental Resolution.

“*Supplemental Resolution*” means the Eighty-Ninth Supplemental Resolution, Part 2 adopted by the Board of Directors of the Authority on July 23, 2025, authorizing the issuance of up to \$184,338,000 of the Authority’s Multi-Modal Subordinated General Revenue Refunding Bonds, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*Swap Contract*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“*System*” has the meaning assigned to such term in the General Resolution.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“*Tender Agent*” has the meaning set forth in the Supplemental Resolution.

“*Tender Agent Agreement*” means that certain Tender Agent Agreement dated as of October 22, 2025, between the Authority and U.S. Bank Trust Company, National Association, in its capacity as Trustee under the Resolution, as the same may be amended, modified or supplemented from time to time.

“*Termination Date*” has the meaning set forth in the Letter of Credit.

“*Trustee*” means U.S. Bank Trust Company, National Association, and its assigns and successors appointed as Trustee and Tender Agent pursuant to the Resolution.

“*Unfunded Pension Liability*” means the excess of a Pension Plan’s benefit liabilities over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan for the applicable plan year.

“*United States*” and “*U.S.*” means the United States of America.

“*Water Pollution Abatement Obligations*” has the meaning assigned to such term in the General Resolution.

“*Weekly Rate*” has the meaning set forth in the Supplemental Resolution.

Section 1.02. Other Interpretive Provisions. With reference to this Agreement and each other Related Document, unless otherwise specified herein or in such other Related Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Related Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Related Document, shall be construed to refer to such Related Document in its entirety and not to any particular provision thereof, (iv) all references in a Related Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Related Document in which such references appear, (v) any reference to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such Law and any reference to any Law

or regulation shall, unless otherwise specified, refer to such Law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

(c) Section headings herein and in the other Related Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Related Document.

Section 1.03. Accounting Terms.

(a) **Generally.** All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Debt of the Authority shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 on financial liabilities shall be disregarded.

(b) **Changes in GAAP.** If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Related Document, and either the Authority or the Bank shall so request, the Bank and the Authority shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Authority shall provide to the Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 1.04. Rounding. Any financial ratios required to be maintained by the Authority pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05. Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II

LETTER OF CREDIT

Section 2.01. Issuance of the Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of \$42,589,498, which is the sum of (i) the principal amount of the Bonds outstanding on the Closing Date, plus (ii) interest thereon at a maximum rate of twelve percent (12%) per annum for a period of forty-six (46) days calculated on the basis of a year of 365 days, and the actual number of days elapsed.

Section 2.02. Letter of Credit Drawings. The Trustee is authorized to make Drawings under the Letter of Credit in accordance with the terms thereof. No Drawing shall be made under the Letter of Credit for the payment of principal of or interest on Ineligible Bonds. The Authority hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Authority hereby irrevocably approves reductions and reinstatements of the Available Amount of the Letter of Credit as provided in the Letter of Credit.

Section 2.03. Reimbursement of Liquidity Drawings under the Letter of Credit; Mandatory Redemption; Interest.

(a) (i) If the conditions precedent contained in Section 4.02 hereof are satisfied at the time of payment by the Bank of any Liquidity Drawing, each Liquidity Drawing made under the Letter of Credit shall constitute an advance (each, a “*Liquidity Advance*”) to the Authority.

(ii) The Authority promises to pay the portion of each Liquidity Advance representing the interest component of the purchase price of the Bonds on the earliest to occur of (A) the Substitution Date, (B) the regularly scheduled Interest Payment Date for the Bonds on the second Business Day following the date on which such Liquidity Advance was made, (C) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or canceled pursuant to the Supplemental Resolution, (D) the date on which any Bonds purchased with funds disbursed under the Letter of Credit are remarketed pursuant to the Supplemental Resolution, (E) the Conversion Date and (F) the date on which the Available Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated (except as the result of the occurrence of the Stated Expiration Date).

(iii) The Authority promises to pay to the Bank the portion of each Liquidity Advance representing the principal component of the purchase price of the Bonds on the earliest to occur of (A) the Substitution Date, (B) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or canceled pursuant to the Supplemental Resolution, (C) the date on which any Bonds purchased with funds disbursed under the Letter of Credit are remarketed pursuant

to the Supplemental Resolution, (D) the Conversion Date, (E) the date on which the Available Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated (except as the result of the occurrence of the Stated Expiration Date) and (F) the related Amortization Commencement Date subject to the following sentence. Unless paid in full on a date provided above, and so long as (x) the representations and warranties of the Authority set forth in this Agreement are true and correct in all material respects and (y) no Default or Event of Default shall have occurred and be continuing, in each case as of the Amortization Commencement Date, each Liquidity Advance shall be payable in equal (as nearly as possible) semi-annual installments on each Amortization Payment Date applicable to such Liquidity Advance, with the final installment in an amount equal to the then entire outstanding principal amount of such Liquidity Advance due payable on the Amortization End Date.

(iv) The Authority's obligation to repay each Liquidity Advance and to pay interest thereon as hereinafter provided shall be evidenced and secured by the Bank Bonds.

(v) Subject to Section 2.08(b) hereof, the Authority also promises to repay to the Bank, interest on each Liquidity Advance from the date such Liquidity Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect and shall be payable monthly in arrears on the first Business Day of each month (commencing on the first such date to occur after the making of the related Liquidity Advance), and on the date that the final principal installment of such Liquidity Advance is payable as herein provided.

(b) Any Liquidity Advance may be prepaid in whole or in part without premium or penalty the day such Liquidity Advance is made and thereafter may be prepaid in whole or in part without premium or penalty on any other Business Day upon one (1) Business Day's prior written notice.

(c) Upon the Bank's receipt, of any payment or prepayment of any Liquidity Advance, the amount of such Liquidity Advance shall be reduced by the amount of such payment or prepayment.

(d) Upon honoring any Liquidity Drawing, the Bank shall be deemed to have purchased the Bank Bonds in respect of which such drawing is made, and the Authority shall cause the Trustee to hold such Bank Bonds for the benefit of the Bank and register such Bank Bonds in the name of the Bank, or its nominee, or to otherwise deliver such Bank Bonds as directed by the Bank pursuant to the Supplemental Resolution. During such time as the Bank is the owner of any Bonds, the Bank, shall have all the rights granted to an Owner under the Supplemental Resolution and such additional rights as may be granted to the Bank, hereunder. To the extent that the Bank actually receives payment in respect to principal of or interest on any Bank Bond held by the Bank, the Liquidity Advance made in connection with the purchase of such Bank Bond shall be deemed to have been reduced pro tanto, with the Bank crediting any payment on such Bank Bond received by them, first to the payment of any outstanding interest accrued on the related Liquidity

Advance, and second to the payment of the principal of such Liquidity Advance. Any such payment or prepayment to be applied to principal of Liquidity Advances hereunder shall be applied to the prepayment of the related Liquidity Advances in inverse order of their issuance hereunder, and within each Liquidity Advance in inverse order of the principal installments payable thereon. Following the occurrence of an Event of Default, any payments received by the Bank hereunder shall be applied by the Bank to the payment of the Obligations in such order as the Bank shall in its sole discretion determine. To the extent the Bank assigns its rights to receive payment of principal of and interest on Bank Bonds, the Bank shall notify the assignee or the party purchasing such Bonds that such Bonds are not supported by the Letter of Credit and are not rated on the basis of the Letter of Credit.

Section 2.04. Reimbursement of Redemption Drawings; Acceleration Drawings, Interest Drawings, Stated Maturity Drawings and certain Liquidity Drawings. The Authority agrees to reimburse the Bank for the full amount of any Liquidity Drawing (other than any Liquidity Drawing for which the applicable conditions precedent contained in Section 4.02 hereof are satisfied on the date such Liquidity Drawing is made) and all Acceleration Drawings, Interest Drawings, Redemption Drawings and Stated Maturity Drawings immediately upon payment by the Bank of each such Drawing and on the date of each such payment. If the Authority does not make such reimbursement on such date, such Reimbursement Obligation shall bear interest at the Default Rate and shall be payable on demand.

Section 2.05. Fees. The Authority agrees to pay to the Bank the fees set forth in the Fee Agreement at the times and in the amounts set forth therein. The terms of the Fee Agreement are incorporated herein by reference as if fully set forth herein. Any reference herein or in any other document to fees and/or other amounts or obligations payable hereunder shall include, without limitation, all fees and other amounts or obligations payable pursuant to the Fee Agreement.

Section 2.06. Method of Payment, Etc. All payments to be made by the Authority under this Agreement shall be made to the Bank not later than 2:00 p.m. on the date when due and shall be made in lawful money of the United States of America and in immediately available funds.

Section 2.07. Termination of Letter of Credit; Substitute Letter of Credit. Notwithstanding any provisions of this Agreement to the contrary, the Authority agrees not to terminate this Agreement or the Letter of Credit or permanently reduce the Available Amount, except upon (i) the payment by the Authority to the Bank of any fees, if any, set forth in the Fee Agreement, (ii) the payment to the Bank of all Obligations payable hereunder and (iii) the Authority providing the Bank with thirty (30) days prior written notice of its intent to terminate this Agreement and the Letter of Credit or permanently reduce the Available Amount. All payments to the Bank referred to in this Section 2.07 shall be made in immediately available funds on or before the date of termination. The Authority agrees that any termination of the Letter of Credit as a result of the provision of any Alternate Credit Facility or Alternate Liquidity Facility, as applicable, will require, as a condition thereto, that the Authority or the issuer of any Alternate Credit Facility or Alternate Liquidity Facility, as applicable, will provide funds on the date of such termination or provision, which funds will be sufficient to pay in full at the time of termination of such Letter of Credit all Obligations due and owing to the Bank hereunder.

Section 2.08. Computation of Fees and Interest; Default Rate.

(a) All computations of fees payable under this Agreement and the Fee Agreement shall be made on the basis of a three hundred sixty (360) day year and actual days elapsed. All computations of interest payable under the Agreement shall be computed on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed. Interest and fees shall accrue during each period during which interest or fees, as applicable, is computed from and including the first day thereof to but excluding the last day thereof. Each determination by the Bank of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error. All fees payable pursuant to this Agreement and the Fee Agreement shall be deemed fully earned when due and non-refundable when paid.

(b) If any amount payable by the Authority hereunder or under the Fee Agreement is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at all times equal to the Default Rate.

Section 2.09. Payment Due on Non-Business Day to Be Made on Next Business Day.

If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.10. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank and not from any other Person.

Section 2.11. Maximum Interest Rate. If the rate of interest payable hereunder shall exceed the Maximum Interest Rate for any period for which interest is payable, then (i) interest at the Maximum Interest Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof without regard to the Maximum Interest Rate and (B) the Maximum Interest Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Interest Rate, at which time the Authority shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank, to equal the Maximum Interest Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the termination of the Letter of Credit and this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, the Authority shall pay, to the extent permitted by applicable law, to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 2.12. Extension of Stated Expiration Date. The Stated Expiration Date may be extended by the Bank, at its option and in its sole discretion, for an additional period acceptable to the Bank, upon the written request of the Authority received by the Bank no earlier than one hundred twenty (120) days and no later than thirty (30) days prior to the Stated Expiration Date then in effect. If the Bank, in its sole discretion, elects to extend the Stated Expiration Date, the

Bank shall deliver to the Trustee a Notice of Extension in the form of Annex I to the Letter of Credit (herein referred to as a “*Notice of Extension*”) within thirty (30) days following the receipt of such written request designating the date to which the Stated Expiration Date is being extended. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank and consistent with this Agreement. If such an extension request is accepted by the Bank in its absolute discretion, the then current Stated Expiration Date for the Letter of Credit shall be extended for a period as agreed to by the parties hereto. Subject to the last sentence of this Section, such extension of the Stated Expiration Date shall be effective, immediately upon receipt of such Notice of Extension and thereafter all references in this Agreement to the Stated Expiration Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to the Trustee. Any date to which the Stated Expiration Date has been extended in accordance with this Section 2.12 may be further extended in like manner.

Section 2.13. Evidence of Debt. The Reimbursement Obligations shall be evidenced by one or more accounts or records maintained by the Bank in the ordinary course of business. The accounts or records maintained by the Bank shall be conclusive absent manifest error of the amount of the Reimbursement Obligations owing by the Authority and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Authority hereunder to pay any amount owing with respect to the Reimbursement Obligations.

ARTICLE III

TAXES AND YIELD PROTECTION

Section 3.01. Taxes. If any payments to the Bank under this Agreement are made from outside the United States, the Authority will not deduct any foreign Taxes from any payments it makes to the Bank. If any such Taxes are imposed on any payments made by the Authority (including payments under this paragraph), the Authority will pay the Taxes and will also pay to the Bank, at the time interest is paid, any additional amount which the Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes had not been imposed. As soon as practicable after any payment of Taxes by the Authority to a Governmental Authority, as provided in this Section 3.01, the Authority will deliver to the Bank the original or a certified copy of any return reporting such payment or other evidence of such payment reasonably satisfactory to the Bank. The Authority will confirm that it has paid the Taxes by giving the Bank official tax receipts (or notarized copies) within thirty (30) days after the due date.

Section 3.02. Increased Costs.

