

## FINAL OFFICIAL STATEMENT DATED NOVEMBER 9, 2010

**RATING: STANDARD & POOR'S AA+/A+**

In the opinion of Bond Counsel, under existing law, and assuming continued compliance by the Commission with the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the 2010B Bonds (defined below) will be excluded from gross income for federal income tax purposes, and will not be an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, although interest on the 2010B Bonds will be taken into account in computing certain federal taxes imposed on corporations; the interest on the 2010B Bonds will be exempt from Massachusetts personal income taxes, although the 2010B Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes. (See "TAX EXEMPTION" and "APPENDIX C Proposed Form of Legal Opinion") herein.

**\$27,300,000**

### **SPRINGFIELD WATER AND SEWER COMMISSION, MASSACHUSETTS**

#### **General Revenue Bonds, 2010 Series B**

**Dated: November 15, 2010**

**Due: (as Shown Below)**

The 2010 Series B Bonds (the "2010B Bonds") are issuable only in fully registered form without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2010B Bonds. Purchases of the 2010B Bonds will be made in book-entry form, in denominations of \$5,000 each and integral multiples thereof. Purchasers will not receive certificates representing their interest in 2010B Bonds purchased. (See "THE BONDS—Book-Entry-Only System" herein.)

Principal of the 2010B Bonds will be payable November 15 of the years in which the 2010B Bonds mature. Interest on the 2010B Bonds will be payable May 15, 2011, and semiannually thereafter on each November 15 and May 15 until maturity or redemption prior to maturity. The 2010B Bonds are subject to optional and mandatory redemption as set forth herein. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC by People's United Bank as Trustee. Disbursement of such payments to the DTC Participants is the responsibility of DTC. Disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The 2010B Bonds will constitute general revenue obligations of the Springfield Water and Sewer Commission (the "Commission"). The Commission has no taxing power. The 2010B Bonds will be secured by a pledge of certain revenues of the Commission, pursuant to the General Bond Resolution of the Commission as amended and supplemented. Neither the City of Springfield, Massachusetts (the "City") nor The Commonwealth of Massachusetts (the "Commonwealth") nor any other political subdivision thereof, other than the Commission, is obligated to pay the principal of and interest and premium, if any on the 2010B Bonds and neither the faith and credit, nor the taxing power of the City or of the Commonwealth or of any political subdivision thereof is pledged to such payment. The Commission has the power to set rates, charges and assessments independently. Such rates, charges and assessments are not subject to the regulation or approval of any department, board or agency of the Commonwealth or of the City.

An opinion of Bond Counsel will be delivered with the 2010B Bonds to the effect that the 2010B Bonds are valid obligations of the Commission. The 2010B Bonds are payable as to both principal and interest from sums which are assessed by the Commission under Chapter 40N of the Massachusetts General Laws, as amended. See "SECURITY FOR THE 2010B BONDS" herein.

The scheduled payment of principal and interest on the obligations when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Obligations by Assured Guaranty Corp.



#### **MATURITIES, AMOUNTS, RATES AND YIELDS**

<u>Due</u> <u>Nov. 15</u>	<u>Amount</u>	<u>Coupon (%)</u>	<u>Price or</u> <u>Yield (%)</u>	<u>Due</u> <u>Nov. 15</u>	<u>Amount</u>	<u>Coupon (%)</u>	<u>Price or</u> <u>Yield (%)</u>
2011	1,365,000	4.0%	0.7700	2019	1,365,000	5.0%	2.7500
2012	1,365,000	4.0%	0.9100	2020	1,365,000	5.0%	2.9600
2013	1,365,000	4.0%	1.1100	2021	1,365,000	5.0%	3.1500
2014	1,365,000	4.0%	1.4100	2022	1,365,000	5.0%	3.3300
2015	1,365,000	3.0%	1.6500				
2016	1,365,000	4.0%	1.9500				
2017	1,365,000	4.0%	2.2400				
2018	1,365,000	4.0%	2.4800				

**\$10,920,000 5% Term Bond due November 15, 2030 Yield 4%**

The 2010B Bonds are offered subject to prior sale, when, as, and if issued by the Commission, and accepted by the Underwriters, subject to the final approving opinion of Murphy, McCoubrey, LLP of Springfield, Massachusetts, Bond Counsel to the Commission, and to certain other conditions referred to herein. The 2010B Bonds in definitive form will be delivered to DTC in New York, New York, on or about November 15, 2010.

**Corby Capital Markets, Inc.**

AGC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGC supplied by AGC and presented under the heading “Bond Insurance” and “Exhibit F - Specimen Financial Guaranty Insurance Policy”.

### **Underwriter**

No dealer, broker, salesperson or other person has been authorized by the Commission or the Underwriters of the 2010B Bonds to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the 2010B Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Commission, and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriters of the 2010B Bonds or, as to information from other sources, the Commission. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission since the date hereof.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

### **Table of Contents**

The 2010B Bonds .....	1	Water and Sewer Sales.....	12
Description of the 2010B Bonds.....	1	Collection Plan.....	13
Redemption.....	1	Commission Finances .....	14
Notice of Redemption.....	2	Budget with Revenues and Expenditures.....	14
Record Date.....	2	Authorized and Outstanding Indebtedness.....	14
Security for the 2010B Bonds .....	2	Employee Relations .....	14
General .....	2	Retirement Systems .....	15
Net Revenue Pledge.....	2	Capital Improvement Program .....	16
Rate Covenant and Combined Debt Service		Program Description .....	16
Coverage Ratio Covenant.....	3	Estimated Costs of the Program.....	16
Debt Service Reserve Fund.....	3	Plan of Finance.....	17
Other Reserves.....	3	Prospective Financing.....	17
Book-Entry-Only System .....	4	Debt Service Requirements.....	17
Authorization and Use of Proceeds.....	5	Tax Exemption.....	17
Sources and Uses of Funds .....	5	Continuing Disclosure.....	18
The Commission .....	6	Financial Statements .....	18
General Description .....	6	Certain Legal Matters.....	18
Management and Organization.....	6	Underwriting.....	18
Commission Board Members .....	6	Ratings .....	18
Operating Personnel.....	6	Miscellaneous .....	18
The Water and Sewer Systems.....	9	Litigation.....	19
The Water System.....	9		
The Sewer System .....	9	Appendix A— Demographics of the Communities Served	
Cobble Mountain Power Plant.....	10	Appendix B— Summary of Certain Provisions of the General	
Customers and Revenues .....	11	Bond Resolution	
The Service Area .....	11	Appendix C— Proposed Form of Legal Opinion	
Water System Customers.....	11	Appendix D— Springfield Water and Sewer Commission	
Sewer System Customers.....	11	Financial Statements for the Year Ended June 30, 2009	
Water and Sewer Rates .....	11	Appendix E— Form of Continuing Disclosure	
Water and Sewer Accounts.....	11		

## OFFICIAL STATEMENT

### Relating To

**\$27,300,000**

### **SPRINGFIELD WATER AND SEWER COMMISSION, MASSACHUSETTS General Revenue Bonds, 2010 Series B**

## INTRODUCTION

The purpose of this Official Statement is to set forth certain information concerning the Springfield Water and Sewer Commission (the "Commission") in connection with the issuance by the Commission of its General Bonds, 2010 Series B (the "2010B Bonds"). The 2010B Bonds are issued pursuant to Chapter 40N of the Massachusetts General Laws, as amended and supplemented (the "Act"), and the General Bond Resolution of the Commission, as amended and supplemented (the "Resolution") and constitute valid and binding general revenue obligations of the Commission. See "SECURITY FOR THE 2010B BONDS" herein.

The Commission is the owner of and is responsible for the construction, reconstruction, maintenance and operation of a water reservoir, treatment and distribution system and a system of sewage collection, treatment and disposal (the "System") for the System Customers. See "THE COMMISSION" herein.

The Commission was created pursuant to the Act. It is an independent body politic and corporate and political subdivision of the Commonwealth of Massachusetts (the "Commonwealth") constituting an independent public instrumentality governed by a 3 member Board appointed by the Mayor of the City of Springfield (the "City") and approved by the Springfield City Council. The Commission is not subject to the supervision of the City or of any department, commission, board, bureau or agency thereof, except as provided specifically in the Act.

The information regarding the Commission contained herein has been obtained from the Commission, unless otherwise indicated. The information concerning the City and the wholesale communities has been obtained from outside independent sources.

## THE 2010B BONDS

### Description of the 2010B Bonds

The 2010B Bonds will be dated November 15, 2010 and will bear interest from such date payable semiannually on May 15 and November 15 of each year, commencing May 15, 2011 (each an "Interest Payment Date") until the principal amount is paid and shall bear interest at the rates per annum shown on the cover page of this Official Statement (calculated on the basis of a 360-day year of 30-day months). The 2010B Bonds shall mature on November 15 in the years and in the aggregate principal amounts, as set forth on the cover page of this Official Statement. Peoples United Bank will act as trustee and paying agent (the "Trustee or Paying Agent") for the 2010B Bonds.

The 2010B Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"). The bond certificates will not be available for distribution to the public and will evidence ownership of the 2010B Bonds in principal amounts of \$5,000, or integral multiples thereof. Transfers of ownership interest in the 2010B Bonds will be affected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the 2010B Bonds will be paid in clearinghouse funds to DTC or its nominee as registered owner of the 2010B Bonds. The record date for payments on account of the 2010B Bonds will be the last business day of the month next preceding an Interest Payment Date. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the 2010B Bonds for all purposes, including notices and voting. The Commission will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" herein.)

### Redemption

The 2010B Bonds maturing after November 15, 2020 are subject to redemption prior to their stated dates of maturity, on and after November 15, 2020 at the option of the Commission, in whole or in part at any time, and in such order of maturity or sinking fund installments as directed by the Commission (and by lot within a maturity), at the redemption prices (expressed as a percentage of the principal amount to be redeemed), plus accrued interest to the redemption date, as follows:

#### **Redemption Period**

November 15 2020 and thereafter

#### **Redemption Price**

100.000

**Notice of Redemption**

So long as DTC is the registered owner of the 2010B Bonds, notice of any redemption of the 2010B Bonds prior to their stated maturity dates, specifying Bonds (or portions thereof) to be redeemed and the place or places of payment shall be mailed to DTC not more than 45 days nor less than 30 days prior to the redemption date. Failure to mail such notice to the owner of any 2010B Bonds will not affect the redemption of any other 2010B Bonds.

If monies for the redemption are held by the Paying Agent on the redemption date and notice of the redemption shall have been duly mailed, then from and after the redemption date, interest on the 2010B Bonds (or portions thereof) called for redemption shall cease to accrue.

**Record Date**

The record date for each payment of interest is the fifteenth business day of the previous month in which any interest payment date falls. Upon receipt of monies, DTC's current practice is to immediately credit the accounts of DTC Participants in accordance with their respective holdings shown on the records of DTC as of the close of business on the next business day preceding the debt service payment date. With respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten (10) days before the special record date.