(a) ***Increased Costs Generally.*** If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of,

deposits with or for the account of, or credit extended or participated in by, the Bank;

(ii) subject the Bank to any taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on the Bank any other condition, cost or expense affecting this Agreement, the Fee Agreement or the Letter of Credit or any participation therein;

and the result of any of the foregoing shall be to increase the cost to the Bank of participating in, issuing or maintaining the Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank hereunder (whether of principal, interest or any other amount) then, upon request of the Bank, the Authority will pay to the Bank such additional amount or amounts as will compensate the Bank for such additional costs incurred or reduction suffered.

(b) ***Capital Requirements.*** If the Bank determines that any Change in Law affecting the Bank or the Bank's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Bank's capital or liquidity or on the capital or liquidity of the Bank's holding company, if any, as a consequence of this Agreement, the Fee Agreement or the Letter of Credit issued by the Bank, to a level below that which the Bank or the Bank's holding company could have achieved but for such Change in Law (taking into consideration the Bank's policies and the policies of the Bank's holding company with respect to capital adequacy), then from time to time the Authority will pay to the Bank such additional amount or amounts as will compensate the Bank or the Bank's holding company for any such reduction suffered.

(c) ***Certificates for Reimbursement.*** A certificate of the Bank setting forth in reasonable detail the amount or amounts necessary to compensate the Bank or its holding company, as the case may be, as specified in clause (a) or (b) of this Section and delivered to the Authority shall be conclusive absent manifest error. The Authority shall pay the Bank the amount shown as due on any such certificate within thirty (30) days after receipt thereof.

(d) ***Delay in Requests.*** Failure or delay on the part of the Bank to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Bank's right to demand such compensation; *provided* that the Authority shall not be required to compensate the Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than one hundred eighty (180) days prior to the date that the Bank, notifies the Authority of the Change in Law giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the one hundred eighty (180) day period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.03. Survival. All of the Authority's obligations under this Article III shall survive termination of this Agreement, the cancellation of the Letter of Credit and the repayment, satisfaction or discharge of all other Obligations.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01. Conditions Precedent to Issuance of the Letter of Credit. As conditions precedent to the obligation of the Bank to issue the Letter of Credit:

(a) the Authority shall provide to the Bank on the date of the issuance of the Letter of Credit (the "*Closing Date*"), in form and substance satisfactory to the Bank and its counsel:

(i) a written opinion of counsel to the Authority, dated the Closing Date, as to the due authorization, execution, delivery and enforceability of the Related Documents to which the Authority is a party, that the pledge of Revenues constitutes a valid pledge and such other customary matters as the Bank may reasonably request;

(ii) the written opinions of Greenberg Traurig, LLP, bond counsel to the Authority, dated the Closing Date, covering such matters as the Bank may reasonably request;

(iii) a certificate, signed by an Authorized Officer of the Authority, dated the Closing Date, stating that on the Closing Date:

(1) the representations and warranties of the Authority contained in Article V hereof are correct on and as of the Closing Date as though made on such date;

(2) no Default or Event of Default has occurred and is continuing, or would result from the issuance of the Letter of Credit or the execution, delivery and performance of this Agreement; and

(3) all conditions precedent to the issuance of the Letter of Credit set forth in this Article IV have been satisfied.

(iv) executed originals of this Agreement and certified copies of the other Related Documents;

(v) a copy of resolutions of the board of directors of the Authority, certified as of the date of the Letter of Credit by an Authorized Officer of the Authority authorizing, among other things, the execution, delivery and performance by the Authority of this Agreement and the other Related Documents or amendments thereto required to be delivered on the Closing Date and authorizing the Authority to obtain the issuance of the Letter of Credit;

(vi) true and correct copies of all Governmental Approvals necessary for the Authority to enter into this Agreement and the transactions contemplated by this Agreement;

(vii) an incumbency certificate of an Authorized Officer of the Authority certifying the name, title, office and true signatures of the officers of the Authority authorized to sign this Agreement;

(viii) written evidence satisfactory to the Bank that a CUSIP number has been obtained and reserved from Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., for the Bank Bonds;

(ix) evidence satisfactory to the Bank that the Bonds have been assigned long-term ratings of at least "[]" by S&P, "[]" by Fitch and "[]" by Moody's, respectively; and

(x) a copy of the Authority's investment policy, guidelines and permitted investments, each in form and substance satisfactory to the Bank;

(xi) the Bank shall have determined (in its sole discretion) that no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the Authority shall have occurred since June 30, 2024, except as disclosed in writing by the Authority to the Bank prior to the Closing Date or as disclosed in the Official Statement, which would be reasonably likely to result in a Material Adverse Effect;

(xii) the Bank shall have received copies of the audited financial statements for the Authority for the fiscal year ended June 30, 2024;

(xiii) upon the request of the Bank, the Authority shall have provided to the Bank, and the Bank shall be reasonably satisfied with, the documentation and other information so requested in connection with the applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act;

(xiv) the Bank shall have received a Beneficial Ownership Certification with respect to the Authority if the Authority qualifies as a "legal entity customer" under the Beneficial Ownership Regulation;

(xv) such other documents, certificates and opinions as the Bank or its special counsel may reasonably request;

(b) the Bank shall have received from the Authority the fees payable pursuant to the Fee Agreement;

(c) no law, regulation, ruling or other action of the United States, the Commonwealth or any political subdivision or authority therein or thereof shall be in effect

or shall have occurred, the effect of which would be to prevent the Bank from fulfilling their respective obligations under this Agreement; and

(d) all legal requirements provided herein incident to the execution, delivery and performance of the Related Documents, and the transactions contemplated thereby, shall be reasonably satisfactory to the Bank and its special counsel.

Section 4.02. Conditions Precedent to Liquidity Advances. Following any payment by the Bank under the Letter of Credit pursuant to a Liquidity Drawing, a Liquidity Advance shall be made available to the Authority only if on the date of payment of such Liquidity Drawing by the Bank, the following statements shall be true:

(a) the representations and warranties of the Authority set forth in this Agreement are true and correct in all material respects on and as of the date of such payment; and

(b) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the Authority shall have previously advised the Bank in writing that one or both of the above statements is no longer true, the Authority shall be deemed to have represented and warranted on the date of such payment that both of the above statements are true and correct.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Authority represents and warrants as of the Closing Date (and such representations and warranties shall also be deemed to be remade at the time of each Drawing under the Letter of Credit) to the Bank as follows:

Section 5.01. Organization, Powers, Etc. The Authority is a body politic and corporate and a public instrumentality of the Commonwealth duly created and validly existing under the Constitution and the laws of the Commonwealth, including the Act, and has full power and authority (a) to incur the indebtedness represented by this Agreement and the Bank Bonds, (b) to own the properties it owns and to carry on its activities as now conducted and as contemplated to be conducted in connection with the execution and delivery, or adoption, and performance of its obligations under the other Related Documents and this Agreement, (c) to execute and deliver, or adopt, and perform its obligations under the other Related Documents and this Agreement, and (d) to provide for the security of the Bonds and the Bank Bonds pursuant to the Act and the Resolution; and the Authority has complied with all provisions of applicable law, including the Act, in all matters related to such actions of the Authority as are contemplated by the other Related Documents and this Agreement.

Section 5.02. Authorization, Absence of Conflicts, Etc. The execution and delivery, adoption and performance by the Authority of this Agreement and the other Related Documents (a) have been duly authorized by all necessary action on the part of the Authority, (b) did not or do not and will not conflict with, or result in a violation of, any constitutional provision or any

law, including the Act, or any order, writ, rule, regulation, judgment, injunction, decree or award of any Governmental Authority binding upon or applicable to the Authority and (c) did not or do not and will not conflict with, result in a violation of, or constitute a default under, any resolution, agreement or instrument to which the Authority is a party or is subject, or by which the Authority or any of its property is bound, or conflict with or constitute a default under or result in the creation or imposition of any Lien (other than the Lien created under the Resolution) on any of its assets pursuant to the provisions of any of the foregoing.

Section 5.03. Valid and Binding Obligations. Each of this Agreement and the other Related Documents, has been duly executed and delivered or adopted, as the case may be, by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms, except to the extent, if any, that the enforceability thereof may be limited by (a) any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of the Commonwealth or the United States affecting the enforcement of creditors' rights heretofore or hereafter enacted and (b) the fact that enforcement may also be subject to the exercise of judicial discretion in appropriate cases. The Bonds have been duly issued, executed and delivered in conformity with the Resolution and constitute legal, valid and binding obligations of the Authority, enforceable in accordance with their terms, except to the extent, if any, that the enforceability thereof may be limited by (a) any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of the Commonwealth or the United States affecting the enforcement of creditors' rights heretofore or hereafter enacted and (b) the fact that enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Section 5.04. Compliance with Laws and Contracts. Neither the execution and delivery or adoption, by the Authority of this Agreement or any of the other Related Documents to which the Authority is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will violate any constitutional provision or any Laws of any Governmental Authority applicable to the Authority, the Authority's bylaws or other organizational documents or the provisions of any Contract to which the Authority is a party or is subject, or by which it or its property is bound that could reasonably be expected to result in a Material Adverse Effect, or conflict with or constitute a default under or result in the creation or imposition of any Lien (other than the Lien created under the Resolution) on any of its assets pursuant to the provisions of any of the foregoing.

Section 5.05. Absence of Material Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any Governmental Authority pending or, to the best knowledge of the Authority, threatened in writing against or affecting the Authority, questioning the validity of the Act or any proceeding taken or to be taken by the Authority in connection with the execution and delivery, or adoption, and performance by the Authority of this Agreement or any of the other Related Documents, or seeking to prohibit, restrain or enjoin the execution and delivery, or adoption, or performance by the Authority of any of the foregoing.

Section 5.06. Financial Condition. The financial statements as of and for the period ended June 30, 2024, supplied to the Bank, fairly present the financial status and operating results of the Authority as of such date and have been prepared in accordance with GAAP consistently applied except as stated in the notes thereto; and there has not been any material adverse change

in the financial condition of the Authority since such date, other than as disclosed in writing to the Bank prior to the Closing Date.

Section 5.07. Employee Benefit Plan Compliance. (a) Each Pension Plan is in compliance in all material respects with the applicable provisions of the Code and other applicable Law; (b) there are no pending or, to the best knowledge of the Authority, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Pension Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect; and there has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Pension Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect; and (c) each Pension Plan is a governmental plan as defined in Section 3(32) of ERISA.

Section 5.08. No Defaults. Giving effect to the transactions under this Agreement and the other Related Documents, no Event of Default or, to the knowledge of the Authority, no Default has occurred and is continuing.

Section 5.09. Insurance. The Authority currently maintains insurance of such type and in such amounts and in such manner as is required under the terms of the General Resolution.

Section 5.10. Compliance with Rules and Regulations. The execution and delivery, or adoption, and performance of this Agreement and the other Related Documents to which the Authority is a party, and the validity and enforceability of this Agreement and the other Related Documents to which the Authority is a party do not and will not require registration with, or the consent or approval of, or any other action by, any Governmental Authority, except to the extent obtained prior to the Closing Date; *provided*, however, that the Authority has taken no action and is not required to take any action with respect to any filing or registration required by any state securities or “blue sky” laws. No authorization, consent, approval, license, exemption or registration with any court or Governmental Authority, domestic or foreign, has been or will be necessary for the valid execution and delivery, or adoption, and performance by the Authority of the Related Documents, except that a legislative appropriation may be required for the payment of fees and expenses under the Related Documents, and such execution and delivery, or adoption, and performance will not violate, conflict with or constitute a default under any Law or Contract to which the Authority is a party or by which it is bound.

Section 5.11. Incorporation of Representations and Warranties. The Authority hereby makes to the Bank the same representations and warranties as were made in each Related Document to which it is a party (which representations and warranties, together with related definitions of terms contained therein, are hereby expressly incorporated in this Section 5.11 by reference and made for the benefit of the Bank). Except as permitted in Section 6.11 hereof, no amendment to such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated in this Section 5.11 by reference without the prior written consent of the Bank.

Section 5.12. Complete and Correct Information. All information, reports and other papers and data with respect to the Authority furnished to the Bank were, at the time the same were so furnished, complete and correct in all material respects. Any financial, budget and other projections furnished to the Bank were prepared in good faith on the basis of the assumptions

stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent, the Authority's best estimate of its future financial performance. No fact is known to the Authority that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the security for the Bonds, or the Authority's ability to pay when due its obligations under this Agreement, the Bonds, the Bank Bonds, the Resolution and the other Related Documents that has not been set forth in the financial statements and other documents referred to in this Section 5.12 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank prior to the Closing Date. Taken as a whole, the documents furnished and statements made by the Authority in connection with the negotiation, preparation and execution, or adoption, of this Agreement and the other Related Documents do not contain untrue statements of material facts.

Section 5.13. No Tax or Fee. The execution and delivery of this Agreement and the other Related Documents will not give rise to any tax or fee imposed by any local or state agency or Governmental Authority, except for those which have been paid.

Section 5.14. Business of the Authority. The Authority is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock as defined in Regulation U of the Board of Governors of the Federal Reserve System.

Section 5.15. Tax-Exempt Status. As of the date hereof, the Authority has not taken any action, and knows of no action that any other Person has taken, which would cause interest on the Bonds to be includable in the gross income of the recipients thereof for Federal income tax purposes or the exemption of interest on the Bonds from Commonwealth personal income taxes.

Section 5.16. No Maximum Legal Interest Rate. The Authority is authorized by the Laws of the Commonwealth to enter into this Agreement and the transactions contemplated hereby. In accordance therewith, the obligations of the Authority hereunder and under the other Related Documents are not subject to any limitation as to maximum rate of interest payable to regulated financial institutions.

Section 5.17. Security.

(a) The Resolution creates the pledge, lien and assignment which it purports to create to secure the Bonds (including the Bank Bonds) and the Reimbursement Obligations as and to the extent provided herein and in the Resolution and is a perfected Lien on Revenues that is subordinate solely to the Lien on Revenues that secures the Senior Debt. The Bonds (including the Bank Bonds) and the Reimbursement Obligations constitute Subordinated Bonds under the General Resolution. Except as permitted or contemplated by the Resolution, the Authority has not pledged or granted a lien, security interest or other encumbrance of any kind on the Revenues. No filing, registering, or recording of the Resolution or any other instrument is required to establish the pledge of or to perfect, protect or maintain the Lien on the Revenues and the Funds created thereby.

(b) Additionally, as provided in Section 203 of the General Resolution and Section 8.4(c) of the Supplemental Resolution, the principal of and interest on the Bonds (including the Bank Bonds) and the principal of and interest on the Reimbursement Obligations hereunder constitute general obligations of the Authority to which its full faith and credit is pledged.

Section 5.18. No Proposed Legal Changes. There is no amendment or proposed amendment certified for placement on a statewide ballot, or, to the knowledge of the Authority, to the Constitution of the Commonwealth or any published administrative interpretation of the Constitution of the Commonwealth or any statute of the Commonwealth, or any legislation that has passed either house of the legislature of the Commonwealth, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to result in a Materially Adverse Effect.

Section 5.19. Sovereign Immunity. To the fullest extent permitted by law, the Authority waives and represents that the Authority is not entitled to sovereign immunity from any legal proceedings to enforce or collect upon this Agreement or any other Related Document to which it is a party or with respect to the transactions contemplated hereby or thereby (including immunity from service of process and immunity from jurisdiction of any Governmental Authority in respect of itself).

Section 5.20. Sanctions Concerns and Anti-Corruption Laws.

(a) ***Sanctions Concerns.*** Neither the Authority, nor, to the knowledge of the Authority, any director or officer thereof, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a Designated Jurisdiction.

(b) ***Anti-Corruption Laws.*** To the best of its knowledge, the Authority has conducted its business in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions, and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

Section 5.21. Bonds; Resolution a Contract.

(a) The Bonds have been duly authorized and incurred under the Resolution and the Act and are entitled to the benefits thereof.

(b) The provisions of the Resolution constitute a contract between the Authority and the Bank.

Section 5.22. Governmental Consent or Approval. No consent, license, approval, validation, permit, authorization or order of, or registration, validation, declaration or filing with, any Governmental Authority not already obtained, given or made is required in connection with

the execution and delivery, or adoption, performance, validity or enforceability of the Resolution, this Agreement or the other Related Documents.

Section 5.23. Use of Proceeds. The proceeds of the Bonds and any Drawings under the Letter of Credit will be used solely for the purposes specified in the Supplemental Resolution.

Section 5.24. Bank Bonds. The Bonds purchased pursuant to Article II will be transferred to or held for the benefit of the Bank free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.25. Trustee; Remarketing Agent. U.S. Bank Trust Company, National Association, is the duly appointed and acting Trustee under the Resolution, and Goldman Sachs & Co. LLC is the duly appointed and acting Remarketing Agent for the Bonds.

Section 5.26. Investment Company. The Authority is not an “*investment company*” or a company “*controlled*” by an “*investment company*,” as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.27. Beneficial Ownership Certification. The information included in the Beneficial Ownership Certification most recently provided to the Bank, if applicable, is true and correct in all respects.

ARTICLE VI

COVENANTS

The Authority covenants and agrees with the Bank that it will do the following so long as any amounts may be drawn under the Letter of Credit, and thereafter, so long as any Obligations remain unpaid or unfulfilled under this Agreement, unless the Bank shall otherwise consent in writing:

Section 6.01. Existence, Etc. The Authority shall preserve and maintain its existence, rights and privileges in the Commonwealth and remain qualified and authorized to do business in the Commonwealth. The Authority will not merge or consolidate with another entity or transfer substantially all of its assets to another entity in a way that adversely affects the Authority’s obligations under this Agreement or the Related Documents.

Section 6.02. Compliance with Laws. The Authority will comply in all respects with any and all provisions of Law binding upon or applicable to the Authority and material to the Bonds, this Agreement or the other Related Documents, or to the operations, affairs, properties, condition (financial or otherwise) or prospects of the Authority.

Section 6.03. Reports. The Authority shall furnish to the Bank in form and detail satisfactory to the Bank two copies of each of the following:

(a) ***Annual Report.*** As soon as practicable and, in any event, within one hundred eighty (180) calendar days after the end of each Fiscal Year of the Authority, a

balance sheet of the Authority as at the end of such Fiscal Year and the related statements of operations, changes in retained earnings, and changes in fund equity and cash flows for the Fiscal Year then ended, all in reasonable detail prepared in accordance with GAAP consistently applied and any applicable regulations and accompanied by a report and opinion of the Authority's independent accountants (who shall be of nationally recognized standing) which report and opinion shall have been prepared in accordance with generally accepted auditing standards, accompanied by a Compliance Certificate.

(b) **Budget.** The Authority shall deliver to the Bank, upon completion thereof and within one hundred twenty (120) days after the start of each Fiscal Year, a copy of its annual budget for the next Fiscal Year and such additional period as may be covered by such budget.

(c) **Trustee Notices.** As soon as available all notices, certificates, instruments, letters and written commitments provided to the Trustee pursuant to the Resolution (including the annual certificate of an Authorized Representative (as defined in the General Resolution) delivered pursuant to Section 705(g) of the General Resolution relating to the Secured Bond Coverage Ratio) other than those notices, certificates, instruments, letters and written commitments that relate solely to the routine issuance and payment of bonds.

(d) **Offering Memorandum and Material Event Notices.** (A) As soon as practicable but in any event within thirty (30) calendar days after the issuance of any securities by the Authority with respect to which a final official statement or other offering or disclosure document has been prepared by the Authority, (1) a copy of such official statement or other offering or disclosure document or (2) notice that such information has been filed with EMMA and is publicly available; and (B) during any period of time in which the Authority is subject to continuing disclosure requirements under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, the Authority shall use its best efforts to deliver to the Bank within a reasonable time after any dissemination, distribution or provision thereof to any Person, (1) a copy of any reportable event notice (as described in b(5)(i)(C) of Rule 15c2-12) disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements or (2) notice that such event notice has been filed with EMMA and is publicly available; *provided*, however, that a failure to comply with the foregoing clause (B) shall not constitute an Event of Default hereunder.

(e) **Notice of Default or Event of Default.** Promptly, and in any event within five (5) days after any officer of the Authority obtains knowledge thereof, a certificate of an Authorized Officer for the Authority setting forth the occurrence of any Default or Event of Default, the details thereof and the action which the Authority is taking or proposes to take with respect thereto.

(f) **Litigation.** As promptly as practicable, written notice to the Bank of all litigation served against the Authority and all proceedings before any court or governmental authority which could reasonably be expected to result in a Material Adverse Effect.

(g) ***Notices Pursuant to the Resolution.*** As promptly as practicable, written notice of each event or occurrence of which notice is required to be given to the Bank pursuant to the Resolution.

(h) ***Other Information.*** With reasonable promptness, such other information regarding the business affairs, financial condition and/or operations of the Authority as the Bank may from time to time reasonably request.

Section 6.04. Maintenance of Books and Records. The Authority will maintain a standard system of accounting in accordance with GAAP consistently applied to its books and records, reflecting all financial transactions of the Authority.

Section 6.05. Access to Records. At any reasonable time and from time to time following no more than seven (7) Business Days' prior written notice, and after the occurrence and during the continuance of an Event of Default, at the expense of the Authority, the Authority will permit the Bank or any of its agents or representatives to visit and inspect any of the properties of the Authority, to examine the books of account of the Authority (and to make copies thereof and extracts therefrom exclusive of any materials determined in the sole discretion of the Authority to be executive session materials), and to discuss the affairs, finances and accounts of the Authority with, and to be advised as to the same by its officers, all at such reasonable times and intervals as the Bank may reasonably request. In particular, and without limiting the foregoing, the Authority shall permit representatives of the Bank to make such inspections of the Authority's books, records and assets as such representatives deem necessary and proper.

Section 6.06. Related Covenants. The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Resolution and each of the other Related Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference in this Section 6.06 with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank, and shall be enforceable against the Authority. To the extent that any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion, report or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such compliance shall be waived, or such provision shall be consented to, only if it is waived or consented to, as the case may be, by the Bank and such document, opinion, report or other instrument shall be acceptable or satisfactory to the Bank; *provided*, however, such waiver or consent of the Bank shall not be required with respect to (x) procedural and administrative notices relating to a series of the Authority's Secured Bonds other than the Bonds and (y) consents to modifications of the General Resolution and related Supplemental Resolutions (other than the Supplemental Resolution) which would not result in a Material Adverse Effect. Except as permitted by Section 6.11 hereof, no amendment to such covenants (or the defined terms relating thereto) made pursuant to the Related Documents shall be effective to amend such incorporated covenants without the written consent of the Bank.

Section 6.07. Further Assurances. The Authority shall, upon the request of the Bank from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments

and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the other Related Documents or to validate, preserve and protect the interest of the Bank. Except to the extent it is exempt therefrom, the Authority will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery, or adoption, of this Agreement, the other Related Documents and such instruments of further assurance.

Section 6.08. No Impairment. The Authority will neither take any action, nor cause or permit any other Person to take any action, under the Related Documents which would adversely affect the rights, remedies or security of the Bank under this Agreement or the other Related Documents.

Section 6.09. Application of Proceeds. The Authority will not take or omit to take any action, which action or omission will in any way result in the proceeds of the Bonds or any Drawings under the Letter of the Credit being applied in a manner other than as provided in the Resolution. The Authority will not use the proceeds of the Bonds or any Drawings under the Letter of the Credit so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve Systems.

Section 6.10. Indebtedness. The Authority shall not have at any time outstanding bonds, as such term is used in the Act, in an aggregate principal amount in excess of the amount prescribed by the Act.

Section 6.11. No Amendments to Related Documents.

(a) The Authority will not amend, supplement, modify or waive any of the provisions of any of the Related Documents, or consent to any of the foregoing, without the prior written consent of the Bank, except to cure any ambiguity or inconsistency, to cure any defective provisions therein for the purpose of more clearly expressing the intent thereof or to enter into an amendment which could not reasonably be expected to have a material adverse effect on the rights, interests, security or remedies of the Bank as set forth herein or in the Related Documents as of the Closing Date; *provided*, however, that the prior written consent of the Bank shall not be required for the adoption of any Supplemental Resolution (as defined in the General Resolution) solely with respect to the issuance of Secured Bonds in accordance with the terms of the General Resolution. The Authority will give the Bank notice as promptly as practicable (but in no event less than ten (10) Business Days) prior to any proposed amendment, supplement, modification or waiver of any provision of the Related Documents. The Authority shall not permit, consent to, or enter into any amendment, modification, termination, waiver, assignment or transfer, voluntarily or involuntarily, by operation of law or otherwise, of any of its rights, title or interest in or to any of the Related Documents.

(b) Notwithstanding the foregoing, the Bank, as of the date hereof, hereby consents to the modifications of the General Resolution as set forth in the Supplemental Resolution, and, by executing and delivering this Agreement, the Bank, approves, accepts

and consents solely to such modifications of the General Resolution as set forth in the Supplemental Resolution on the date hereof, such modification to take effect upon compliance with the conditions of the General Resolution and without further consent of the Bank

Section 6.12. Sales or Encumbrance of System; Swap Contracts. The Authority will not sell, lease or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of Revenues, except as expressly permitted by the General Resolution. The Authority will not enter into any lease or agreement which impairs the operation of the System or any part thereof necessary to secure adequate Revenues for the payment of principal of and interest on the Bonds and the Bank Bonds, or which would otherwise impair the rights of the Bank with respect to the Revenues or the operations of System. The Authority will not mortgage or otherwise encumber, pledge or place any Lien upon the System or any part thereof essential to the System or any part thereof, except as permitted by the General Resolution, and the Authority will not create any Lien upon any of the Revenues having priority over or having parity with the Lien of Revenues securing the Bonds and the Bank Bonds, except as otherwise permitted by Section 501 of the General Resolution. The Authority shall not allow any lien on or pledge of Revenues to secure any termination payment under any Swap Contract to rank prior to, or on parity with, the payment of the principal of and interest on the Bonds and the Bank Bonds. Except for any agreements entered into prior to the Closing Date, the Authority shall not agree to provide any collateral to support the obligations of the Authority under any Swap Contract other than a pledge of Revenues (which pledge may be on parity with the Lien on Revenues securing the Bonds and the Bank Bonds but only with respect to Regularly Scheduled Qualified Swap Payments (as defined in the Resolution)).