**SECURITY FOR THE 2010B BONDS****General**

The Bonds will constitute valid and binding general revenue obligations of the Commission. The Commission is subject to suit, but property is not generally subject to attachment or levy by execution to satisfy a judgment on the 2010B Bonds. The Commission has no taxing power. The Commission has the power to set rates, charges and assessments independently. Such rates charges and assessments are not subject to the regulation or approval of any departments, board or agency of the Commonwealth or the City.

Neither the City nor the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal of, premium or interest on any 2010B Bond and neither the faith and credit nor taxing power of the City, the Commonwealth or of any political subdivision thereof is pledged to such payment.

**Net Revenue Pledge**

In the Resolution, the Commission pledges as security for the Bonds (i) its Revenues, defined to include (except as otherwise expressly provided herein) all income, revenues, receipts, and other monies derived by the Commission from its ownership and operation of the System (including collections by or on behalf of the Commission on account of services and commodities furnished or supplied by the System) and all accounts, general intangibles and contract or other rights to receive the same, and the proceeds thereof, including without limiting the generality of the foregoing, receipts from Rates and Charges and from the earnings on the investment of any monies held under the Resolution by the Trustee or the Commission, (other than from monies held in the General Fund), receipts from fees, rates, assessments and other charges to any political subdivision of the Commonwealth for services or commodities furnished by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the Commission from the United States or the Commonwealth or from any agency, instrumentality or political subdivision of either thereof, and except to the extent otherwise provided herein, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received with respect to the System or any part thereof, but not including (any amounts held by or for the account of the Commission in connection with the System, which are required to be applied under the terms of agreement to the acquisition, construction or alteration of a facility which is the subject of such agreement (including any such monies received by the Commission for such purpose under any grant or loan agreement with the United States of America or the Commonwealth or any agency, political subdivision or instrumentality of either) or which are subject to refund by the Commission or held for the account of others or subject to refund to others, including, without limitation, any amounts which, under any agreement by the Commission providing for adequate separation of such amounts from Revenues, are collected by the Commission on behalf of others for services rendered or commodities provided to customers of the System, any amounts deducted by the Commission from wage and salary payments to the employees of the Commission, any amounts contributed by the Commission to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the Commission and any amount held as deposit, including customers' service deposits, guaranteed revenue contract deposits, unexpended developers' deposits under construction loan contracts, minimum revenue deposits and unexpended jobbing deposits, together with any investments of any such monies and interest and profits thereon to the extent such interest and profits are also held for the account of others or subject to refund to others;) (ii) all monies, securities and Reserve Deposits in all funds and accounts established by or pursuant to the Resolution except the General Fund and the Rebate Fund, and (iii) the proceeds of the sale of bonds, which subject to the pledge of such proceeds for the payment of principal of and interest on such notes issued in anticipation of said bonds.

The Resolution provides that the Commission 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, and other Funds and Accounts established under the Resolution, the Revenues on deposit in the Revenue Fund are to be applied to the Commission's expenses of maintaining and operating

the Systems and engaging in other activities authorized by the Act (“Operating Expenses”). See “Summary of Certain Provisions of the General Bond Resolution—Deposit of Revenues” in Appendix B.

For a description of the flow of funds under the Resolution, see “Summary of Certain Provisions of the General Bond Resolution—Flow of Funds from the Revenue Fund” in Appendix B.

#### **Rate Covenant and Combined Debt Service Coverage Ratio Covenant**

Pursuant to the Resolution, and as required by the Act, the Commission covenants that for each fiscal year it will fix and adjust Rates and Charges at least sufficient with other revenues of the Commission, if any, available therefor (i) to pay all Operating Expenses, (ii) to pay all debt service on all indebtedness of the Commission as the same becomes due and payable, (iii) to create and maintain all reserves established pursuant to the Resolution or reasonably required by any other agreement securing Indebtedness of the Commission or as otherwise determined by the Commission to be necessary or desirable, (iv) to pay all costs of maintenance and replacement of the Systems, and costs of improving, extending and enlarging the Systems as determined by the Commission to be necessary or desirable, in order to carry out the purposes of the Commission, and (v) to pay or provide for all amounts which the Commission may be obligated to pay or provide for by any law or contract including the Resolution, or other agreement securing Indebtedness of the Commission.

In addition to the rate covenant described in the preceding sentence (the “Rate Covenant”), the Commission is required under the Resolution to establish and maintain Rates and Charges at levels sufficient so that total Net Revenues in each fiscal year during which Bonds are outstanding shall equal at least one hundred twenty-five percent (125%) of (1) the Debt Service Requirement during such fiscal year with respect to all Bonds outstanding as of the first day of such fiscal year less (2) the amount, if any, Bond proceeds available to pay interest becoming due in such fiscal year on Bonds outstanding as the first day of such fiscal year.

Under the Resolution the Commission also covenants to establish Rates and Charges, which Rates and Charges shall be adopted by the Commission’s board strictly in accordance with the Act as in effect on the date of adoption of the 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 City or the Commonwealth or any of its political subdivision, at a level sufficient to satisfy the Rate Covenant.

If in any fiscal year the Commission shall not comply with the Rate Covenant, then the Commission shall not be deemed to be in default under the Resolution so long as it shall have complied or be diligently proceeding to comply, as determined by the Trustee, with the provisions of the General Bond Resolution requiring the Commission to specify in reasonable detail the corrective steps which it has taken to ensure compliance with the Rate Covenant (as the case may be) for the then current fiscal year. See “Summary of Certain Provisions of the General Bond Resolution—Covenants of the Commission and Covenant as to Rates and Charges” in Appendix B.

#### **Debt Service Reserve Fund**

The Resolution establishes a Debt Service Reserve Fund which shall be funded and maintained thereafter at an amount which equals the Debt Service Fund Requirement. The Debt Service Fund Requirement is equal to the aggregate of Debt Service Reserve Fund Requirement for all outstanding Series of Bonds.

The Debt Service Reserve Fund Requirement means, as of any particular date of computation, an amount equal to the lesser of (i) the maximum aggregate Debt Service Requirement for all Series of Bonds in any succeeding fiscal year and (ii) ten percent (10%) of the aggregate original Principal Amount, less aggregate original issue discounts, of all Series of such Bonds. In the event that monies are withdrawn from the Debt Service Reserve Fund, such withdrawal shall be replenished as nearly as practicable commencing in the first month following such withdrawal. See “Summary of Certain Provisions of the General Bond Resolution—Flow of Funds from the Revenue Fund” in Appendix B.

#### **Other Reserves**

**General.** The Resolution also establishes an Operating Reserve Fund, and a Renewal and Replacement Reserve Fund. Both the Operating Reserve Fund, and the Renewal and Replacement Reserve Fund shall be funded on each June 30 in an amount equal to the difference between the amount on deposit in such fund and the applicable Reserve Fund Requirement for the next fiscal year. Under certain circumstances, monies on deposit in each of these Reserve Funds are available to pay debt service on all outstanding Series of Bonds.

**Operating Reserve Fund.** The Operating Reserve Fund is funded from Commission monies derived from Rates and Charges in the amount of the Operating Reserve Fund Requirement which is established in connection with the adoption and filing by the Commission of its annual Operating Budget or any amendment thereto. The Resolution requires that (i) the Operating Reserve Fund Requirement shall not be less than one-sixth ( $1/6^{\text{th}}$ ) of the annual Operating Expenses set forth in such Operating Budget as may be amended and supplemented. Monies in the Operating Reserve Fund may be transferred to the Operating Fund upon delivery of a Certificate of an Authorized Representative of the Commission to the effect that monies in the General Bond Resolution—Operating Fund are insufficient. See “Summary of Certain Provisions of the General Bond Resolution—Operating Reserve Fund” in Appendix B.

**Renewal and Replacement Reserve Fund.** The Renewal and Replacement Reserve Fund is funded from available Commission monies derived from Rates and Charges in the amount of the Renewal and Replacement Reserve Fund Requirement which

is established in connection with the adoption and filing by the Commission of its annual Operating Budget or any amendment thereto. The Commission's certificate shall be consistent with the latest recommendation of the Consulting Engineer made in conjunction with its most recent triennial report delivered pursuant to the Resolution. Monies in the Renewal and Replacement Reserve Fund shall be applied to the cost of any Capital Improvement which is not provided for by the monies available in the Project Fund or the Operating Fund in accordance with the procedures set forth in the Resolution. See "Summary of Certain Provisions of the General Bond Resolution—Renewal and Replacement Reserve Fund" in Appendix B.

#### **Book-Entry-Only System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2010B Bonds. The 2010B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued for each maturity of the 2010B Bonds each in the aggregate principal amount of each maturity and will be deposited with DTC. The record date for debt service payment is the close of business on the fifteenth business day of the previous month in which an Interest Payment Date falls.

DTC, the world's largest 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, corporate and municipal debt issues, and money market instrument 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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owners") 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, but Beneficial Owners are 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 securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

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

Neither DTC nor Cede & Co. will consent or vote with respect to securities. Under its usual procedures DTC mails an Omnibus Proxy to each direct participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2010B Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Commission or 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 each such Participant and not of DTC, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2010B Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

Neither the Trustee nor the Commission shall have any responsibility or obligation to DTC Participants, or the persons for whom they act as nominees with respect to participants for the providing of notice for DTC Participants, Indirect Participants, or Beneficial Owners. So long as Cede & Co. is the registered owner of the 2010B Bonds, as nominee of DTC, references herein to the Bondowners as registered owners of the 2010B Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2010B Bonds.

#### **Authorization and Use of Proceeds**

The 2010B Bonds are authorized pursuant to Chapter 40N, Section 11 of the Massachusetts General Laws, as amended, and the General Bond Resolution of the Commission, as amended and supplemented. The following table sets forth the amount and purpose of the 2010B Bonds.

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
<b>Connecticut River CSO Control &amp; Wastewater Improvements</b>	
Includes design and oversight for mitigation of the Rowland and Springfield Sts CSO's, design of a long term control plan for CSO's and for elimination or mitigation of nine remaining Connecticut River CSO's, and replacement of the York Street Pump Station Bar Screen.	14,400,000
<b>Water Supply &amp; Transmission Systems</b>	
Includes design and replacement of the Power Tunnel surge tank, fill valve, and trash rack, and repair of the transmission main crossing the Connecticut River at Orchard St.	8,200,000
<b>Distribution Systems</b>	
Includes replacement of the Armory St water main and site improvements at the Colton St facility.	<u>3,100,000</u>
<b>Total</b>	<b>25,700,000</b>

#### **Sources and Uses of Funds**

The following table sets forth estimated sources and uses of funds, exclusive of accrued interest, if any, on the 2010B Bonds.