Section 6.13. More Restrictive Covenants. The Authority shall not knowingly enter into or otherwise consent to any Bank Agreement (other than a Bank Agreement relating to Water Pollution Abatement Obligations) after the Closing Date which contains a Most Favored Nations Provision.

Section 6.14. Sovereign Immunity. To the extent that the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the Authority hereby irrevocably waives and agrees not to assert, to the extent permitted by law, shall not assert such right to immunity for itself or its property in respect of its obligations arising under or related to this Agreement or any of the other Related Documents to which it is a party.

Section 6.15. Use of Bank's Name. Except as may be required by law (including, but not limited to, federal and state securities laws), the Authority shall not use the Bank's name in any published materials (other than the Authority's staff reports, Board of Directors minutes, annual statements and Audited Financial Statements, rating agency presentations, and filings with the Securities and Exchange Commission or any other Governmental Authority) without the prior written consent of the Bank.

Section 6.16. Maintenance of Tax-Exempt Status. The Authority will not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or from personal

income taxes levied by the Commonwealth or of the Bonds from local personal property taxes levied by any political subdivision thereof.

Section 6.17. Compliance with ERISA. The Authority shall maintain each Pension Plan in compliance in all material respects with the applicable provisions of the Code and other applicable Laws and shall make all required contributions to each Pension Plan. The Authority shall not permit any Pension Plan at any time to: (a) engage in any nonexempt “prohibited transaction” (as defined in Section 503 of the Code); (b) fail to comply with applicable Laws; (c) incur any material increase in its Unfunded Pension Liabilities other than any material increase in its Unfunded Pension Liabilities resulting from accounting imposed on the Authority or legislative or regulatory actions applicable to the Authority; or (d) terminate in any manner; which, in the case of any such event in clauses (a) through (d), has resulted, or could reasonably be expected to result, in a Material Adverse Effect.

Section 6.18. Underlying Rating. The Authority covenants and agrees that it shall at all times maintain at least one long-term unenhanced rating assigned to Subordinated Bonds by any of Fitch, Moody’s or S&P. The Authority covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating assigned to Subordinated Bonds from any of Fitch, Moody’s or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement. Additionally, nothing set forth herein shall require the Authority to maintain long-term debt ratings on its Water Pollution Abatement Obligations.

Section 6.19. Maintenance and Approvals; Filings, Etc. The Authority shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable Law for its execution and delivery, or adoption, and performance of this Agreement and the other Related Documents to which it is a party.

Section 6.20. Performance of This and Other Agreements. The Authority shall punctually pay or cause to be paid all Obligations and other amounts payable under this Agreement and the other Related Documents and all amounts to become due in respect of the Bonds and the Obligations in strict conformity with the terms of this Agreement, the other Related Documents, and faithfully observe and perform all of the conditions, covenants and requirements set forth in this Agreement and the other Related Documents. The Authority shall take such action as may be necessary to enforce the obligations of other Persons owed to the Authority pursuant to the Related Documents.

Section 6.21. Notices. The Authority will promptly furnish to the Bank:

(a) **Default.** Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes a Default or an Event of Default or which could reasonably be expected to result in a Material Adverse Effect;

(b) **Legislation.** Prompt written notice of (i) any proposed amendments or modifications to the Act that could reasonably be expected to result in a Material Adverse Effect and (ii) the proposal of a bill or other legislation or the filing of any initiative or

referendum which challenges the validity or enforceability of any of the Related Documents or the Act, or otherwise could annul, amend, modify or replace the Act;

(c) ***Ratings Changes.*** Promptly upon the receipt of same, copies of any notification delivered to or received by the Authority with respect to a downgrade, withdrawal or suspension of the rating(s) assigned by any Rating Agency to any Parity or Senior Debt; and

(d) ***Changes to Budget.*** Promptly, and in any event with thirty (30) days after approval of same by the Authority, copies of any changes to the budget of the Authority.

Section 6.22. Accounting Methods and Fiscal Year; Entity Classification. The Authority shall not adopt, permit or consent to any change in its method of accounting, other than as permitted or required by GAAP and shall not adopt, permit or consent to any change in its established Fiscal Year or to any action that results in a change to its entity classification for U.S. federal income tax purposes.

Section 6.23. Sanctions. The Authority shall not directly or indirectly, use any proceeds of the Bonds or any Drawings under the Letter of the Credit, or lend, contribute or otherwise make available such proceeds to any Person, to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person of Sanctions.

Section 6.24. Anti-Corruption Laws. The Authority shall not directly or indirectly, use any proceeds of the Bonds or any Drawings under the Letter of the Credit for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions.

Section 6.25. Beneficial Ownership. Promptly following any request therefore, provide information and documentation reasonably selected by the Bank for purposes of compliance with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act and the Beneficial Ownership Regulation.

Section 6.26. Trustee. The Authority will not, without the prior written consent of the Bank (which consent shall not be unreasonably withheld) remove, or seek to remove, the Trustee. The Authority shall at all times maintain a Trustee pursuant to the terms of the Resolution that is acceptable to the Bank.

Section 6.27. Optional Redemption of Bonds. The Authority shall not permit the optional redemption (pursuant to the terms of the Supplemental Resolution) of any or all Bonds prior to selecting, or causing to be selected, for redemption outstanding Bank Bonds. The Authority shall not declare, instruct the Trustee to declare or otherwise permit an optional redemption of the Bonds pursuant to the Supplemental Resolution unless, on or prior to the applicable redemption date, the Authority has deposited with the Bank or the Trustee an amount equal to the principal amount of Bonds to be optionally redeemed from sources other than moneys provided by the Bank under the Letter of Credit.

Section 6.28. Remarketing Agent. (a) The Authority will cause the Remarketing Agent to use its best efforts to remarket all Bonds up to the Maximum Rate (as defined in the Supplemental Resolution) that are tendered for purchase and will not direct the Remarketing Agent to cease its attempts to remarket Bonds tendered for purchase for any reason (including without limitation that any interest rate charged hereunder may be less than the interest rate that would be required to be paid to any potential purchaser of such Bonds in order that the Bonds may be sold at a purchase price equal to the par value thereof plus accrued interest thereon).

(b) If the Remarketing Agent fails to remarket Bonds for thirty (30) consecutive days, the Authority will replace the Remarketing Agent upon the written direction of the Bank, with a successor Remarketing Agent acceptable to the Bank.

(c) Any remarketing agreement entered into by the Authority after the Closing Date and in relation to the Bonds shall provide that the remarketing agent will resign only upon providing at least thirty (30) days prior written notice of the Bank.

Section 6.29. Alternate Liquidity Facility.

(a) The Authority agrees to use commercially reasonable efforts to obtain an Alternate Liquidity Facility to replace this Agreement in the event (x) the Authority shall fail to request an extension of the Stated Expiration Date pursuant to Section 2.12 or the Bank shall decide not to extend the Stated Expiration Date pursuant to Section 2.12 (such replacement to occur on or before such Stated Expiration Date), (y) there shall have occurred a mandatory tender of Bonds under the Supplemental Resolution or (z) the Bank shall furnish a notice of mandatory tender pursuant to Section 7.02(b) to the Trustee unless, in each event, the Authority has provided funds (which may be remarketing proceeds) for the purchase of all Bank Bonds at par plus accrued interest through the date of the Liquidity Drawing and notifies the Bank in writing of its decision not to provide an Alternate Liquidity Facility.

(b) The Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of that Alternate Liquidity Facility, that the replacement liquidity provider or the Authority provide funds (which may be remarketing proceeds) on the Substitution Date for the purchase of all Bank Bonds at par plus accrued interest (at the Bank Rate) through the Substitution Date. On the Substitution Date or on any date the Authority provides the funds required by subsection (a) if no Alternate Liquidity Facility is to be provided, the Authority shall pay in full all other amounts due hereunder.

(c) The Authority shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

Section 6.30. Bank Bond Ratings. Upon the request of the Bank, or any other institution that owns such Bank Bonds or a beneficial interest therein, the Authority, at its expense, within forty-five (45) days following receipt of such request, shall obtain from at least one of the Rating Agencies then rating the Bonds, a rating specifically assigned to such Bank Bonds, such rating to not be below “Baa3” (or its equivalent) by Moody’s, “BBB-” (or its equivalent by Fitch or “BBB-

” (or its equivalent by S&P). In addition, at any time the Bank Bonds are outstanding, upon the request of the Bank or any other institution that owns such Bank Bonds or a beneficial interest therein, the Authority shall ensure that the CUSIP number and the rating assigned to such Bank Bonds are available electronically to the Bank pursuant to a third-party provider of such information.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence and continuance of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an “Event of Default” hereunder, unless waived in writing by the Bank:

(a) the Authority shall fail to pay the principal of or interest on any Reimbursement Obligation or Bank Bond when due (whether by scheduled maturity, required prepayment, redemption or otherwise);

(b) the Authority shall fail to pay any Obligation (other than the obligation to pay the principal of or interest on any Reimbursement Obligation or Bank Bond) when due and such failure shall continue for five (5) Business Days;

(c) any material representation or warranty made by or on behalf of the Authority in this Agreement or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered;

(d) the Authority shall default in the due performance or observance of any of the covenants set forth in Section 6.01, 6.06, 6.07, 6.08, 6.09, 6.10, 6.11, 6.12, 6.13, 6.14, 6.16, 6.17, 6.19, 6.21, 6.22 or 6.27 hereof;

(e) the Authority shall default in any material respect in the due performance or observance of any other term, covenant or agreement contained in this Agreement or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof;

(f) the Authority shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) the Authority shall become insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code, or shall admit in writing its inability to, pay its Debts, (iii) make a general assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its assets, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its Debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any

corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 7.01(g) of this Agreement;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Authority or any substantial part of its assets or a proceeding described in Section 7.01(f)(v) shall be instituted against the Authority and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of sixty (60) or more days;

(h) the Authority or the Commonwealth of Massachusetts or any Governmental Authority having jurisdiction over the Authority imposes a debt moratorium or comparable restriction on repayment of debt with respect to repayment when due and payable of the principal of or interest on any Parity or Senior Debt of the Authority;

(i) (i) any provision of this Agreement, the Bonds, the General Resolution or the Supplemental Resolution requiring the Authority to make payments of principal or interest on the Bonds or the Bank Bonds or relating to the pledge of and lien on the Revenues shall at any time for any reason cease to be valid and binding on, or fully enforceable against, the Authority as determined by any court or Governmental Authority having appropriate jurisdiction in a final nonappealable judgment;

(ii) (A) the validity or enforceability of any provision of this Agreement, the Bonds, the General Resolution or the Supplemental Resolution requiring the Authority to make payments of principal or interest on the Bonds and the Bank Bonds or relating to the pledge of and lien on the Revenues shall be contested in writing by an Authorized Officer of the Authority or (B) any Governmental Authority having appropriate jurisdiction over the Authority shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree pursuant to which any material provision of this Agreement, the Bonds, the General Resolution or the Supplemental Resolution requiring the Authority to make payments of principal or interest on the Bonds and the Bank Bonds or relating to the pledge of and lien on the Revenues shall be null and void, invalid or unenforceable, or (C) an Authorized Officer of the Authority shall deny in writing that the Authority has any or further liability or obligation under this Agreement, the Bonds, the General Resolution or the Supplemental Resolution; or

(iii) any other material provision of this Agreement or any other Related Document, other than a provision described in clause (i) above, shall at any time for any reason cease to be valid and binding on the Authority as a result of a final non-appealable ruling or finding by a court or a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority;

(j) dissolution or termination of the existence of the Authority;

(k) the Authority shall (i) default on the payment of the principal of or interest on any Parity or Senior Debt, beyond the period of grace, if any, provided in the instrument or agreement under which such Parity or Senior Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Parity or Senior Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Parity or Senior Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Parity or Senior Debt;

(l) the Authority shall (i) default on the payment of the principal of or interest on any Debt (other than Parity or Senior Debt) in an aggregate principal amount or notional amount of not less than \$25,000,000, including obligations owing pursuant to any Swap Contract (and not otherwise referred to in Section 7.01(k) hereof), beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Debt (other than Parity or Senior Debt) in an aggregate principal amount or notional amount of not less than \$25,000,000, including obligations owing pursuant to any Swap Contract (and not otherwise referred to in Section 7.01(k) hereof), or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt (or, with respect to any Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early);

(m) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered by insurance, in an aggregate amount not less than \$25,000,000 shall be entered or filed against the Authority or against any of its assets and remain unvacated, unbonded or unstayed for a period of thirty (30) days;

(n) any "Event of Default" under the General Resolution or Supplemental Resolution shall occur;

(o) any law, order, administrative directive or other pronouncement by any Governmental Authority, or amendment or modification thereto, shall be enacted, given, made or otherwise become effective, which, in the sole discretion of the Bank, has a material adverse effect on the ability of the Authority to meet its obligations with respect to the Bonds and the Bank Bonds or any other obligation of the Authority hereunder;

(p) any Governmental Authority shall declare a financial emergency with respect to the Authority, which, in the sole discretion of the Bank, has a Material Adverse Effect; or

(q) any of Moody's, Fitch or S&P shall assign a long-term credit rating to any Parity or Senior Debt to below "A3" (or its equivalent) or "A-" (or its equivalent) or "A-" (or its equivalent), respectively, or suspend or withdraw its rating of the same (but excluding any suspension or withdrawal of any such rating if the applicable Rating Agency has stipulated in writing that the rating action is being taken for non-credit related reasons.