<b><u>Sources</u></b>	
Par Amount of Bonds	27,300,000.00
Reoffering Premium	2,306,918.25
Accrued Interest	<u>3450.40</u>
<b>Total Sources</b>	<b>29,610,368.65</b>
<b><u>Uses</u></b>	
Project Costs	25,700,000.00
Debt Service Reserve Fund	1,600,000.00
Cost of Issuance *	405,951.00
Premium	1,900,967.25
Accrued Interest	<u>3450.40</u>
<b>Total Uses</b>	<b>29,610,368.65</b>

\* Includes bond insurance premium and Underwriters' discount

## THE COMMISSION

### General Description

The Commission was formed in April 1996 when the Springfield City Council adopted the Act. The adoption of the Act merged the functions and responsibilities of the Springfield Municipal Water Department and the Regional and Local Wastewater Divisions of the City's Department of Public Works into the Commission. A three-member board, appointed by the Mayor and approved by the City Council, is the governing body of the Commission. The ownership and operation of the water and sewer system was transferred to the Commission in June 1996.

The water system of the Commission is comprised of the three sources of supply; one filter plant; a distributing reservoir at Provin Mountain and about 617 miles of mains. It serves nearly a quarter of a million people and numerous industries in the Springfield area. There are more than 43,500 service connections in the system.

The sewerage system of the Commission is comprised of the Springfield Regional Wastewater Treatment Plant ("Facility"); 320 miles of Sanitary Sewer; 140 miles of Combined Sewer Overflows; two dual-function combination flood control and sewage pumping stations; five flood control and storm water pumping stations; eight high flow sewage pumping stations; and fifteen low flow sewage pumping stations.

### Management and Organization

A three-member board, appointed by the Mayor of the City of Springfield and approved by the City Council, governs the Commission. Decisions made by the Commissioners are implemented by the Executive Director and the staff. The following table lists the Commission Members.

#### Commission Board Members

<u>Office</u>	<u>Name</u>	<u>Method of Selection</u>	<u>Term Expiration</u>
Chairman	Daniel Rodriguez	Appointed by Mayor	June 30, 2011
Member	William E. Leonard	Appointed by Mayor	June 30, 2012
Member	Carmen E. Serrano-Gerena	Appointed by Mayor	June 30, 2010

### Operating Personnel

The following is brief background information on the Commission's principal administrative personnel:

#### Joseph J. Superneau, P.E., Executive Director

Mr. Superneau is the Executive Director responsible for all activities of the Springfield Water and Sewer Commission in Springfield, Massachusetts.

Mr. Superneau was the Director of Public Works for the City of Springfield and worked for 20 years with that Department. Mr. Superneau worked for the Massachusetts Highway Department as both District 2 Highway Director and Deputy Chief Engineer for Highway Operations. Prior to beginning work with the Commission, he was the Director of Municipal Engineering for the consulting engineering firm of Vanesse Hangen Brustlin. He is a Registered Professional Civil Engineer in Massachusetts.

Mr. Superneau is a member of several professional organizations including the American Public Works Association, the American Water Works Association, the Water Environment Federation, The National Association of Clean Water Agencies, and the Association of Metropolitan Water Agencies, as well as their subsidiary organizations. In addition, he is a past president of the New England Chapter of the American Public Works Association and serves on national committees for the American Public Works Association.

#### Katherine Pedersen, Assistant Executive Director

Ms. Pedersen is Assistant Executive Director of the Commission and serves as Public Communications Director, Secretary to the Commission, and Equal Employment Opportunity/Sexual Harassment Officer for the Commission.

Ms. Pedersen began employment with the former Springfield Water Department in February 1985 and held positions as Secretary to the Water Registrar, Administrative Assistant, Secretary to the Board of Water Commissioners and Public Relations Coordinator.

She served as Treasurer for the New England Water Works Association for 14 years and is a member of that Association's Public Education Committee. Other membership affiliations include the American Water Works Association, the Massachusetts and Western Massachusetts Water Works Associations, and the Water Environment Federation. She holds a B.A. degree from Westfield State College.

**Alfred A. LaRiviere, Jr., CPA, Finance Director**

Mr. LaRiviere is Finance Director of the Commission responsible for the treasury, billing and collection of receivables. He joined the Commission in August 2001 and has served as Comptroller of Financial Databases, and as Acting Chief Financial Officer. He became Finance Director in 2005 when the Commission dropped the Chief Financial Officer position and added the Comptroller position.

Prior to joining the Commission, Mr. LaRiviere held financial and information technology positions with several private sector companies. He holds a B.A. from Holy Cross College and a MBA from Western New England College.

**Anthony J. Basile, Comptroller**

Mr. Basile is Comptroller for the Commission responsible for maintenance of the accounting records, internal audits and financial reporting. He reports directly to the Board of Commissioners. He joined the Commission in 2005.

Prior to joining the Commission, Mr. Basile had over twenty years of municipal accounting experience holding various financial positions including 9 years as City Auditor for the City of Springfield. He holds a B.A. from Western New England College and an MBA from American International College.

**Robert A. Stoops, P.E. Chief Engineer**

Mr. Stoops is the Chief Engineer for the Commission primarily responsible for the development and implementation of all capital projects. He joined the Commission in 2002.

Prior to joining the Commission, Mr. Stoops was a Principal and Project Manager with the environmental engineering design firm of Camp Dresser & McKee, Inc. with nearly 20 years experience in water treatment design, operations and research; as well as, wastewater engineering.

Mr. Stoops is a Registered Professional Engineer in Massachusetts and Connecticut. He holds an M.S. in Environmental Engineering degree from Northeastern University; a B.S. degree in Civil Engineering from Southeastern Massachusetts University; and a B.S. degree in Business Administration from Providence College. He is a member of several professional organizations including the American Water Works Association, the New England Water Works Association, and the New England Water Environment Association.

**Daniel J. Downie, Chief Procurement Officer**

Mr. Downie is the Chief Procurement Officer for the Commission responsible for oversight and coordination of all purchase-related activities to insure compliance with all applicable procurement laws and regulations for the Commission. He joined the Commission in 1997.

Mr. Downie began employment with the former Springfield Water Department in December 1977 and held various positions in that Department before becoming Chief Procurement Officer for the Commission.

Mr. Downie is a member of the Massachusetts Association of Public Purchasing Officials and has successfully completed the Massachusetts Certified Public Purchasing Officials Program and holds the MCPPO designation. He attended Springfield Technical Community College from 1983 to 1987, completing various business courses.

**George A. Romano, Jr., Administrative and Field Services Director**

Mr. Romano is Administrative and Field Services Director for the Commission responsible for the administrative functions and field service functions, including construction and maintenance of the water distribution and sewer collection system of the Commission and budget preparation for said activities. He joined the Commission in 1997.

Mr. Romano began employment with the City of Springfield Department of Public Works and managed the operation of the Springfield Regional Wastewater Treatment Facility between the years of 1992 and 1997.

Mr. Romano has 36 years of experience in the field of wastewater treatment with additional concentration in water treatment for the last ten years.

**Bruce L. Leiter, J.D., Contract Administrator**

Mr. Leiter is the Contract Administrator for the Commission with respect to the twenty-year service agreement for the operation and maintenance of the Wastewater Treatment Plant and related pump stations. He provides liaison and oversight for that project, as well as other construction projects undertaken by the Commission. He also reviews and approves general and supplementary conditions for all commission construction contracts and advises on all public bid issues. He joined the Commission in 1997.

Prior to joining the Commission, Mr. Leiter was Associate City Solicitor from 1983-1989 and City Solicitor from 1991-1995 for the City of Springfield, MA. He was a partner in the firm of Martin Costello, Leiter, et al., from 1991-2001 specializing in Construction Litigation, Municipal, Environment Law, and Administrative Law.

Mr Leiter was admitted to Massachusetts Bar in 1978, to the U.S. District Court, District of Massachusetts in 1982, and to the U.S. Court of Appeals, 1<sup>st</sup> Circuit in 1985. He was an Instructor of Business Law at American International College from 1989-1990. He holds an A.B. degree and a J.D. degree from Boston University.

**Douglas R. Borgatti, PHD, DEE, PE Drinking Water Operations Director**

Mr. Borgatti is Operations Director for the Commission responsible for the water and wastewater systems. He joined the Commission in 1997.

Prior to joining the Commission, Mr. Borgatti worked over 20 years in large wastewater treatment plant operation, 5 years in private industry for sludge dewatering and beneficial use management, with numerous presentations and publications specializing in odor control and alkaline stabilization.

Mr. Borgatti graduated with civil engineering degrees from Worcester Polytechnic Institute, Manhattan College, and Notre Dame University, with emphasis on water and wastewater treatment. He is a licensed Professional Engineer and holds operational licenses in both water and wastewater treatment: wastewater 7, water treatment grade 3T and 4T licenses, and a distribution grade 4D license.

**Joshua D. Schimmel, Wastewater Operations Director**

Mr. Schimmel is responsible for the oversight of the Wastewater Treatment facility, the Sewer Collection system, the Industrial Pre-treatment program, and the Combined Sewer Overflow program. He joined the Commission in 1997.

Mr. Schimmel has more than 18 years of experience in the operation and maintenance of wastewater collection and treatment infrastructure. He has a bachelors degree in Environmental Science from the University of Massachusetts. Mr. Schimmel also holds a Grade 4 Wastewater Treatment Operations license, a Grade 4 Wastewater Collection System certificate, and a Grade 4 Drinking Water Distribution license. He is a member of the New England Water Environment Association, and sits on the Collection System and Wet Weather/CSO committees.

**Jane Brooks, Laboratory and Regulatory Manager**

Ms. Brooks is Laboratory and Regulatory Manager for the Commission responsible for managing both the Drinking Water Laboratory at West Parish Filters and assuring the Commission is in compliance with all state and federal regulations. She joined the Commission in 1997.

Ms. Brooks began employment with the City of Springfield Department of Public Works in 1977 and held the positions of Laboratory Assistant, Chemist, and Laboratory Manager.

Ms. Brooks holds a Grade 7 Massachusetts wastewater treatment operator's license, a Grade 3T Massachusetts Drinking water treatment operators license, and a grade 4D distribution system license. Ms. Brooks holds a B.S. degree in Environmental Science from the University of Massachusetts.

## **THE WATER AND SEWER SYSTEMS**

### **The Water System**

The Commission's source of supply is the Little River in Western Massachusetts with raw water storage at its Borden Brook and Cobble Mountain Reservoirs. Backup supplies are available through the Littleville Reservoir and the Springfield (Ludlow) Reservoir. The water supply safe yield is 79 MGD. In fiscal year 2010, the annual average water sales were 36.0 MGD. All water is filtered at the West Parish Filtration Plant in Westfield, Massachusetts either through the 40 MGD capacity slow sand filters or the 60 MGD capacity dual-media rapid filtration plant.

Filtered water flows through 37 miles of transmission mains ranging in size from 42 to 60 inches. Three storage tanks at Provin Mountain contain a total of 60 million gallons of water. Nearly 580 miles of distribution piping service the Commission's customers in Springfield and Ludlow.

All water flows by gravity from the source to the customer's service area. In addition the Commission owns and maintains four drinking water pumping stations to increase pressure in certain portions of the service area.

Three transmission mains traverse the City of Springfield and two traverse the Town of Ludlow. Gates and cross connections allow maintenance work to be conducted on discrete parts of the System without seriously impairing the Commission's ability to provide continuous service to its customers.