Section 7.02. Remedies. Upon the occurrence and during the continuance of any Event of Default hereunder, the Bank, shall, with notice thereof to the Trustee, exercise any one or more of the following rights and remedies, in addition to any other remedies herein or by law provided:

(a) by notice to the Authority, declare all Obligations to be, and such amounts shall thereupon become, immediately and automatically due and payable without further presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority, provided that upon the occurrence of an Event of Default under Section 7.01(f) or 7.01(g) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) give written notice of the occurrence of an Event of Default to the Trustee and the Tender Agent, directing the Trustee to cause a mandatory tender of the Bonds, thereby causing the Letter of Credit to expire six (6) Business Days thereafter;

(c) pursue any rights and remedies it may have under the Resolution and the Related Documents; or

(d) pursue any other action available at law or in equity;

provided, however, that the failure of the Bank to give notice of the exercise of any such right or remedy shall not affect the validity or enforceability thereof.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Related Document, and no consent to any departure by the Authority therefrom, shall be effective unless in writing signed by the Bank and the Authority, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given

Section 8.02. Notices; Effectiveness; Electronic Communications.

(a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in clause (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax transmission or e-mail transmission as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, to the address, fax number, e-mail address or telephone

number specified for the Authority or the Bank on Schedule 8.02 hereof. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by fax transmission shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in clause (b) below, shall be effective as provided in such clause (c).

(b) ***Electronic Communications.***

(i) Notices and other communications to the Bank hereunder may be delivered or furnished by electronic communication (including e-mail, FPML messaging and Internet or intranet websites) pursuant to an electronic communications agreement (or such other procedures approved by the Bank). The Bank or the Authority, in its discretion, agrees to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it provided that approval of such procedures may be limited to particular notices or communications.

(ii) Unless the Bank otherwise prescribes, (A) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment), and (B) notices and other communications posted to an Internet or intranet website shall be deemed received by the intended recipient upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email address or other written acknowledgment) indicating that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (A) and (B), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(c) ***Change of Address, Etc.*** Each of the Authority and the Bank may change its address, fax number or telephone number or e-mail address for notices and other communications hereunder by notice to the other parties hereto.

(d) ***Reliance by Bank.*** The Bank shall be entitled to rely and act upon any notices (including, without limitation, telephonic or electronic notices) purportedly given by or on behalf of the Authority even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Authority shall indemnify the Bank and the Related Parties from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Authority. All telephonic notices to and

other telephonic communications with the Bank may be recorded by the Bank, and each of the parties hereto hereby consents to such recording.

Section 8.03. No Waiver; Cumulative Remedies. No failure by the Bank to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Related Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any other Related Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Related Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 8.04. Expenses; Indemnity.

(a) ***Expenses.*** The Authority shall pay (i) all reasonable out of pocket expenses incurred by the Bank and its Affiliates (including but not limited to the reasonable fees, charges and disbursements of counsel for the Bank and due diligence expenses), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Related Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out of pocket expenses incurred by the Bank in connection with the issuance, amendment, renewal, reinstatement or extension of its Letter of Credit or any demand for payment thereunder and (iii) all out of pocket expenses incurred by the Bank (including the fees, charges and disbursements of any counsel for the Bank), and shall pay all fees and time charges for attorneys who may be employees of the Bank and due diligence expenses, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Related Documents, including its rights under this Section, or (B) in connection with any Liquidity Advance made or the Letter of Credit issued hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Liquidity Advance or the Letter of Credit.

(b) ***Indemnification by the Authority.*** To the extent not prohibited by applicable law, the Authority shall indemnify the Bank and each Related Party of the Bank (each such Person being called an “*Indemnatee*”) against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnatee), and shall indemnify and hold harmless each Indemnatee from all reasonable fees and time charges and disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any Person (including the Authority) arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Related Document, the Official Statement or any agreement or instrument contemplated hereby or thereby (including, without limitation, the Indemnatee’s reliance on any Communication executed using an Electronic Signature, or in the form of an Electronic Record, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or the administration of this Agreement and

the other Related Documents (including in respect of any matters addressed in Section 3.01), (ii) any Liquidity Advance or the Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Bank to honor a demand for payment under its Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Authority, or any Environmental Liability related in any way to the Authority, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Authority, and regardless of whether any Indemnatee is a party thereto; *provided* that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee.

(c) ***Waiver of Consequential Damages, Etc.*** To the fullest extent permitted by applicable Law, the Authority shall not assert, and hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Related Document, the Official Statement or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Liquidity Advance or the Letter of Credit or the use of the proceeds thereof. No Indemnatee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnatee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Related Documents, the Official Statement or the transactions contemplated hereby or thereby.

(d) ***No Liability of the Bank.*** The Authority agrees that the Bank shall have no liability or responsibility for the acts or omissions of the Trustee or the Remarketing Agent in respect of the use of this Agreement or any Drawings funded by the Bank under the Letter of Credit. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee or the Remarketing Agent which results in the failure of the Trustee to effect a Drawing to or to comply with the applicable provisions of the Supplemental Resolution or any other Related Document. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee, any agent of the Trustee and any transferee beneficiary in connection therewith; (b) the validity or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit; except only that the Authority shall have a claim against the Bank and the Bank shall be liable to the Authority to the extent of any direct, as distinguished from consequential or punitive (the right to receive consequential or punitive

damages being hereby waived), damages suffered by the Authority when the Authority proves such were caused by the Bank's gross negligence or willful failure to make payment under the Letter of Credit in accordance with its terms as determined by a court of competent jurisdiction in a final, non-appealable judgment thereof. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. The Bank is hereby expressly authorized and directed to honor any demand for payment which is made under the Letter of Credit without regard to, and without any duty on its part to inquire into the existence of, any disputes or controversies between or among the Authority, the Trustee, any transferee beneficiary of the Letter of Credit or any other Person or the respective rights, duties or liabilities of any of them, or whether any facts or occurrences represented in any of the documents presented under the Letter of Credit are true and correct.

(e) **Payments.** All amounts due under this Section shall be payable not later than thirty (30) Business Days after demand therefor.

(f) **Survival.** The agreements in this Section and the indemnity provisions of Section 8.02(d) shall survive the termination of this Agreement, the cancellation of the Letter of Credit and the repayment, satisfaction or discharge of all the other Obligations and the termination of this Agreement.

Section 8.05. Obligations Absolute. The payment obligations of the Authority under this Agreement shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of the Letter of Credit or any of the other Related Documents;

(b) any amendment or waiver of or any consent to departure from all or any of the Related Documents (unless consented to in writing by the Bank);

(c) the existence of any claim, set off, defense (other than the defense of payment) or other right which the Authority may have at any time against the Trustee or any other beneficiary, or any transferee, of the Letter of Credit (or any persons or entities for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank, or any other person or entity, whether in connection with this Agreement, the transactions contemplated herein or in the Related Documents, or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or

(e) payment by the Bank under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit.

Section 8.06. Payments Set Aside. To the extent that any payment by or on behalf of the Authority is made to the Bank, or the Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

Section 8.07. Successors and Assigns.

(a) ***Successors and Assigns Generally.*** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Authority may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Bank. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in clause (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Bank) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) ***Participations.*** The Bank may at any time, without the consent of, or notice to, the Authority, sell participations to any Person (other than a natural person or the Authority or any of the Authority's Affiliates) (each, a "*Participant*") in all or a portion of the Bank's rights and/or obligations under this Agreement; provided that (i) the Bank's obligations under this Agreement shall remain unchanged, (ii) the Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Authority shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which the Bank sells such a participation shall provide that the Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that the Bank will not, without the consent of the Participant, agree to any amendment, waiver or other modification that affects such Participant. The Authority agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.02 and 8.04 to the same extent as if it were the Bank hereunder.

(c) ***Limitations upon Participant Rights.*** A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.02 than the Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Authority's prior written consent.

(d) ***Certain Pledges.*** In addition to the rights of the Bank set forth above, the Bank may at any time pledge or grant a security interest in all or any portion of its rights or interest under this Agreement and the Related Documents to secure obligations of the Bank or an Affiliate of the Bank, including any pledge or assignment to secure obligations

to a Federal Reserve Bank or to any state or local governmental entity or with respect to public deposits; *provided* that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

Section 8.08. Treatment of Certain Information; Confidentiality.

(a) Each of the Authority and the Bank agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates, its auditors and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Related Document or any action or proceeding relating to this Agreement or any other Related Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights and obligations under this Agreement or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Authority and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating the Authority or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Authority or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section (y) becomes available to the Bank or any of its Affiliates on a nonconfidential basis from a source other than the Authority or (j) is independently discovered or developed by a party hereto without utilizing any Information received from the Authority or violating the terms of this Section. For purposes of this Section, “*Information*” means all information received from the Authority relating to the Authority or any of their respective businesses, other than any such information that is available to the Bank or the Trustee on a nonconfidential basis prior to disclosure by the Authority, provided that, in the case of information received from the Authority after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. In addition, the Bank may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers the Bank in connection with the administration of this Agreement, the other Related Documents and the Letter of Credit. For the avoidance of doubt, nothing herein prohibits any individual from communicating or disclosing information regarding suspected

violations of laws, rules or regulations to a governmental, regulatory, or self-regulatory authority without any notification to any person.

(b) Except as otherwise provided below in this paragraph, the Authority agrees that it will not in the future issue any press release or public disclosure using the name of the Bank or its Affiliates or referring to this Agreement. The Authority may, after consultation with the Bank, file (or cause to be filed) with the Municipal Securities Rulemaking Board under its Electronic Municipal Market Access (EMMA) system or otherwise a copy of this Agreement and agreements between the Bank and the Authority related to this Agreement, in each case redacted in a manner satisfactory to the Bank to prevent disclosure of any signatures, account information, information regarding pricing, or other proprietary or other confidential information regarding the transactions contemplated hereby, or a summary of this Agreement and such related agreements (in each case as so redacted). The Authority shall be permitted to include in such redacted copies of this Agreement (or summaries thereof) such information as shall be necessary to comply with requirements of applicable law (including federal or state securities laws and the regulations promulgated thereunder) and the requirements of continuing disclosure agreements to the extent that such disclosure is required to cause the underwriting, issuance, sale or remarketing of bonds or other obligations issued by the Authority for the Authority to be in compliance with applicable law. The Authority may include any such redacted copies of the Agreement and related agreements (or summaries thereof) in any official statement, offering circular or other disclosure document prepared in connection with any issuance of Debt by or for the Authority.

(c) ***Customary Advertising Material.*** The Authority consents to the publication by the Bank of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Authority.

Section 8.09. Right of Setoff. If an Event of Default shall have occurred and be continuing, the Bank and its Affiliates are hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Bank or any such Affiliate to or for the credit or the account of the Authority against any and all of the obligations of the Authority now or hereafter existing under this Agreement or any other Related Document to the Bank or its Affiliates, irrespective of whether or not the Bank or its Affiliates shall have made any demand under this Agreement or any other Related Document and although such obligations of the Authority may be contingent or unmatured, secured or unsecured, or are owed to a branch, office or Affiliate of the Bank different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness. The rights of the Bank and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Bank or its Affiliates may have under applicable Law. The Bank agrees to notify the Authority promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application. Should the Bank exercise its right of setoff pursuant to this section, it agrees to turn over all proceeds from the exercise of such right of setoff to the Trustee to be

deposited to the Revenue Fund established under the General Resolution and applied as required by the General Resolution.

Section 8.10. Integration; Effectiveness. This Agreement, the other Related Documents, and any separate letter agreements with respect to fees payable to the Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Bank and when the Bank shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 8.11. Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Related Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Bank, regardless of any investigation made by the Bank or on its behalf and notwithstanding that the Bank may have had notice or knowledge of any Default at the time of any issuance of the Letter of Credit, or the making of any Liquidity Advance hereunder, and shall continue in full force and effect as long as any Liquidity Advance or any other Obligation hereunder shall remain unpaid or unsatisfied or the Letter of Credit shall remain outstanding.

Section 8.12. Severability. If any provision of this Agreement or the other Related Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Related Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.13. Governing Law; Jurisdiction, Etc.

(a) ***Governing Law.*** THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS (EXCEPT, AS TO ANY OTHER RELATED DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT (EXCEPT, AS TO ANY OTHER RELATED DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE COMMONWEALTH.

(b) ***Submission to Jurisdiction.*** THE AUTHORITY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE BANK OR ANY RELATED PARTY OF THE BANK IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR

THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE COMMONWEALTH SITTING IN SUFFOLK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH MASSACHUSETTS STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER RELATED DOCUMENT SHALL AFFECT ANY RIGHT THAT THE BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT AGAINST THE AUTHORITY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) ***Waiver of Venue.*** THE AUTHORITY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) ***Service of Process.*** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 8.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 8.14. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.15. No Advisory or Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the Authority acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) (i) the services regarding this Agreement provided by the Bank and any Affiliate thereof are arm's-length commercial

transactions between the Authority, on the one hand, and the Bank and its Affiliates, on the other hand, (ii) the Authority has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Authority is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents; (b) (i) the Bank and its Affiliates each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary, for the Authority, or any other Person and (ii) neither the Bank nor any of its Affiliates has any obligation to the Authority with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Related Documents; and (c) the Bank and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Authority, and neither the Bank nor any of its Affiliates has any obligation to disclose any of such interests to the Authority. To the fullest extent permitted by Law, the Authority, hereby waives and releases any claims that it may have against the Bank or any of its Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby.