In 2010 The Commission completed a project eliminating all known asbestos cement water mains at a cost of \$3 million. In Ludlow, it completed an \$870,000 project to upgrade 2,210 feet of 6, 8, and 10-inch water mains with a new 16-inch main to improve water quality and pressure in the area.

The Commission is currently refurbishing one of the tanks at Provin Mountain Reservoir at an estimated cost of \$4 million. At the Orchard Street Connecticut River crossing, several leaking valves are being replaced under the flood control system at an estimated cost of \$5 million. The Commission will be replacing two of its five Connecticut River crossings within the next year after discovering leaks in both pipes. The cost to replace these pipes which were installed in 1928 is estimated between \$5 and \$8 million.

### **The Sewer System**

The sewer collection system consists of 600 miles of sanitary, combined and interceptor sewers; 12,000 manholes; and 30 sewage and storm water pumping stations including dual-function, combination flood control and sewage pumping stations, five flood control and storm water pumping stations, eight high flow sewage pumping stations, and fifteen low flow sewage pumping stations.

The Commission's Sewer System transports the City of Springfield's wastewater to the Commission owned Springfield Regional Wastewater Treatment Facility, located at Bondi Island in the City of Agawam, Massachusetts. The Facility, which treats approximately 42 million gallons per day ("MGD"), utilizes the activated sludge process and has an average design capacity of 67 MGD and a peak flow of 180 MGD.

The Sewer system includes several combined interceptors. The Main Intercepting Sewer is the newest interceptor in the System and was constructed in the early 1970's as part of the Wastewater Treatment Plant Project. The Main Intercepting Sewer flows from the Ludlow Connection at the Chicopee River about 8.2 miles across the City and crosses under the Connecticut River to the intake structure of the Facility. It ranges in size from 36 inches to 72 inches in diameter and includes a 48 inches force main. The Connecticut River Interceptor Sewer flows parallel to the Connecticut River from near the Chicopee City limits downstream to the York Street Pumping Station and under the Connecticut River to the intake structure of the Facility. Various pipe sizes and shape range from 15 inches to 84 inches for a total of over five miles. Most segments were constructed in the 1930's as part of the flood control project or in conjunction with the construction of the primary wastewater treatment plant in 1939-40. The Chicopee River Interceptor flows for about 7,000 feet from the Wilbraham Town line parallel to the Chicopee River to West Street where it joins the Main Intercepting Sewer. It was constructed primarily in the 1930's. The Mill River Relief Interceptors carry storm overflows from the Mill and Locust Street area to the York Street Pumping Station and/or Connecticut River Interceptor and range in size up to 84 inches and have a total length of 3,900 feet. These various interceptors and relief sewers were constructed between 1874 and 1960.

In recent years significant amounts have been expended to bring the Mill River, Chicopee River, and Connecticut River combined sewer overflows ("CSO's) under compliance with CSO policy and to meet the conditions of various Administrative Orders issued by the EPA. From 2002 to 2004 the Commission made improvements to the Mill River system for approximately \$5 million. This work included installation of 1,000 ft of sewer pipe, modifications to six combined sewer overflow locations, and a new connection between the Main Interceptor and the York St pump station. From 2007 to 2009 the Commission, at a cost of nearly \$28 million, completed a sewer separation line in the Indian Orchard area and increased the capacity of its Indian Orchard Pumping Station from 33 million gallons a day (mgd) to 52 mgd. This project, along the Chicopee River, eliminated several upstream CSO's and significantly mitigated the remaining downstream CSO's.

Under EPA Administrative Order (“AO”) 04-13 the Commission is completing the mitigation of Connecticut River CSO’s at Rowland and Springfield Streets. The final cost of this project will be just over \$26 million. Under EPA AO 08-037 the Commission is making assessments of the capacity and condition of the system as a whole and particularly of the already completed Mill River CSO work. It is also preparing plans to abate the Washburn St CSO into the Connecticut River along with a Long-Term Control plan to eliminate or mitigate the nine remaining CSO’s along the Connecticut River. The 2010B Bonds will fund the first \$10 million of this project.

In August 2000, the Commission entered into a twenty-year (20) fixed fee Service Agreement with Springfield Water, L.L.C (the “Company”) for the operation and maintenance of the Facility and the pumping stations. The Company provides capital improvements and full-service operations, maintenance, repair, replacement, and management services for the Springfield Regional Wastewater Treatment Facility and associated collection system, combined sewer overflow system and flood control system (“Managed Assets”) for a term of twenty (20) years. Effective December 31, 2009, the Company merged into United Water Environmental Services, Inc. United Water Environmental Services, Inc. will continue to provide the services for the Managed Assets under the Service Agreement.

The obligations of the Company under the Service Agreement are to operate and maintain the Managed Assets on a twenty-four (24) hour per day, seven (7) day per week basis and to collect, receive, and treat system influent, discharge system effluent, transport and dispose of system residuals, and operating waste, control odor, and otherwise manage and operate the Managed Assets so as to comply with the contract standards set forth in the Service Agreement and in compliance with applicable law. In addition, the Company shall use all reasonable efforts to apply to the Managed Assets the benefits of improvement in technology, management practices in operating efficiencies which are developed by the Company and its affiliates through their operation and experience in the wastewater treatment business.

The Company's performance of its obligation under the Service Agreement is backed by a letter of credit for **\$19,222,834**, and the corporate guaranty of the Company’s parent companies for **\$100,000,000**.

#### **Cobble Mountain Power Plant**

The Commission owns Cobble Mountain Hydro-Power Station which is located in the Town of Granville, Massachusetts. The Station utilizes the head of water energy stored behind the Cobble Mountain Reservoir Dam to generate green power during dispatch of water to the Commission’s West Parish Water Filtration Plant. The power is transferred and sold to ISO New England electricity market. The Plant can produce up to 33 Megawatt-hour at full capacity through its three turbine generators; two rated at 13.6 Megawatts and one at 5.7 Megawatts. Historically, the Plant averaged an output of 22,000 Megawatts per year. The Commission controls and limits the amounts of water available for power generation to ensure safe-yield water storage under various seasonal conditions and drought scenarios.

The Commission has entered into a five-year agreement with the City of Holyoke Gas & Electric Department (HG&E) to manage, operate and maintain the Station (O&M), commencing April 1, 2006 and expiring June 30, 2011. The Commission has also entered into another five-year parallel agreement with HG&E (commencing and expiring the same dates), to provide for marketing agency and sales of produced power into the ISO-New England market.

HG&E will be compensated for its O&M expenses which will include all routine maintenance work, reimbursed for all major maintenance work approved by the Commission, and reimbursed for all support work on Capital Projects as assigned by the Commission. HG&E shall also be paid a flat monthly fee totaling a maximum annual cap for the marketing agent and facilitating sales of power into the ISO New England market. Historically, the Commission has received annual net income from the power station and projects annual net income to continue during the five year term of these agreements.

Over the last 3 years, the Commission has spent nearly \$1.5 million upgrading equipment in the power generation plant and another \$5.6 million replacing the surge tank, fill valve, and trash rack along the power tunnel.

## CUSTOMERS AND REVENUES

### The Service Area

The total population served by the Commission is approximately 250,000, or about 94% of the total population within the Commission's service area. Information regarding the Municipal Demographics for System Customers is set forth in "APPENDIX B—Information Regarding the Municipal Demographics" to this Official Statement. The Commission's customer base includes residential population, business and industries, and various public, private and non-profit institutions in its respective service areas. Please see the tables below for a breakdown by types of customers.

### Water System Customers

The Commission sells water at retail to the populations of Springfield and Ludlow based on metered usage. The Commission sells water based on metered usage to Solutia under a 10-year contract which commenced on July 1, 2008. Solutia is the largest single consumer of water from Commission. The Commission also sells water to the communities of West Springfield and Westfield during peak demand periods based on metered usage.

The costs of operating the Commission's water supply and transmission systems are allocated to the following communities under wholesale contracts based on a formula which considers each community's consumption with respect to total water output. Five-year contracts with the communities of Agawam, East Longmeadow, Longmeadow, and Southwick commenced on July 1, 2009. All Reservoirs, Treatment and Storage Facilities, Pump Stations and Transmission lines, are owned by the Springfield Water and Sewer Commission. Distribution lines within the borders of the wholesale communities are owned and maintained by the wholesale community. All distribution lines in Springfield and Ludlow are owned by the Commission.

### Sewer System Customers

The costs of operating the Springfield Regional Wastewater Treatment Plant are allocated to the following users under contracts based on a formula which considers each participant's contribution of Flow, Biochemical Oxygen Demand, and Total Suspended Solids. Ten-year contracts with the communities of Agawam, East Longmeadow, Longmeadow, Ludlow, and West Springfield commenced on July 1, 2005. A ten-year contract with Solutia commenced on February 9, 2005. An eight-year contract with the community of Wilbraham commenced on June 18, 2007. Industrial user Friendly Ice Cream and the community of Chicopee also share about 1.3% of the cost each year under the same formula.

The share of operating costs attributable to the customers located in the City of Springfield, are billed directly to each account by the Commission as part of the local sewer rate established by the Commission. The Springfield Regional Wastewater Treatment Plant, all Wastewater Pump Stations and the respective Collection/Interceptor Lines are owned by the Springfield Water and Sewer Commission, including facilities within the boundaries of the City of Springfield. All other communities own and maintain the lines within their respective borders, and are responsible for the conveyance pipes to the Regional Wastewater Treatment Plant.

### Water and Sewer Rates

The Commission, as provided by the Act, reviews and establishes its water and sewer rates on an annual basis. The water and sewer rates as have been established by the Commission are set forth below:

	<b>Fiscal Years</b>					
<b>Water Rates (per 100 CF)</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Residential & Commercial	\$2.18	\$2.02	\$1.87	\$1.73	\$1.60	\$1.48
Industrial & Municipal	\$1.62	\$1.50	\$1.25	\$0.93	\$0.80	\$0.76
Wholesale Suburban Rate (per MG)	\$980.00	\$980.00	\$860.00	\$812.57	\$724.94	\$651.32
Residential Water % Change	8.0%	8.0%	8.1%	8.1%	8.1%	---
<b>Sewer Rates (per 100 CF)</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Residential	\$3.09	\$2.86	\$2.54	\$2.26	\$2.01	\$1.87
Commercial	3.40	3.15	2.80	2.49	2.21	2.06
Dry Industry	3.71	3.43	3.05	2.71	2.41	2.24
Industry	3.71	3.43	3.05	2.71	2.41	2.24
Institutional	3.09	2.86	2.54	2.26	2.01	1.87
Food Service	4.02	3.72	3.30	2.94	2.61	2.43
Hospital	3.40	3.15	2.80	2.49	2.21	2.06
Residential Sewer % Change	8.0%	12.6%	12.4%	12.4%	7.5%	---

## Water and Sewer Accounts

Water Accounts	Fiscal Years				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	40,246	40,075	40,009	40,017	39,826
Commercial	2,188	2,177	2,183	2,190	2,194
Industrial	94	94	92	93	94
Municipal/Other	137	128	124	121	118
Solutia	23	23	23	23	23
Wholesale	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Totals	42,694	42,503	42,437	42,450	42,261
% Change	0.4%	0.1%	-0.0%	0.4%	---
Sewer Accounts	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	35,192	35,034	34,976	34,987	34,816
Commercial	1,709	1,701	1,700	1,703	1,713
Industrial	105	105	108	108	110
Municipal/Other	93	91	84	82	76
Food Service	73	73	73	73	73
Hospital	20	20	21	21	21
Solutia	1	1	1	1	1
Wholesale	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Totals	37,201	37,033	36,971	36,983	36,818
% Change	0.5%	0.2%	0.0%	0.4%	---

## Water and Sewer Sales Volume

Water Sales - 100 Cubic Feet	Fiscal Years				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	5,383,137	5,595,780	5,941,376	5,696,290	5,971,412
Commercial	1,432,980	1,513,611	1,634,867	1,608,641	1,691,180
Industrial	594,405	461,214	467,945	411,431	378,110
Municipal/Other	117,800	122,333	113,957	100,447	101,195
Solutia	3,429,809	3,146,788	3,907,826	3,748,608	3,849,258
Wholesale	<u>3,763,369</u>	<u>3,509,817</u>	<u>4,566,440</u>	<u>4,313,786</u>	<u>4,157,780</u>
Totals	14,721,500	14,349,542	16,632,411	15,879,203	16,148,935
% Change	2.6%	-13.7%	4.7%	-1.6%	---
Sewer Sales - 100 Cubic Feet	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	5,043,730	5,230,001	5,523,228	5,314,299	5,513,418
Commercial	762,824	827,936	893,911	861,253	906,446
Industrial	221,730	248,927	360,707	251,769	226,456
Municipal/Other	78,692	81,566	84,184	71,541	55,943
Food Service	61,736	65,154	67,563	68,034	69,281
Hospital	201,883	200,987	194,496	208,277	221,455
Solutia	2,440,107	2,261,080	2,589,390	2,499,846	2,452,659
Wholesale	<u>6,491,834</u>	<u>6,914,766</u>	<u>6,450,258</u>	<u>7,398,976</u>	<u>6,429,226</u>
Totals	15,302,537	15,830,417	16,163,737	16,673,995	15,874,885
% Change	-3.3%	-2.1%	-3.1%	5.0%	---

## Water and Sewer Sales \$\$\$

Water Sales - \$	Fiscal Years				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	10,584,622	10,187,463	10,161,529	9,506,574	9,684,851
Commercial	2,880,290	2,815,316	2,811,971	2,557,739	2,486,035
Industrial	879,719	562,681	430,509	329,145	283,583
Municipal/Other	174,344	149,246	104,840	80,358	75,896
Solutia	3,227,071	3,114,315	3,595,200	2,998,886	2,886,944
Wholesale	<u>3,056,140</u>	<u>2,273,571</u>	<u>2,583,694</u>	<u>2,098,080</u>	<u>2,127,224</u>
Totals	20,802,186	19,102,592	19,687,743	17,570,782	17,544,533
% Change	8.9%	-3.0%	12.0%	.1%	---

<b>Sewer Sales - \$</b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Residential	13,445,959	12,316,969	11,328,219	10,817,077	10,792,666
Commercial	2,380,012	2,293,384	2,207,961	1,894,757	1,849,151
Industrial	753,881	751,760	970,302	604,245	502,732
Municipal/Other	222,698	205,547	188,571	143,082	104,054
Food Service	227,807	213,053	196,609	176,888	166,967
Hospital	629,875	556,734	480,404	458,210	451,769
Solutia	1,999,189	1,838,090	2,122,526	1,662,295	1,734,275
Wholesale	<u>5,318,784</u>	<u>5,621,189</u>	<u>5,287,283</u>	<u>4,920,016</u>	<u>4,546,105</u>
Totals	24,978,205	23,796,726	22,781,875	20,676,570	20,147,718
% Change	5.0%	4.5%	10.2%	2.6%	---

### **Collection Plan**

The Commission bills its customers in arrears through the end of the month for either a monthly or quarterly period. Amounts billed are due when bills are issued. Bills are usually received by the 15<sup>th</sup> of the month after the close of a billing period. Customers are given a grace period until the 15<sup>th</sup> of the next month to pay their bills without penalty. The Commission accepts payments by mail, online, or in person at local bank branches.

Each month, the Commission applies late fees of 1% on any delinquent balance. The Commission periodically sends shutoff advisories to customers with delinquent balances over \$200 and over 60 days since the issue date. The Commission follows up with final demands, and 16 days later, shuts off water service to delinquent accounts.

The Commission reserves a suitable allowance for bad debt against all over 120-day receivables but does not write amounts off except where a bankruptcy court has discharged a debtor or the City has taken a property in tax title. Most delinquent amounts are collected when property changes hands after a bank foreclosure or a real estate sale.

During fiscal year 2010, the Commission wrote off just under \$180,000 of receivables against more than \$53 million of billed services, or about 0.33%. At June 30, 2010, the over 60-day receivable balance was \$2.94 million, or 5.5% annual billed services.

## COMMISSION FINANCES

### Budget with Comparative Revenue and Expenditures

The table below sets forth the Budget for the current year and actual results for the last five fiscal years.

	<b>Fiscal Years</b>					
	<b><u>Budget 2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Revenue:</b>						
<b><u>Operating Revenue</u></b>						
User Fees	57,217,858	52,706,982	50,879,536	50,785,869	45,613,639	40,462,676
Other	<u>582,222</u>	<u>575,672</u>	<u>301,775</u>	<u>1,095,018</u>	<u>257,114</u>	<u>183,774</u>
<b>Totals</b>	57,800,080	53,282,654	51,181,311	51,880,887	45,870,753	40,646,450
<b><u>Non-Operating Revenue</u></b>						
Sale of Conservation Rights	‘---	---	---	---	---	---
Interest Income	60,000	49,600	278,324	1,331,957	2,132,353	1,228,064
Other	<u>500,000</u>	<u>136,820</u>	<u>251,763</u>	<u>810,072</u>	<u>1,308,411</u>	<u>186,986</u>
<b>Totals</b>	<u>560,000</u>	<u>186,420</u>	<u>530,087</u>	<u>2,142,029</u>	<u>3,440,764</u>	<u>1,415,050</u>
<b>Total Revenue</b>	58,360,080	53,469,074	51,711,398	54,022,916	49,311,517	42,061,500
Total % Changes	9.1%	3.4%	-4.3%	9.6%	17.2%	‘---
<b><u>Operating Expenses</u></b>						
Salaries and Wages	13,250,810	12,236,195	12,253,495	11,202,627	10,817,722	7,106,401
Employee Benefits	5,409,670	4,831,375	4,463,863	4,600,398	3,567,306	2,365,003
Administration Overhead	245,000	‘---	‘---	‘---	184,601	2,108,000
Operations	22,168,775	20,379,481	21,316,875	20,310,569	19,049,520	20,290,040
Intergovernmental	509,748	523,382	480,142	460,029	421,859	448,740
Capital Outlay	402,050	401,213	326,804	255,735	233,884	838,764
Other	<u>515,184</u>	<u>368,488</u>	<u>454,456</u>	<u>315,916</u>	<u>271,347</u>	<u>293,051</u>
<b>Total Expenses</b>	42,501,237	38,740,134	39,295,635	37,145,274	34,546,239	33,449,999
Total % Changes	9.7%	-1.4%	5.8%	7.5%	3.3%	‘---
<b>Net Revenue Available For Debt Service</b>	15,858,843	14,728,940	12,415,763	16,877,642	14,765,278	8,611,501
Net margin %	27.1%	27.5%	24.0%	31.2%	29.9%	‘---
<b>Debt Expense</b>	8,732,493	6,879,310	6,407,556	4,641,167	3,622,830	2,825,439

### Authorized and Outstanding Indebtedness

The Commission is authorized to incur debt pursuant to the Act and the Resolution of the Commission. The following table sets forth a summary of the Commission's outstanding long-term debt at the end of each of the last five fiscal years:

	<b>Fiscal Years</b>				
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
SRF Sewer Bonds 94,95,98	4,016,196	4,322,395	4,620,571	4,911,844	5,196,385
City SRF Sewer Bonds 94	1,337,713	1,563,731	1,777,865	1,979,640	2,169,769
City SRF Sewer Bonds 91	534,425	624,721	710,269	790,879	866,837
Sewer Plant Bonds	380,000	496,000	628,000	755,000	872,000
Revenue Bonds 2001A	1,630,000	2,135,000	2,620,000	3,080,000	9,920,000
Sewer (Springfield Water, LLC)	972,222	1,066,307	1,160,392	1,246,637	1,348,562
SRF Sewer Bonds 2002A	2,467,313	2,619,823	2,768,569	2,915,106	3,060,199
Revenue Bonds 2003A	7,270,000	7,650,000	8,015,000	8,370,000	8,720,000
Revenue Bonds 2006A	17,045,000	17,695,000	18,320,000	18,915,000	---
Refunding Bonds 2007A (2001A)	6,495,000	6,510,000	6,525,000	---	---
SRF Sewer Bonds 2007B	27,763,102	30,203,831	30,859,146	---	---
Revenue Bonds 2008A	13,685,000	14,135,000	---	---	---
SRF Sewer 2009A	9,744,105	---	---	---	---
<b>Total Outstanding Long-Term Debt</b>	<b>93,340,076</b>	<b>89,021,807</b>	<b>78,004,812</b>	<b>49,489,106</b>	<b>32,153,752</b>

### Employee Relations

As of July 1, 2010, the Commission had approximately 219 employees. There are approximately 150 employees who are currently members of three collective bargaining groups. Two of the collective bargaining agreements expire on December 31, 2011; one expires in June 2011. There are approximately 69 management and non-bargaining employees.

### Retirement Systems

The Commission employees are members of the Springfield Contributory Retirement System (the “Retirement System”). The Retirement System is partially funded by employee contributions. The Commission meets its share of the cost on a pay-as-you-go basis by contributing annually the amount determined by Springfield Contributory Retirement Board, in compliance with applicable state law,

and certified by the PERA. Such amount is a legal obligation of the Commission and is included in the assessments to the Constituent Entities.

Annual contributions by the Commission to the Retirement System for the current and several past fiscal years are set forth as follows:

<u>Fiscal Year</u>	<u>Annual Contribution</u>
2011	2,634,420
2010	2,437,760
2009	2,140,530
2008	2,526,779
2007	1,619,656
2006	1,344,370

For additional information, see “Notes to Financial Statements” in the audited financial statements of the Commission attached hereto as “APPENDIX C—Audited Financial Statements of the Commission” herein.