Section 8.16. Electronic Execution of Certain Documents. This Agreement, any Related Document and any other Communication, including Communications required to be in writing, may be in the form of an Electronic Record and may be executed using Electronic Signatures. The Authority and the Bank, agree that any Electronic Signature on or associated with any Communication shall be valid and binding on such Person, to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of such Person enforceable against such Person, in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered to the Bank. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Bank may, at its options, create one or more copies of any Communication in the form of an imaged Electronic Record ("*Electronic Copy*"), which shall be deemed created in the ordinary course of the Bank's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Bank is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Bank pursuant to procedures approved by it; *provided*, further, without limiting the foregoing, (a) to the extent the Bank has agreed to accept such Electronic Signature, the Bank shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of the Authority, without further verification and regardless of the appearance or form of such Electronic Signature, and (b) upon the request of the Bank any Electronic Signature shall be promptly followed by a manually executed, original counterpart. The Bank shall not be responsible for or have any duty to ascertain or inquire into the sufficiency, validity, enforceability, effectiveness or genuineness of any Related Document or any other agreement, instrument or document (including, for the avoidance of doubt, in connection with the Bank's reliance on any Electronic Signature transmitted by telecopy, emailed .pdf or any other electronic means). The

Bank shall be entitled to rely on, and shall incur no liability under or in respect of this Agreement or any other Related Document by acting upon, any Communication (which writing may be a fax, any electronic message, Internet or intranet website posting or other distribution or signed using an Electronic Signature) or any statement made to it orally or by telephone and believed by it to be genuine and signed or sent or otherwise authenticated (whether or not such Person in fact meets the requirements set forth in the Related Documents for being the maker thereof). The Authority hereby waives (i) any argument, defense or right to contest the legal effect, validity or enforceability of this Agreement and/or any other Related Document based solely on the lack of paper original copies of this Agreement and/or such other Related Document, and (ii) waives any claim against the Bank for any liabilities arising solely from the Bank's reliance on or use of Electronic Signatures, including any liabilities arising as a result of the failure of the Authority to use any available security measures in connection with the execution, delivery or transmission of any Electronic Signature.

Section 8.17. USA Patriot Act. The Bank hereby notifies the Authority that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "*PATRIOT Act*"), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the PATRIOT Act. The Authority agrees to, promptly following a request by the Bank, provide all such other documentation and information that the Bank requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act.

Section 8.18. Time is of the Essence. Time is of the essence of the Related Documents.

Section 8.19. Entire Agreement. This Agreement and the other Related Documents represent the final agreement among the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements among the parties.

Section 8.20. Further Assurances. From time to time upon the request of either party hereto, the other shall promptly and duly execute, acknowledge and deliver any and all such further instruments and documents as the requesting party may in its reasonable discretion deem necessary or desirable to confirm this Agreement, and the other Related Documents, to carry out the purpose and intent hereof and thereof or to enable the requesting party to enforce any of its rights hereunder or thereunder. At any time, and from time to time, upon request by the Bank, the Authority will, at the Authority's expense, correct any defect, error or omission which may be discovered in the form or content of any of the Related Documents. Upon any failure by the Authority to do so, the Bank or the Trustee may make, execute and record any and all such instruments, certificates and other documents for and in the name of the Authority, all at the sole expense of the Authority, and the Authority hereby appoints the Bank and the Trustee the agent and attorney-in-fact of the Authority to do so, this appointment being coupled with an interest and being irrevocable. In addition, at any time, and from time to time, upon request by the Bank or the Trustee, the Authority will, at the Authority's expense, provide any and all further instruments, certificates and other documents as may, in the opinion of the Bank or the Trustee, be necessary or desirable in order to

verify the Authority's identity and background in a manner satisfactory to the Bank or the Trustee, as the case may be.

Section 8.21. No Third-Party Rights. Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the parties hereto any legal or equitable right, remedy or claim under or in respect of this Agreement, which is intended for the sole and exclusive benefit of the parties hereto.

Section 8.22. US QFC Stay Rules. To the extent that the Related Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, "*QFC Credit Support*," and each such QFC, a "*Supported QFC*"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "*U.S. Special Resolution Regimes*") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Related Documents and any Supported QFC may in fact be stated to be governed by the laws of the United States or any other state of the United States): In the event a Covered Entity that is party to a Supported QFC (each, a "*Covered Party*") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Related Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Related Documents were governed by the laws of the United States or a state of the United States.

"*BHC Act Affiliate*" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"*Covered Entity*" (a) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (b) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (c) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"*Default Right*" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Closing Date.

MASSACHUSETTS WATER RESOURCES
AUTHORITY

By: _____
Name: _____
Title: _____

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, _____

To: Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to that certain Reimbursement Agreement, dated as of October 1, 2025 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “*Agreement*,” the terms defined therein being used herein as therein defined), between Massachusetts Water Resources Authority (the “*Authority*”) and Bank of America, N.A., (the “*Bank*”).

The undersigned Authorized Officer hereby certifies as of the date hereof that he/she is the _____ of the Authority, and that, as such, he/she is authorized to execute and deliver this Certificate to the Bank on the behalf of the Authority, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.03(a) of the Agreement for the fiscal year of the Authority ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a review of the transactions and condition (financial or otherwise) of the Authority during the accounting period covered by the attached financial statements.

3. A review of the activities of the Authority during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Authority performed and observed all its Obligations under the Related Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, the Authority performed and observed each covenant and condition of the Related Documents applicable to it, and no Default or Event of Default has occurred and is continuing.]

--or--

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]

4. The representations and warranties of the Authority contained in Article V of the Agreement are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Certificate, the representations and warranties contained in Section 5.06 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to Section 6.03 of the Agreement, including the statements in connection with which this Certificate is delivered.

Delivery of an executed counterpart of a signature page of this Certificate by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, _____.

MASSACHUSETTS WATER RESOURCES
AUTHORITY

By: _____
Name: _____
Title: _____

SCHEDULE 8.02

NOTICES

If to the Bank:

Bank of America, N.A.

Attention: _____

Telephone: _____

E-Mail: _____

with a copy to:

Bank of America, N.A.

Attention: _____

Telephone: _____

E-Mail: _____

If to the Authority:

Massachusetts Water Resources Authority

Attention: _____

Telephone: _____

E-Mail: _____

If to the Trustee:

U.S. Bank Trust Company, National Association

Attention: _____

Telephone: _____

E-Mail: _____

If to the Remarketing Agent:

Goldman Sachs & Co. LLC

Attention: _____

Telephone: _____

E-Mail: _____

The Bank's Wire Instructions:

Bank of America, N.A.

ABA # [_____]

Account #: [_____]

Attn: [_____]

Account Title: [_____]

FCT: [_____]

APPENDIX I
FORM OF
IRREVOCABLE TRANSFERABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

October 22, 2025

**U.S. \$42,589,498

No. **[INSERT LC NUMBER]**

U.S. Bank Trust Company, National Association,
as trustee and tender agent (the “*Tender Agent*”)

Attention: _____

Ladies and Gentlemen:

We hereby establish in your favor as Tender Agent under that certain Amended and Restated General Revenue Bond Resolution of the Massachusetts Water Resources Authority (the “*Authority*”) effective as of April 23, 2015, as amended as of July 23, 2025 (as amended, modified or supplemented from time to time, the “*General Resolution*”), as supplemented by the Eighty-Ninth Supplemental Resolution, Part 2, adopted by the Authority on July 23, 2025 (as amended, modified or supplemented from time to time, the “*Supplemental Resolution*” and together with the General Resolution, the “*Resolution*”), for the benefit of the holder of the Bonds (as hereinafter defined) our Irrevocable Transferable Letter of Credit No. **[INSERT LC NUMBER]** for the account of the Authority, whereby we hereby irrevocably authorize you to draw on us from time to time, from and after the date hereof to and including the earliest to occur of our close of business on: (i) April 21, 2028 (as extended from time to time, the “*Stated Expiration Date*”), (ii) the earlier of (A) the date which is one (1) Business Day following the date on which all of the Bonds bear interest at a rate other than the Weekly Rate, as such date is specified in a certificate in the form of Annex A hereto (the “*Conversion Date*”) hereto and (B) the date on which the Bank honors a Liquidity Drawing (as hereinafter defined) under the Letter of Credit on or after the Conversion Date, (iii) the date of receipt from you of a certificate in the form set forth as Annex B hereto, (iv) the date on which an Acceleration Drawing or a Stated Maturity Drawing is honored by us and (v) the date which is six (6) Business Days following receipt by you of a written notice from us in the form of Annex K hereto, specifying the occurrence of an Event of Default under the Reimbursement Agreement dated as of October 1, 2025 (as amended, modified or supplemented from time to time, the “*Reimbursement Agreement*”), between the Authority and Bank of America, N.A. (the “*Bank*”), directing you to cause a mandatory tender of the Bonds (the earliest of the

foregoing dates herein referred to as the "*Termination Date*"), a maximum aggregate amount not exceeding \$42,589,498 (the "*Original Stated Amount*") to pay the unpaid principal amount of, or a portion of the purchase price corresponding to the principal of, and accrued interest on, the Authority's \$41,955,000 Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D (the "*Bonds*"), in accordance with the terms hereof (said \$42,589,498 having been calculated to be equal to (A) \$41,955,000, the original aggregate principal amount of the Bonds, plus (B) \$634,498 which is 46 days' accrued interest on said principal amount of the Bonds at the rate of 12% per annum (the "*Cap Interest Rate*") and assuming a year of 365 days. This credit is available to you against presentation of the following documents (the "*Payment Documents*") presented to the Bank:

A certificate (with all blanks appropriately completed) (i) in the form attached as Annex C hereto to pay accrued interest on the Bonds (an "*Interest Drawing*"), (ii) in the form attached as Annex D hereto to pay the principal amount of and accrued interest on the Bonds in respect of any redemption of the Bonds (a "*Redemption Drawing*"), (iii) in the form attached as Annex E hereto to pay the purchase price and accrued interest of Bonds tendered for purchase that have not been successfully remarketed or for which the purchase price has not been received by the Tender Agent (a "*Liquidity Drawing*"); (iv) in the form attached as Annex L hereto to pay the principal of and interest on the Bonds the payment of which has been accelerated pursuant to the terms of the General Resolution (an "*Acceleration Drawing*") or (v) in the form attached as Annex F hereto to pay the principal of and interest on the Bonds maturing on August 1, 2031 (a "*Stated Maturity Drawing*"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder. No Drawings shall be made under this Letter of Credit for (i) Bonds bearing interest at a rate other than the Weekly Rate ("*Converted Bonds*"), (ii) Bonds purchased with the proceeds of a Liquidity Drawing and registered in the name of the Bank or its nominee (the "*Bank Bonds*") or (iii) Bonds owned by or on behalf of the Authority ("*Authority Bonds*" and, together with the Converted Bonds and the Bank Bonds, collectively referred to herein as the "*Ineligible Bonds*"). "*Weekly Rate*" means an interest rate that is determined on a weekly basis with respect to the Bonds in the weekly mode pursuant to the Supplemental Resolution.

All drawings shall be made by presentation of each Payment Document at Bank of America, N.A., _____, at telecopier number _____, Attention: _____, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at _____ on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Liquidity, Acceleration or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If any such drawing, other than a Liquidity Drawing, is presented prior to 2:00 P.M., New York time, on a Business Day, payment shall be made, in immediately available funds, by 11:00 A.M., New York time, on the following Business Day. If any such Drawing, other than a Liquidity Drawing, is presented at or after 2:00 P.M., New York time, on a Business Day, payment shall be made, in immediately available funds, by 11:00 A.M., New York time, on the second following Business Day. If a Liquidity Drawing is presented at or prior to 11:00 A.M., New York time, on a Business Day, payment shall be made, in immediately available funds, by 2:00 P.M., New York time, on the same Business Day. If a Liquidity Drawing is presented after 11:00 A.M., New York time, on any Business Day, payment shall be made, in immediately available funds, by 2:00 P.M., New York time, on the following Business Day. Payments made hereunder shall be made by wire transfer to you or by deposit into your account with us in accordance with the instructions specified by the Tender Agent in the drawing certificate relating to a particular Drawing hereunder. “*Business Day*” shall mean any day except (i) a Saturday, Sunday or other day on which commercial banks in the City of New York, New York, or any other city in which is located the principal office of the Tender Agent, the Remarketing Agent or the Bank are authorized by law to close or (ii) a day on which the New York Stock Exchange is closed.