## CAPITAL IMPROVEMENT PROGRAM

### Program Description

The Act requires that the Commission annually prepare an annual Capital Improvement Budget and three-year Capital Improvement Plan. Together, they comprise the Commission's Capital Improvement Program ("CIP"). In addition, the Act requires the Commission to adopt rates, charges and assessments sufficient to fund its Capital Improvement Budget. The Capital Improvement Program reflects the Commission's continued commitment to ensure uninterrupted delivery of water and sewer services to its wholesale and retail customers and to renew, replace and preserve its water and sewer infrastructure.

### Estimated Costs of Capital Improvement Program

The following table presents estimated capital project cost and planned appropriations by division.

<b>Division</b>	<b>Project Cost Estimates</b>	<b>Unexpended Appropriations Start FY 2011</b>	<b>CIP Planned FY 2012</b>	<b>CIP Planned FY 2013</b>
Water Supply & Transmission	32,160,000	10,201,173	11,700,000	11,675,000
Water Distribution	14,590,000	2,335,955	2,350,000	2,300,000
Wastewater Collection	51,350,000	31,075,915	26,850,000	4,350,000
Wastewater Treatment	5,000,000	610,024	1,000,000	1,000,000
Power Supply	4,000,000	371,146	500,000	500,000
Administration & Engineering	<u>17,520,000</u>	<u>3,279,989</u>	<u>945,000</u>	<u>5,125,000</u>
<b>Totals</b>	<b>124,620,000</b>	<b>47,874,202</b>	<b>43,345,000</b>	<b>24,950,000</b>
<b>Funding Sources</b>				
From this Bond Issue		17,020,816	---	---
From previous borrowing		8,445,052	---	---
From future Bond Issues		5,449,777	7,000,000	6,400,000
From future SRF Loans		9,899,089	25,000,000	10,000,000
From Reserves		<u>7,059,468</u>	<u>11,345,000</u>	<u>8,550,000</u>
<b>Totals</b>		<b>47,874,202</b>	<b>43,345,000</b>	<b>24,950,000</b>

## PLAN OF FINANCE

### Prospective Financing

The Commission expects to finance the major portion of the capital expenditures associated with the CIP through the issuance of its general revenue debt and through loans from the Massachusetts Water Pollution Abatement Trust (the “Trust”) secured by its general revenue bonds.

### Debt Service Requirements

The following table sets forth the Commission’s schedule of bond debt service requirements before and after issuance of the 2010B Bonds. Debt Service includes both principal and interest.

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Debt Service</u></b> <b><u>Before this Issue</u></b>	<b><u>Debt Service</u></b> <b><u>This Issue</u></b>	<b><u>Debt Service</u></b> <b><u>With This Issue</u></b>
<b>2011</b>	6,845,841	1,986,075	8,831,916
<b>2012</b>	7,334,418	1,958,775	9,293,193
<b>2013</b>	7,346,719	1,931,475	9,278,194
<b>2014</b>	7,209,587	1,904,175	9,113,762
<b>2015</b>	7,211,121	1,876,875	9,087,996
<b>2016</b>	6,803,661	1,856,400	8,660,061
<b>2017</b>	6,802,411	1,829,100	8,631,511
<b>2018</b>	6,799,003	1,801,800	8,600,803
<b>2019</b>	6,778,829	1,774,500	8,553,329
<b>2020</b>	6,766,974	1,740,375	8,507,349
<b>2021</b>	6,634,247	1,706,250	8,340,497
<b>2022</b>	6,243,573	1,672,125	7,915,698
<b>2023</b>	5,338,308	1,638,000	6,976,308
<b>2024</b>	5,142,418	1,603,875	6,746,293
<b>2025</b>	4,684,919	1,569,750	6,254,669
<b>2026</b>	6,092,794	1,535,625	7,628,419
<b>2027</b>	3,098,919	1,501,500	4,600,419
<b>2028</b>	3,041,419	1,467,375	4,508,794
<b>2029</b>	2,983,919	1,433,250	4,417,169
<b>2030</b>	1,955,169	1,399,125	3,354,294
<b>2031</b>	1,955,169		
<b>2032</b>	1,364,060		
<b>2033</b>	1,364,060		
<b>2034</b>	1,364,059		
<b>2035</b>	1,364,060		
<b>2036</b>	1,364,060		
<b>2037</b>	1,364,060		
<b>2038</b>	<u>1,364,060</u>		
	126,617,833	<u>41,072,850</u>	<u>167,690,683</u>

### Tax Exemption

Bond Counsel is of the opinion that, under existing law, except as described below, interest on the 2010B Bonds is not included in gross income for federal income tax purposes. Interest on obligations such as the 2010B Bonds is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the “Code”), but such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed upon certain corporations (as defined for federal income tax purposes). See “APPENDIX C—Proposed Form of Legal Opinion” herein.

The Code imposes certain requirements and restrictions on the use and investment of proceeds of state and local governmental obligations, including the 2010B Bonds, and a requirement for payment to the federal government (called a “rebate”) of certain proceeds derived from the investment thereof. Failure to comply with the Code’s requirements subsequent to the issuance of the 2010B Bonds could cause interest on the 2010B Bonds to become subject to federal income taxation, retroactive to the date of their issuance. On or before delivery of the 2010B Bonds to the original purchasers, the Commission will provide covenants or certificates evidencing that it will take all lawful action necessary to comply with those provisions of the Code that, except for such compliance, would affect adversely the excludability of interest on the 2010B Bonds from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2010B Bonds.

Potential purchasers should be aware, however, of other collateral consequences that may result under the federal tax law for certain holders of the 2010B Bonds. Interest on the 2010B Bonds is included in the measure of foreign branch profits tax imposed upon

corporations and may be included in passive investment income subject to federal income taxation under provisions of the Code applicable to certain S corporations. The Code further provides that interest on the 2010B Bonds may be includible in the modified adjusted gross income of certain recipients of Social Security and Railroad Retirement benefits for the purpose of determining whether a portion of such benefits shall be included in the taxable income of such recipients, and is treated as “disqualified income” for purposes of determining whether an individual is eligible for the earned income tax credit. In addition, certain otherwise deductible underwriting losses of property and casualty insurance companies will be reduced by a portion of the interest received by such companies on the 2010B Bonds, and no deduction will be allowed for interest on indebtedness incurred or continued to purchase or carry the 2010B Bonds or, in the case of a financial institution, that portion of such institution’s interest expense that is allocated to interest on the 2010B Bonds.

In the opinion of Bond Counsel, the 2010B Bonds are exempt from taxation imposed by existing Massachusetts law, although the 2010B Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain corporation excise and franchise taxes.

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

No assurance can be given that future legislation will not have an adverse tax consequence for owners of the 2010B Bonds.

#### **Continuing Disclosure**

In order to assist the Underwriter in complying with Rule 15c2-12 (b) (5) promulgated by the Securities and Exchange Commission (the “Rule”), the Commission will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Commission by not later than 270 days after the end of each fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix E. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Commission has never failed, in any material respect, to provide annual reports or notices of material events pursuant to any of its previous undertakings to provide continuing disclosure in accordance with the Rule.

#### **Financial Statements**

The financial statements of the Commission for the fiscal year ending June 30, 2009 are appended hereto as “APPENDIX D—Audited Financial Statements of the Commission” and have been audited by Melanson Heath & Company, PC, Greenfield, Massachusetts, independent accountants.

#### **Certain Legal Matters**

All legal matters incident to the authorization, issuance, sale and delivery of the 2010B Bonds are subject to the approval of Murphy, McCoubrey, LLP, Springfield, Massachusetts, Bond Counsel to the Commission.

#### **Underwriting**

The 2010B Bonds are being purchased by Corby Capital Markets, Inc., as representative of the Underwriters (the “Underwriters”). The aggregate offering price of the 2010B Bonds to the public is \$29,606,918.25, plus accrued interest, and to reoffer the 2010B Bonds at no greater than the initial public offering price or prices set forth on the cover page hereof. The Underwriters may offer and sell the 2010B Bonds to certain dealers (including dealers depositing Bonds into investment trusts and others) at prices lower than the public offering prices stated on the cover page hereof. The purchase contract provides that the Underwriters will purchase all the 2010B Bonds if any are purchased the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract.

#### **Ratings**

Standard & Poor’s has applied a rating of A+ on the bonds.

#### **Miscellaneous**

The summaries or descriptions herein of provisions of the Act, the 2010B Bonds, 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. 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 2010 Series B Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Commission since the date hereof. This Official Statement contains forecasts, projections, and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections, and estimates were prepared. In light of the important factors that may materially affect economic conditions of the Commission, the inclusion in this Official Statement of such forecasts, projections, and estimates should not be regarded as a

representation of the Commission that such forecasts, projections, and estimates will occur. Such forecasts, projections, and estimates are not intended as representations of fact or guarantees of results.

Copies of the documents mentioned in this paragraph are on file at the offices of the Commission. For additional information regarding the Commission, interested persons may contact Mr. Alfred A. LaRiviere Jr.; telephone 413-787-6256 x 106.

The execution and delivery of this Official Statement have been duly authorized by the Springfield Water and Sewer Commission.

**Litigation**

At present, there are numerous cases pending in various courts throughout the Commonwealth in which the Commission is a defendant, in the opinion of the Commission, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgements against the Commission that would materially impact its financial condition.

SPRINGFIELD WATER AND SEWER COMMISSION

By: /s/ Alfred A. LaRiviere Jr.

Finance Director

Dated: November 9, 2010

## **Appendix A**

### **Municipal Demographics**

#### **For**

**Agawam, Chicopee, East Longmeadow, Longmeadow,  
Ludlow, Southwick, Springfield, West Springfield,  
Westfield and Wilbraham**

**SOURCE – MASSACHUSETTS DEPARTMENT OF REVENUE DIVISION OF LOCAL SERVICES  
ALL INFORMATION UPDATED AUGUST 25, 2010**

*Agawam*

**Socioeconomic**

County	Hampden
School Structure	K-12
Form of Government	Mayor Council
2009 Population	28,616
2010 Labor Force	15,627
2010 Unemployment Rate	9.1
1999 Per Capita Income	22,562
2008 Population Per Square Mile	1,208.73
2007 Housing Units Per Square Mile	501.68
2009 Road Miles	152.30
EQV Per Capita (2008 EQV/2008 Population)	111,176
Number of Registered Vehicles (January 2008)	30,842
Average Age of Vehicles (January 2008)	9.93
2008 Number of Registered Voters	20,269

**Certification**

Most Recent	2009
Next Scheduled	2013

**Bond Ratings**

Moody's Bond Rating as of June 2010*	Aa2
S & P Bond Rating as of December 2009*	AA

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	17,072,685
General Government	3,477,759
Total Receipts	<b>20,550,444</b>
Total Assessments	423,182
Net State Aid	<b>20,127,262</b>

**Fiscal Year 2010 Tax Classification**

Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	2,224,622,388	28,786,614	12.94
Open Space	0	0	0.00
Commercial	237,753,135	6,435,977	27.07
Industrial	230,388,360	6,236,613	27.07
Personal Property	103,532,510	2,802,625	27.07
<b>Total</b>	<b>2,796,296,393</b>	<b>44,261,829</b>	

**Fiscal Year 2010 Revenues by Source**

Revenue Source		Percent of Total
Tax Levy	44,261,829	54.93
State Aid	21,151,645	26.25
Local Receipts	12,235,355	15.18
Other Available	2,930,050	3.64
<b>Total</b>	<b>80,578,879</b>	

**Fiscal Year 2010 Proposition 2½ Levy Capacity**

New Growth	560,333
Override	0
Debt Exclusion	0
Levy Limit	49,364,105
Excess Capacity	<b>5,102,276</b>
Ceiling	69,907,410
Override Capacity	<b>20,543,305</b>

**Other Available Funds**

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
6,824,712	3,764,678	1,009,047

**Fiscal Year 2010 Average Single Family Tax Bill\*\***

Number of Single Family Parcels	7,640
Assessed Value of Single Family	226,851
Average Single Family Tax Bill	<b>2,935</b>

**State Average Single Family Tax Bill**

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*Agawam issues property tax bills Quarterly.*

**Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Enterprise Funds</b>	<b>Trust Revenue</b>	<b>Total All Funds</b>
<b>Revenues</b>	66,988,620	14,532,810	1,438,006	3,690,836	126,806	86,777,078
Expenditures	68,016,916	13,324,910	5,715,766	3,838,185	27,235	90,923,012
Police	4,003,801	0	0	0	0	4,003,801
Fire	3,255,551	0	0	0	0	3,255,551
Education	32,305,428	7,033,936	204,392	0	0	39,543,756
Public Works	4,791,827	2,896,649	2,521,642	3,061,558	0	13,271,676
General Fund Debt Service	2,912,765					2,912,765
Health Ins	7,366,630					7,366,630
Pension	3,086,133					3,086,133
All Other	10,294,781	3,394,325	2,989,732	776,627	27,235	17,482,700

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

**Total Revenues and Expenditures Per Capita**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Enterprise Funds</b>	<b>Trust Revenue</b>	<b>Total All Funds</b>
Revenues	2,340.9	507.9	50.3	129.0	4.4	3,032.5
Expenditures	2,376.9	465.6	199.7	134.1	1.0	3,177.3

*Chicopee*

**Socioeconomic**

County	Hampden
School Structure	K-12
Form of Government	Mayor Aldermen
2009 Population	55,994
2010 Labor Force	28,084
2010 Unemployment Rate	11.6
1999 Per Capita Income	18,646
2008 Population Per Square Mile	2,402.32
2007 Housing Units Per Square Mile	1,067.95
2009 Road Miles	259.40
EQV Per Capita (2008 EQV/2008 Population)	70,762
Number of Registered Vehicles (January 2008)	51,992
Average Age of Vehicles (January 2008)	11.11
2008 Number of Registered Voters	34,959

**Certification**

Most Recent	2008
Next Scheduled	2011

**Bond Ratings**

Moody's Bond Rating as of June 2010*	Aa3
S & P Bond Rating as of December 2009*	A+

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	53,104,944
General Government	11,092,879
Total Receipts	64,197,823
Total Assessments	1,655,067
<b>Net State Aid</b>	<b>62,542,756</b>

### Fiscal Year 2010 Tax Classification

<b>Tax Classification</b>	<b>Assessed Values</b>	<b>Tax Levy</b>	<b>Tax Rate</b>
Residential	2,922,419,960	39,832,584	13.63
Open Space	0	0	0.00
Commercial	366,882,540	10,621,250	28.95
Industrial	244,570,900	7,080,328	28.95
Personal Property	131,470,940	3,806,084	28.95
<b>Total</b>	<b>3,665,344,340</b>	<b>61,340,246</b>	

### Fiscal Year 2010 Revenues by Source

<b>Revenue Source</b>		<b>Percent of Total</b>
Tax Levy	61,340,245	38.10
State Aid	60,907,179	37.83
Local Receipts	27,047,350	16.80
Other Available	11,709,883	7.27
<b>Total</b>	<b>161,004,657</b>	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	613,814
Override	0
Debt Exclusion	0
Levy Limit	62,394,534
Excess Capacity	1,054,288
Ceiling	91,633,609
Override Capacity	29,239,075

### Other Available Funds

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
3,519,575	10,082,962	1,505,009

**Fiscal Year 2010 Average Single Family Tax Bill\*\***

Number of Single Family Parcels	10,957
Assessed Value of Single Family	182,709
Average Single Family Tax Bill	2,490

**State Average Single Family Tax Bill**

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*Chicopee issues property tax bills Semi-Annually.*

**Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Enterprise Funds</b>	<b>Trust Revenue</b>	<b>Total All Funds</b>
<b>Revenues</b>	131,638,299	22,423,280	15,591,175	79,507,118	(518,152)	248,641,720
<b>Expenditures</b>	129,955,983	23,325,833	19,836,490	74,303,881	0	247,422,187
Police	9,212,810	0	0	0	0	9,212,810
Fire	9,943,211	0	0	0	0	9,943,211
Education	65,263,497	20,429,749	5,897,039	0	0	91,590,285
Public Works	7,763,480	0	13,738,434	74,303,881	0	95,805,795
General Fund Debt Service	4,483,680					4,483,680
Health Ins	7,696,242					7,696,242
Pension	9,975,934					9,975,934
<b>All Other</b>	15,617,129	2,896,084	201,017	0	0	<b>18,714,230</b>

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

**Total Revenues and Expenditures Per Capita**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Enterprise Funds</b>	<b>Trust Revenue</b>	<b>Total All Funds</b>
<b>Revenues</b>	2,350.9	400.5	278.4	1,419.9	-9.3	4,440.5
<b>Expenditures</b>	2,320.9	416.6	354.3	1,327.0	0.0	4,418.7

## East Longmeadow

### Socioeconomic

County	Hampden
School Structure	K-12
Form of Government	Executive Secretary Selectmen Open Town Meeting
2009 Population	15,936
2010 Labor Force	7,849
2010 Unemployment Rate	7.7
1999 Per Capita Income	27,659
2008 Population Per Square Mile	1,182.11
2007 Housing Units Per Square Mile	413.49
2009 Road Miles	96.92
EQV Per Capita (2008 EQV/2008 Population)	131,434
Number of Registered Vehicles (January 2008)	16,482
Average Age of Vehicles (January 2008)	9.44
2008 Number of Registered Voters	11,095

### Certification

Most Recent	2008
Next Scheduled	2011

### Bond Ratings

Moody's Bond Rating as of June 2010*	Aa2
S & P Bond Rating as of December 2009*	AA

\*Blank indicates the community has not been rated by the bond agency.

### Fiscal Year 2011 Estimated Cherry Sheet Aid

Education Aid	8,699,704
General Government	1,382,296
Total Receipts	10,082,000
Total Assessments	241,727
<b>Net State Aid</b>	<b>9,840,273</b>

### Fiscal Year 2010 Tax Classification

<b>Tax Classification</b>	<b>Assessed Values</b>	<b>Tax Levy</b>	<b>Tax Rate</b>
Residential	1,491,832,118	25,928,042	17.38
Open Space	0	0	0.00
Commercial	152,065,606	2,642,900	17.38
Industrial	114,846,400	1,996,030	17.38
Personal Property	36,258,710	630,176	17.38
<b>Total</b>	<b>1,795,002,834</b>	<b>31,197,148</b>	

### Fiscal Year 2010 Revenues by Source

<b>Revenue Source</b>		<b>Percent of Total</b>
Tax Levy	31,197,149	60.49
State Aid	10,807,309	20.96
Local Receipts	7,095,430	13.76
Other Available	2,471,938	4.79
<b>Total</b>	<b>51,571,826</b>	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	369,230
Override	0
Debt Exclusion	811,041
Levy Limit	31,199,427
Excess Capacity	2,279
Ceiling	44,875,071
Override Capacity	14,486,685

### Other Available Funds

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
4,322,931	1,493,736	270,757

**Fiscal Year 2010 Average Single Family Tax Bill\*\***

Number of Single Family Parcels	5,265
Assessed Value of Single Family	260,660
Average Single Family Tax Bill	<b>4,530</b>

**State Average Single Family Tax Bill**

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*East Longmeadow issues property tax bills Semi-Annually.*

**Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Enterprise Funds</b>	<b>Trust Revenue</b>	<b>Total All Funds</b>
<b>Revenues</b>	43,130,464	10,693,645	0	188,467	120,826	54,133,402
Expenditures	45,187,079	8,084,868	4,968,735	178,561	82,643	58,501,886
Police	2,190,529	0	0	0	0	2,190,529
Fire	688,366	0	0	0	0	688,366
Education	22,913,649	4,340,946	2,294,634	0	0	29,549,229
Public Works	4,423,291	2,621,469	1,072,705	0	0	8,117,465
General Fund						5,763,868
Debt Service	5,763,868					
Health Ins	3,655,138					3,655,138
Pension	1,731,955					1,731,955
<b>All Other</b>	3,820,283	1,122,453	1,601,396	178,561	82,643	6,805,336

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

**Total Revenues and Expenditures Per Capita**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Enterprise Funds</b>	<b>Trust Revenue</b>	<b>Total All Funds</b>
<b>Revenues</b>	2,706.5	671.0	0.0	11.8	7.6	3,396.9
<b>Expenditures</b>	2,835.5	507.3	311.8	11.2	5.2	3,671.1

*Longmeadow*

**Socioeconomic**

County	Hampden
School Structure	K-12
Form of Government	Town Manager Selectmen Open Town Meeting
2009 Population	15,527
2010 Labor Force	7,615
2010 Unemployment Rate	7.0
1999 Per Capita Income	38,949
2008 Population Per Square Mile	1,699.45
2007 Housing Units Per Square Mile	651.77
2009 Road Miles	99.51
EQV Per Capita (2008 EQV/2008 Population)	149,443
Number of Registered Vehicles (January 2008)	16,294
Average Age of Vehicles (January 2008)	8.83
2008 Number of Registered Voters	11,913

**Certification**

Most Recent	2009
Next Scheduled	2012

**Bond Ratings**

Moody's Bond Rating as of June 2010\*  
S & P Bond Rating as of December 2009\*

Aa2

\*Blank indicates the community has not been rated by the bond agency.