The Available Amount (as hereinafter defined) of this Letter of Credit will be reduced automatically by the amount of any drawing hereunder; *provided, however*, that the amount of any Interest Drawing hereunder, shall be automatically reinstated effective at 11:00 A.M., New York time, five (5) Business Days from the date such drawing is honored by us unless you receive notice from us in the form of Annex K hereto on the fourth (4th) Business Day after the date we honor such drawing; *provided* that in no event shall such reinstated amount exceed the amount equal to the outstanding principal amount of Bonds at such time plus 46 days’ accrued interest on such principal amount of Bonds at the Cap Interest Rate and assuming a year of 365 days. After payment by the Bank of a Liquidity Drawing, the obligation of the Bank to honor drawings under this Letter of Credit will be automatically reduced by an amount equal to the amount set forth in the certificate in the form of Annex E relating to such Liquidity Drawing. In addition, in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Bank’s obligation to honor drawings hereunder will be automatically reinstated in the amount indicated in a certificate in the form of Annex J attached hereto concurrently upon receipt by the Bank of such certificate and our receipt of funds. The Available Amount under this Letter of Credit will be reduced automatically upon our receipt of Annex G to the amount stated in paragraph 2 therein.

The “*Available Amount*” shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest Drawings, Redemption Drawings or Liquidity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate in the form of Annex G hereto, (iii) plus the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the Authority by delivering to you an amendment to this Letter of Credit in the form of Annex I hereto designating the date to which the Stated Expiration Date is being extended, and thereafter all references in this Letter of Credit to the Stated Expiration Date shall be deemed

to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date this Letter of Credit shall automatically terminate.

This Letter of Credit is transferable to any transferee whom has succeeded you as Tender Agent under the Resolution, and may be successively transferred in its entirety. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of a Transfer Request in the form of Annex H attached hereto signed by the transferor and acknowledged by the transferee (each a "*Transfer*") together with the original Letter of Credit.

Other than the provisions for communication by facsimile copy, communications with respect to this Letter of Credit shall be addressed to us at Bank of America, N.A., _____, Attention: _____, specifically referring to the number of this Letter of Credit.

To the extent not inconsistent with the express terms hereof, this Letter of Credit shall be governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce-Publication No. 590 ("*ISP98*"). As to matters not governed by the ISP98, this Letter of Credit shall be governed by and construed in accordance with Article 5 of the Uniform Commercial Code of the State of New York, without regard to conflict of laws.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

BANK OF AMERICA, N.A.

By:

Name: _____

Title: _____

**ANNEX A
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT**

No. [INSERT LC NUMBER]

NOTICE OF CONVERSION DATE

[Date]

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the “*Letter of Credit*”), which has been established by you for the account of the Authority, in favor of the Tender Agent.

The undersigned hereby certifies and confirms that on [insert date] (the “*Conversion Date*”) the interest mode on all the Bonds has been converted to bear interest at a rate other than the Weekly Rate, and, accordingly, said Letter of Credit shall terminate on _____, 20____, which is one (1) Business Day after such Conversion Date in accordance with its terms.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

ANNEX B
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

NOTICE OF TERMINATION

[Date]

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the "*Letter of Credit*"), which has been established by you for the account of the Authority, in favor of the Tender Agent.

The undersigned hereby certifies and confirms that **[(i) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Supplemental Resolution, (ii) all Drawings required to be made under the Supplemental Resolution and available under the Letter of Credit have been made and honored or (iii) an Alternate Credit Facility or an Alternate Liquidity Facility (each as defined in the Supplemental Resolution) has been issued to replace the Letter of Credit pursuant to the Supplemental Resolution]** and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

**ANNEX C
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT**

No. [INSERT LC NUMBER]

INTEREST DRAWING CERTIFICATE

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned individual, a duly authorized officer of U.S. Bank Trust Company, National Association (the “*Beneficiary*”), hereby certifies on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the “*Letter of Credit*”), issued by Bank of America, N.A. (the “*Bank*”) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Resolution (as defined in the Letter of Credit):

1. The Beneficiary is the Tender Agent (as defined in the Letter of Credit) under the Supplemental Resolution.

2. The Beneficiary is entitled to make this Drawing in the amount of \$ _____ under the Letter of Credit pursuant to the Supplemental Resolution with respect to the payment of interest due on all Bonds Outstanding on the Interest Payment Date (as defined in the Supplemental Resolution) occurring on [insert applicable date], other than Ineligible Bonds (as defined in the Letter of Credit).

3. The amount of the drawing is equal to the amount required to be drawn by the Tender Agent pursuant to Section 4.11(b) of the Supplemental Resolution.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Supplemental Resolution and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

ANNEX D
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

REDEMPTION DRAWING

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned individual, a duly authorized officer of U.S. Bank Trust Company, National Association (the “*Beneficiary*”), hereby certifies on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the “*Letter of Credit*”), issued by Bank of America, N.A. (the “*Bank*”) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Resolution (as defined in the Letter of Credit):

1. The Beneficiary is the Tender Agent (as defined in the Letter of Credit) under the Supplemental Resolution.

2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 4.11(b) of the Supplemental Resolution.

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be redeemed by the Authority (as defined in the Letter of Credit) pursuant to Section 3.1(b) and Section 3.2 of the Supplemental Resolution on [insert applicable date] (the “*Redemption Date*”) other than Ineligible Bonds (as defined in the Letter of Credit), *plus* (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Supplemental Resolution) to the Redemption Date, provided that in the event the Redemption Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$ _____ is demanded in respect of the principal amount of the Bonds referred to in subparagraph (a) above; and

(ii) \$ _____ is demanded in respect of accrued interest on such Bonds (the Redemption Date is not an Interest Payment Date).

4. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Supplemental Resolution and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount]. The Available Amount has been reduced by an amount equal to the principal of Bonds paid with this drawing and an amount equal to 46 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

7. Of the amount of the reduction stated in paragraph 6 above:

(i) \$_____ is attributable to the principal amount of Bonds redeemed;
and

(ii) \$_____ is attributable to interest on such Bonds (*i.e.*, 46 days' interest thereon at the Cap Interest Rate).

8. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds Outstanding (to the extent such Bonds are not Ineligible Bonds (as defined in the Letter of Credit)), plus 46 days' interest thereon at the Cap Interest Rate.

10. In the case of a redemption pursuant to Section 3.1(b) of the Supplemental Resolution, the Tender Agent, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such redemption.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, _____.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

ANNEX E
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

LIQUIDITY DRAWING CERTIFICATE

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned individual, a duly authorized officer of U.S. Bank Trust Company, National Association (the “*Beneficiary*”) hereby certifies as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the “*Letter of Credit*”), issued by Bank of America, N.A. (the “*Bank*”) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Resolution (as defined in the Letter of Credit):

1. The Beneficiary is the Tender Agent under the Supplemental Resolution.

2. The Beneficiary is entitled to make this drawing under the Letter of Credit in the amount of \$ _____ with respect to the payment of the purchase price of Bonds tendered for purchase in accordance with Section 4.11(a) of the Supplemental Resolution and to be purchased on [insert applicable date] (the “*Purchase Date*”) which Bonds have not been successfully remarketed as provided in the Supplemental Resolution or the purchase price of which has not been received by the Tender Agent by 10:30 A.M., New York time, on said Purchase Date.

3. (a) The amount of the drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the Supplemental Resolution on the Purchase Date other than Ineligible Bonds (as defined in the Letter of Credit), *plus* (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Supplemental Resolution) (or if none, the date of issuance of the Bonds) to the Purchase Date, provided that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$ _____ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in paragraph 2 above; and

(ii) \$_____ is demanded in respect of payment of the interest portion of the purchase price of such Bonds (the Purchase Date is not an Interest Payment Date).

4. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Supplemental Resolution and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Upon payment of the amount drawn hereunder, the Bank is hereby directed to reduce the Available Amount of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall, after giving effect to such reduction, equal \$[insert new Available Amount].

6. Of the amount of such reduction stated in paragraph 5 above:

(i) \$_____ is attributable to the principal amount of Bonds tendered;
and

(ii) \$_____ is attributable to interest on such Bonds (*i.e.*, 46 days' interest at the Cap Interest Rate (as defined in the Letter of Credit)).

7. The Beneficiary will register or cause to be registered in the name of the Bank (or its nominee at the written direction of the Bank), upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds in accordance with the Supplemental Resolution.

8. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, _____.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

**ANNEX F
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT**

No. [INSERT LC NUMBER]

STATED MATURITY DRAWING CERTIFICATE

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned individual, a duly authorized officer of U.S. Bank Trust Company, National Association (the “*Beneficiary*”), hereby certifies on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the “*Letter of Credit*”), issued by Bank of America, N.A. (the “*Bank*”) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Resolution (as defined in the Letter of Credit):

1. The Beneficiary is the Tender Agent under the Supplemental Resolution.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 4.11(b) of the Supplemental Resolution.
3. (a) The amount of this drawing is equal to the principal of and interest on the Bonds Outstanding on August 1, 2031, the maturity date thereof as specified in the Supplemental Resolution, other than Ineligible Bonds (as defined in the Letter of Credit).

(b) Of the amount stated in paragraph (2) above:
 - (i) \$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph (2) above; and
 - (ii) \$ _____ is demanded in respect of payment of the interest portion of such Bonds (the maturity date is not an Interest Payment Date).
4. The amount of this Drawing made by this Certificate was computed in compliance with the terms and conditions of the Supplemental Resolution and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, _____.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

**ANNEX G
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT**

No. [INSERT LC NUMBER]

REDUCTION CERTIFICATE

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned hereby certifies with respect to (i) that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the "*Letter of Credit*"), issued by Bank of America, N.A. (the "*Bank*") in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Resolution (as defined in the Letter of Credit):

1. The Beneficiary is the Tender Agent under the Supplemental Resolution.
2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$ _____ and the Available Amount shall thereupon equal \$ _____. \$ _____ of the new Available Amount is attributable to interest and \$ _____ of the new Available Amount is attributable to principal.
3. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds Outstanding (other than Ineligible Bonds (as defined in the Letter of Credit)) plus \$ _____ which is at least 46 days' accrued interest on said principal amount of the Bonds at the Cap Interest Rate (as defined in the Letter of Credit) and assuming a year of 365 days.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, ____.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By _____
[Title of Authorized Officer]

ANNEX H
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

TRANSFER CERTIFICATE

[Date]

Bank of America, N.A.

Attention: _____

Re: Irrevocable Transferable Letter of Credit
No. [INSERT LC NUMBER] dated October 22, 2025

We, the undersigned “Transferor”, hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit (the “*Letter of Credit*”) in its entirety to:

NAME OF TRANSFEREE

(Print Name and complete address of the Transferee)
“Transferee”

ADDRESS OF TRANSFEREE

CITY/STATE/COUNTRY ZIP

(the “*Transferee*”) all rights of the Transferor with respect to the above-referenced Letter of Credit, including the right to draw under said Letter of Credit in the amount of the full unutilized balance thereof. Said Transferee has succeeded the Transferor as Tender Agent under that certain Amended and Restated General Revenue Bond Resolution of the Massachusetts Water Resources Authority (the “*Authority*”) effective as of April 23, 2015, as amended as of July 23, 2025 (as amended, modified or supplemented from time to time, the “*General Resolution*”), as supplemented by the Eighty-Ninth Supplemental Resolution, Part 2, adopted by the Authority on July 23, 2025 (as amended, modified or supplemented from time to time, the “*Supplemental Resolution*” and together with the General Resolution, the “*Resolution*”) with respect to the \$41,955,000 Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D issued by the Authority.

By virtue of this transfer, the Transferee shall have the sole rights as beneficiary of said Letter of Credit, including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

By its signature below, the Transferee acknowledges that it has duly succeeded the Transferor as Tender Agent under the Supplemental Resolution, and agrees to be bound by the terms of the Supplemental Resolution as if it were the original Tender Agent thereunder.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer.

Very truly yours,

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By: _____
[Insert name and title of authorized officer]

SIGNATURE OF THE ABOVE OFFICER,
DULY AUTHORIZED TO ACT ON
BEHALF OF U.S. BANK TRUST
COMPANY, NATIONAL ASSOCIATION,
AUTHENTICATED BY:

By: _____
Name: _____
Title: _____

Acknowledged by
[insert name of Transferee]
as Transferee and successor Tender Agent

By: _____
Name: _____
Title: _____

SIGNATURE OF THE ABOVE OFFICER
DULY AUTHORIZED TO ACT ON BEHALF
OF [insert name of Transferee], AUTHENTICATED BY:

By: _____
Name: _____
Title: _____

**ANNEX I
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT**

No. [INSERT LC NUMBER]

NOTICE OF EXTENSION

_____, ____

U.S. Bank Trust Company, National Association,
as Tender Agent

Attention: _____

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit, the Stated Expiration Date (as defined in the Letter of Credit) has been extended to _____.

This letter shall be attached to the Letter of Credit and made a part thereof.

BANK OF AMERICA, N.A.

By

Name: _____

Title: _____

ANNEX J
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

NOTICE OF REMARKETING

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned, a duly authorized officer of U.S. Bank Trust Company, National Association (the “*Tender Agent*”), hereby notifies Bank of America, N.A. (the “*Bank*”), with reference to that certain Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER] dated October 22, 2025 (the “*Letter of Credit*”; terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by the Bank in favor of the Tender Agent as follows:

1. _____ is the Remarketing Agent under the Supplemental Resolution for the holders of the Bonds.

2. The Tender Agent has paid the amount of \$_____ to the Bank today on behalf of the Authority, which is a payment made to reimburse the Bank, pursuant to the Reimbursement Agreement, for amounts (or portions thereof) drawn under the Letter of Credit pursuant to a Liquidity Drawing.

3. Of the amount referred to in paragraph 2, \$_____ represents the aggregate principal amount of Bank Bonds resold or to be resold on behalf of the Authority.

4. Of the amount referred to in paragraph 2, \$_____ represents accrued and unpaid interest on such Bank Bonds.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of
this _____ day of _____, ____.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Tender Agent

By

Name: _____

Title: _____

ANNEX K
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

NOTICE OF MANDATORY TENDER

[DATE]

U.S. Bank Trust Company, National Association,
as Tender Agent

Attention: _____

Ladies and Gentlemen:

The undersigned, a duly authorized officer of Bank of America, N.A. (the “*Bank*”), hereby advises you, with reference to Irrevocable Transferable Letter of Credit No. [INSERT LC NUMBER], dated October 22, 2025 (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in your favor, that:

[Insert one of the following paragraphs as appropriate]

[An “*Event of Default*” has occurred under the Reimbursement Agreement and the Bank has elected to direct the Tender Agent to cause a mandatory tender of the Bonds pursuant to the Supplemental Resolution, whereby the Letter of Credit will terminate six (6) Business Days following the receipt by the Tender Agent of this Notice of Mandatory Tender.]

[An “*Event of Default*” has occurred under the Reimbursement Agreement and, as a result thereof, the amount of the Interest Drawing will not be reinstated and the Bank has elected to direct the Tender Agent to cause a mandatory tender of the Bonds pursuant to the Supplemental Resolution, whereby the Letter of Credit will terminate six (6) Business Days following the receipt by the Tender Agent of this Notice of Mandatory Tender.]

BANK OF AMERICA, N.A.

By _____
Name: _____
Title: _____

ANNEX L
TO
BANK OF AMERICA, N.A.
LETTER OF CREDIT

No. [INSERT LC NUMBER]

ACCELERATION DRAWING CERTIFICATE

Bank of America, N.A.

Attention: _____

Ladies and Gentlemen:

The undersigned individual, a duly authorized officer of U.S. Bank Trust Company, National Association (the “*Beneficiary*”), hereby certifies on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. **[INSERT LC NUMBER]** dated October 22, 2025 (the “*Letter of Credit*”), issued by Bank of America, N.A. (the “*Bank*”) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Resolution (as defined in the Letter of Credit):

1. The Beneficiary is the Tender Agent under the Supplemental Resolution.

2. An Event of Default has occurred under subsection [insert subsection] of Section 1001 of the General Resolution and the Tender Agent has declared the principal of and accrued interest on all Bonds then outstanding immediately due and payable. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 4.11(b) of the Supplemental Resolution in order to pay the principal of and interest accrued on the Bonds due to an acceleration thereof in accordance with Section 1001 of the General Resolution.

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds outstanding on [insert date of acceleration] (the “*Acceleration Date*”) other than Ineligible Bonds (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Supplemental Resolution) to the Acceleration Date.

(b) Of the amount stated in paragraph 2 above:

(i) \$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph (a) above; and

(ii) \$_____ is demanded in respect of accrued interest on such Bonds (the Acceleration Date is not an Interest Payment Date).

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Supplemental Resolution and, when added to the amount of any drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

_____, as Trustee

By _____
[Title of Authorized Officer]

APPENDIX II
FORM OF
CUSTODY AGREEMENT

THIS CUSTODY AGREEMENT (this “*Agreement*”), dated as of October 22, 2025, is made between **BANK OF AMERICA, N.A.** (the “*Bank*”), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION** (the “*Custody Agent*”).

(1) Massachusetts Water Resources Authority (the “*Authority*”), and the Bank are parties to that certain Reimbursement Agreement dated as of October 1, 2025 (as amended, modified, renewed or extended from time to time, the “*Reimbursement Agreement*”).

(2) Pursuant to the terms and conditions set forth in the Reimbursement Agreement, the Bank has agreed to issue its irrevocable direct pay Letter of Credit (as defined in the Reimbursement Agreement), for the account of the Authority relating to the Authority’s \$41,955,000 Multi-Modal Subordinated General Revenue Refunding Bonds, 2025 Series D (the “*Bonds*”) executed and delivered pursuant to that certain Amended and Restated General Revenue Bond Resolution of the Authority effective as of April 23, 2015, as amended as of July 23, 2025 (as amended, modified or supplemented from time to time, the “*General Resolution*”), as supplemented by the Eighty-Ninth Supplemental Resolution, Part 2, adopted by the Authority on July 23, 2025 (as amended, modified or supplemented from time to time, the “*Supplemental Resolution*” and together with the General Resolution, the “*Resolution*”) (all other terms used herein which are defined in the Reimbursement Agreement and not defined herein shall have the same meanings assigned to them in the Reimbursement Agreement, unless the context otherwise requires).

(3) Pursuant to the terms and conditions set forth in the Reimbursement Agreement, in the event that the Letter of Credit is drawn upon to pay the purchase price of Bonds tendered in accordance with the Resolution, such Bonds will be delivered to, owned by and registered in the name of the Bank (the “*Bank Bonds*”), until such time as the Bank Bonds are remarketed or cancelled and the Bank is reimbursed for all amounts due under the Reimbursement Agreement.

(4) The Bank hereby wishes to appoint the Custody Agent as its agent to take possession of and hold the Bank Bonds on behalf of and for the benefit of the Bank, on the terms and under the conditions set forth in this Custody Agreement, and the Custody Agent is willing to do so.

NOW, THEREFORE, in consideration of the mutual covenants recited herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, it is hereby agreed as follows:

1. So long as the Bonds are issued in book-entry form and held by the Trustee as custodian of DTC as part of DTC’s fast automated transfer program (“*FAST Eligible Bonds*”), concurrently with the Trustee’s receipt of the purchase price for each purchase of Bonds by the Bank under the Letter of Credit, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall make a direct registration electronic

book-entry (A) crediting the DTC account designated by such Bank as its account in which to hold Bank Bonds purchased by it (each, the “*Bank Book-Entry Account*”) by the principal amount of the Bonds purchased under the Letter of Credit by the Bank using the Liquidity Facility Bond CUSIP number for such Bonds set forth below; and (B) debiting the book-entry account of DTC for the Bonds (thereby reducing the principal balance of the global certificate representing the Bonds) (the “*DTC Book-Entry Account*”) by the principal amount of the Bonds purchased under the Letter of Credit by the Bank. The CUSIP number for Bank Bonds is **[BANK BOND CUSIP NUMBER]**. So long as the Bonds are FAST Eligible Bonds, upon a remarketing of Bank Bonds in accordance with the terms of the Reimbursement Agreement and the Trustee’s receipt from the Remarketing Agent and/or the Authority of the amounts set forth in Section 2.03(a) of the Reimbursement Agreement, the Trustee, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall make a direct registration electronic book-entry in its records (A) debiting the Bank Book-Entry Account of the Bank by the principal amount of the Bonds so remarketed; and (B) crediting the DTC Book-Entry Account for such Bonds (thereby increasing the principal balance of the global certificate representing such Bonds) by the principal amount of the Bonds so remarketed. The Trustee acknowledges that it is familiar with the procedures and requirements set forth in a notice from The Depository Trust Company, dated April 4, 2008, respecting “Variable Rate Demand Obligations (“VRDO”) Failed Remarketings and Issuance of Bank Bonds,” and agrees that, with respect to any and all Bank Bonds, it will follow the procedures and requirements set forth in such notice, as the same may be amended from time to time. To the extent that, following any amendment of such notice, the procedures and requirements therein should become inconsistent with any aspect of the provisions in the preceding clause (i), the Trustee, the Authority and the Bank shall promptly negotiate in good faith and agree upon amendments of the preceding clause (i) so as to eliminate such inconsistency.

2. If the Bonds are no longer FAST Eligible Bonds, concurrently with the receipt of the purchase price for each purchase of Bonds by the Bank under the Letter of Credit, the Trustee shall cause each Liquidity Facility Bond to be registered in the name of the Bank and shall be held by the Trustee as the agent, bailee and custodian (in such capacity, the “*Custody Agent*”) of the Bank for the exclusive benefit of the Bank. The Custody Agent acknowledges and agrees that it is acting and will act with respect to Bank Bonds at the direction of the Bank for the exclusive benefit of the Bank and is not and shall not at any time be subject in any manner or to any extent to the direction or control of the Authority or any other Person with respect to the Bonds. The Custody Agent agrees to act in strict accordance with the Reimbursement Agreement and this Agreement and in accordance with any lawful written instructions delivered to the Custody Agent from time to time pursuant hereto by the Bank. Under no circumstances shall the Custody Agent deliver possession of the Bonds to, or cause Bonds to be registered in the name of, the Authority, the Remarketing Agent or any Person other than the Bank except in accordance with the express terms of this Agreement or otherwise upon the written instructions of the Bank. If, while the Reimbursement Agreement is in effect, the Custody Agent shall become entitled to receive or shall receive any payment in respect of any Bank Bonds held for the Bank, the Custody Agent agrees to accept the same as the Bank’s agent and to hold the same in trust on behalf of the Bank and to deliver the same forthwith to the Bank’s Payment Account. Upon the remarketing of any Bank Bonds and the Trustee’s receipt from the Remarketing Agent and/or the Authority of the amounts set forth in Section 2.03(a) of the Reimbursement Agreement, the Custody Agent shall release Bank Bonds in a principal amount equal to the principal amount so remarketed to the Remarketing Agent for such Bonds or the Authority, as the case may be, in accordance with the terms of the

Resolution. The Custody Agent may rely and shall be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custody Agent shall not be liable for any error in judgment made in good faith by its responsible officers, employees and agents unless the Custody Agent, its responsible officers, employees or agents were negligent or engaged in willful misconduct. Anything herein to the contrary notwithstanding, the Custody Agent shall have no liability hereunder for any act or omission except as shall result from its gross negligence or willful misconduct. Except as provided above, without the prior written consent of the Bank for whom the Custody Agent is holding Bank Bonds, the Custody Agent agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Bank Bonds, and will not create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance or take any other action with respect to the Bank Bonds, or any interest therein, or any proceeds thereof. The Custody Agent shall deliver to the Bank for whom the Custody Agent is holding Bank Bonds at the Bank's request such information as may be in the possession of the Custody Agent with respect to such Bank Bonds. If the Custody Agent is holding Bank Bonds, the Custody Agent, at its own expense, shall maintain and keep in full force and effect: fidelity insurance; theft of documents insurance; forgery insurance; and errors and omissions insurance (which may be maintained by self-insurance). All such insurance shall be in amounts, with standard coverage and subject to deductibles that are customary for insurance typically maintained by a bank or other financial institution acting as custodian.

3. This Agreement cannot be amended or modified except in a writing signed by the Custody Agent and the Bank.

4. This Agreement shall inure to the benefit of and shall be binding upon the Custody Agent and the Bank, and their respective successors and assigns.

5. Beyond its duties as to the custody of the Bank Bonds expressly provided herein, the Custody Agent shall not have any duty to the Bank as to any Bank Bonds in the Custody Agent's possession or control, or in the possession or control of any of the Custody Agent's agents or nominees, or as to any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. In performing its duties under this Agreement, the Custody Agent shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations hereunder.

6. The Bank shall indemnify and hold harmless the Custody Agent against any and all liability arising out of the Custody Agent's performance of its obligations hereunder, except due to negligence or misconduct of the Custody Agent.

7. The Custody Agent agrees to maintain the Agreement without charge to the Bank, so long as it acts as Trustee with respect to the Bonds.

8. This Custody Agreement shall be governed by, and construed in accordance with, the laws of The Commonwealth of Massachusetts.

9. It shall not be necessary that all parties execute and deliver the same counterpart of this Agreement. This Agreement shall therefore become effective when each party has executed

a counterpart hereof and delivered the same to the other parties. All such counterparts, collectively, shall be deemed a single agreement.

10. The Bank acknowledges that the Custody Agent is acting as Trustee under the Resolution for the holders of the Bonds. The Bank agrees that nothing contained in this Custody Agreement shall be construed to require the Custody Agent to do any act or omit to do any act contrary to the duties of the Trustee under the Resolution for the holders of the Bonds.

11. The Custody Agent shall be afforded the same rights and protections hereunder as accorded to it in its role as Trustee under the Resolution for the holders of the Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands by their authorized representatives, all as of the date above first written.

THE BANK

BANK OF AMERICA, N.A.

By: _____

Name: _____

Title: _____

THE CUSTODY AGENT

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION

By: _____

Name: _____

Title: _____

APPENDIX G
CERTAIN INFORMATION CONCERNING THE BANK

Bank of America, N.A. (the "*Bank*") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "*Corporation*") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of June 30, 2025, the Bank had consolidated assets of \$2.666 trillion, consolidated deposits of \$2.109 trillion and stockholder's equity of \$250.540 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2024, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

The SEC maintains a website at www.sec.gov which contains the filings that the Corporation files with the SEC such as reports, proxy statements and other documentation. The reports, proxy statements and other information the Corporation files with the SEC are also available at its website, www.bankofamerica.com.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case, as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporation
Office of the Corporate Secretary/Shareholder Relations
One Bank of America Center
100 North Tryon Street, NC1-007-56-06
Charlotte, NC 28255

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this Appendix G is correct as of any time subsequent to the referenced date.

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