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	4,503,511
General Government	1,238,199
Total Receipts	<b>5,741,710</b>
Total Assessments	144,400
<b>Net State Aid</b>	<b>5,597,310</b>

### Fiscal Year 2010 Tax Classification

<b>Tax Classification</b>	<b>Assessed Values</b>	<b>Tax Levy</b>	<b>Tax Rate</b>
Residential	1,984,497,200	36,276,609	18.28
Open Space	0	0	0.00
Commercial	66,002,200	1,206,520	18.28
Industrial	2,995,400	54,756	18.28
Personal Property	30,972,014	566,168	18.28
<b>Total</b>	<b>2,084,466,814</b>	<b>38,104,053</b>	

### Fiscal Year 2010 Revenues by Source

<b>Revenue Source</b>		<b>Percent of Total</b>
Tax Levy	38,104,053	68.50
State Aid	6,014,905	10.81
Local Receipts	8,965,581	16.12
Other Available	2,544,918	4.57
<b>Total</b>	<b>55,629,457</b>	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	180,192
Override	0
Debt Exclusion	1,162,691
Levy Limit	38,104,928
Excess Capacity	875
Ceiling	52,111,670
Override Capacity	15,169,433

### Other Available Funds

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
489,350	2,291,821	128,334

<b>Fiscal Year 2010 Average Single Family Tax Bill**</b>
--

Number of Single Family Parcels	5,439
Assessed Value of Single Family	349,758
Average Single Family Tax Bill	6,394

<b>State Average Single Family Tax Bill</b>
---

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*Longmeadow issues property tax bills Quarterly.*

<b>Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	46,945,503	7,865,901	0	3,617,743	6,429,091	64,858,238
Expenditures	47,819,812	7,320,043	901,963	4,142,740	6,102,147	66,286,705
Police	2,344,910	0	0	0	0	2,344,910
Fire	2,095,528	0	0	0	0	2,095,528
Education	28,202,635	5,100,908	351,500	0	0	33,655,043
Public Works	2,136,383	299,578	550,463	3,115,362	0	6,101,786
General Fund Debt Service	1,597,853					1,597,853
Health Ins	3,409,781					3,409,781
Pension	2,010,011					2,010,011
All Other	6,022,711	1,919,557	0	1,027,378	6,102,147	15,071,793

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

<b>Total Revenues and Expenditures Per Capita</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	3,023.5	506.6	0.0	233.0	414.1	4,177.1
Expenditures	3,079.8	471.4	58.1	266.8	393.0	4,269.1

***Ludlow***

**Socioeconomic**

County	Hampden
School Structure	K-12
Form of Government	Town Administrator Selectmen Representative Town Meeting
2009 Population	22,161
2010 Labor Force	11,235
2010 Unemployment Rate	9.3
1999 Per Capita Income	20,105
2008 Population Per Square Mile	825.41
2007 Housing Units Per Square Mile	288.80
2009 Road Miles	135.63
EQV Per Capita (2008 EQV/2008 Population)	91,219
Number of Registered Vehicles (January 2008)	21,573
Average Age of Vehicles (January 2008)	10.18
2008 Number of Registered Voters	13,897

**Certification**

Most Recent	2008
Next Scheduled	2011

**Bond Ratings**

Moody's Bond Rating as of June 2010*	Aa3
S & P Bond Rating as of December 2009*	A+

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	13,460,751
General Government	2,869,414
Total Receipts	16,330,165
Total Assessments	371,723
<b>Net State Aid</b>	<b>15,958,442</b>

### Fiscal Year 2010 Tax Classification

Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	1,550,378,145	22,976,604	14.82
Open Space	0	0	0.00
Commercial	129,724,865	1,922,522	14.82
Industrial	52,798,620	782,476	14.82
Personal Property	68,523,540	1,015,519	14.82
<b>Total</b>	1,801,425,170	26,697,121	

### Fiscal Year 2010 Revenues by Source

Revenue Source		Percent of Total
Tax Levy	26,697,121	49.01
State Aid	17,668,977	32.44
Local Receipts	7,888,273	14.48
Other Available	2,214,310	4.07
<b>Total</b>	54,468,681	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	382,198
Override	0
Debt Exclusion	454,278
Levy Limit	27,880,471
Excess Capacity	1,183,350
Ceiling	45,035,629
Override Capacity	17,609,436

### Other Available Funds

7/1/2009 Free Cash	FY2009 Stabilization Fund	FY2010 Overlay Reserve
1,295,250	1,768,963	287,506

### Fiscal Year 2010 Average Single Family Tax Bill\*\*

Number of Single Family Parcels	5,875
Assessed Value of Single Family	218,477
Average Single Family Tax Bill	3,238

### State Average Single Family Tax Bill

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*Ludlow issues property tax bills Quarterly.*

<b>Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	49,360,072	7,745,449	0	2,635,673	106,005	59,847,199
Expenditures	49,505,406	7,481,387	355,040	2,948,948	191,109	60,481,890
Police	2,838,715	0	0	0	0	2,838,715
Fire	1,859,964	0	0	0	0	1,859,964
Education	25,200,110	6,134,204	0	0	0	31,334,314
Public Works	3,858,833	930,460	5,040	2,098,214	0	6,892,547
General Fund Debt Service	3,330,389					3,330,389
Health Ins	5,198,929					5,198,929
Pension	1,889,021					1,889,021
All Other	5,329,445	416,723	350,000	850,734	191,109	7,138,011

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

<b>Total Revenues and Expenditures Per Capita</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	2,227.3	349.5	0.0	118.9	4.8	2,700.6
Expenditures	2,233.9	337.6	16.0	133.1	8.6	2,729.2

*Southwick*

**Socioeconomic**

<b>County</b>	Hampden
School Structure	
Form of Government	Chief Administrative Officer Selectmen Open Town Meeting
2009 Population	9,706
2010 Labor Force	5,292
2010 Unemployment Rate	10.6
1999 Per Capita Income	21,756
2008 Population Per Square Mile	309.14
2007 Housing Units Per Square Mile	114.11
2009 Road Miles	85.32
EQV Per Capita (2008 EQV/2008 Population)	118,618
Number of Registered Vehicles (January 2008)	11,567
Average Age of Vehicles (January 2008)	11.28
2008 Number of Registered Voters	6,801

**Certification**

Most Recent	2010
Next Scheduled	2013

**Bond Ratings**

Moody's Bond Rating as of June 2010\*  
S & P Bond Rating as of December 2009\*

Aa2

\*Blank indicates the community has not been rated by the bond agency.

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	0
General Government	1,197,966
Total Receipts	1,197,966
Total Assessments	33,613
<b>Net State Aid</b>	<b>1,164,353</b>

### Fiscal Year 2010 Tax Classification

<b>Tax Classification</b>	<b>Assessed Values</b>	<b>Tax Levy</b>	<b>Tax Rate</b>
Residential	905,030,095	12,163,604	13.44
Open Space	0	0	0.00
Commercial	54,346,376	730,415	13.44
Industrial	21,025,250	282,579	13.44
Personal Property	25,462,796	342,220	13.44
<b>Total</b>	<b>1,005,864,517</b>	<b>13,518,818</b>	

### Fiscal Year 2010 Revenues by Source

<b>Revenue Source</b>		<b>Percent of Total</b>
Tax Levy	13,518,819	62.92
State Aid	1,214,190	5.65
Local Receipts	5,009,246	23.32
Other Available	1,742,770	8.11
<b>Total</b>	<b>21,485,025</b>	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	187,692
Override	0
Debt Exclusion	0
Levy Limit	13,520,421
Excess Capacity	<b>1,603</b>
Ceiling	25,146,613
Override Capacity	<b>11,626,192</b>

### Other Available Funds

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
1,920,405	2,677,470	137,861

### Fiscal Year 2010 Average Single Family Tax Bill\*\*

Number of Single Family Parcels	2,982
Assessed Value of Single Family	254,771
Average Single Family Tax Bill	<b>3,424</b>

### State Average Single Family Tax Bill

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*Southwick issues property tax bills Semi-Annually.*

<b>Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	16,420,142	1,973,093	0	1,649,768	83,699	20,126,702
Expenditures	16,579,126	1,323,079	649,989	2,801,316	23,619	21,377,129
Police	1,331,929	0	0	0	0	1,331,929
Fire	286,805	0	0	0	0	286,805
Education	8,193,249	0	0	0	0	8,193,249
Public Works	1,284,434	166,157	0	2,801,316	0	4,251,907
General Fund Debt Service	718,554					718,554
Health Ins	364,436					364,436
Pension	626,489					626,489
All Other	3,773,230	1,156,922	649,989	0	23,619	5,603,760

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

<b>Total Revenues and Expenditures Per Capita</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	1,691.8	203.3	0.0	170.0	8.6	2,073.6
<b>Expenditures</b>	1,708.1	136.3	67.0	288.6	2.4	2,202.5

*Springfield*

**Socioeconomic**

County	Hampden
School Structure	K-12
Form of Government	Mayor Council (A)
2009 Population	155,575
2010 Labor Force	66,521
2010 Unemployment Rate	13.5
1999 Per Capita Income	15,232
2008 Population Per Square Mile	4,692.83
2007 Housing Units Per Square Mile	1,905.67
2009 Road Miles	498.01
EQV Per Capita (2008 EQV/2008 Population)	56,292
Number of Registered Vehicles (January 2008)	121,973
Average Age of Vehicles (January 2008)	13.5
2008 Number of Registered Voters	84,565

**Certification**

Most Recent	2008
Next Scheduled	2012

**Bond Ratings**

Moody's Bond Rating as of June 2010*	A2
S & P Bond Rating as of December 2009*	BBB

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	268,216,378
General Government	34,171,298
Total Receipts	302,387,676
Total Assessments	31,150,804
<b>Net State Aid</b>	<b>271,236,872</b>

**Fiscal Year 2010 Tax Classification**

<b>Tax Classification</b>	<b>Assessed Values</b>	<b>Tax Levy</b>	<b>Tax Rate</b>
Residential	5,252,153,800	102,416,999	19.50
Open Space	0	0	0.00
Commercial	1,052,016,750	41,291,657	39.25
Industrial	229,288,700	8,999,581	39.25
Personal Property	461,359,650	18,108,366	39.25
<b>Total</b>	<b>6,994,818,900</b>	<b>170,816,603</b>	

<b>Fiscal Year 2010 Revenues by Source</b>
--

<b>Revenue Source</b>		<b>Percent of Total</b>
Tax Levy	170,816,604	29.48
State Aid	317,007,174	54.71
Local Receipts	43,750,017	7.55
Other Available	47,831,466	8.26
<b>Total</b>	<b>579,405,261</b>	

<b>Fiscal Year 2010 Proposition 2½ Levy Capacity</b>
--

New Growth	3,590,038
Override	0
Debt Exclusion	0
Levy Limit	170,824,032
Excess Capacity	7,429
Ceiling	174,870,473
Override Capacity	4,046,441

**Other Available Funds**

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
22,319,922	83,493,200	5,369,540

<b>Fiscal Year 2010 Average Single Family Tax Bill**</b>
--

Number of Single Family Parcels	25,986
Assessed Value of Single Family	137,709
Average Single Family Tax Bill	<b>2,685</b>

<b>State Average Single Family Tax Bill</b>
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Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

<b>Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures</b>
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	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	510,730,522	137,136,290	16,821,771	3,551,353	53,696,569	721,936,505
Expenditures	464,760,366	119,324,055	13,298,307	6,261,972	74,120,087	677,764,787
Police	36,842,664	0	0	0	0	36,842,664
Fire	19,437,071	0	0	0	0	19,437,071
Education	277,315,342	94,706,662	3,294,296	0	0	375,316,300
Public Works	13,273,360	25,123	2,600,217	0	0	15,898,700
General Fund Debt Service	39,212,900					39,212,900
Health Ins	0					0
Pension	20,844,905					20,844,905
All Other	57,834,124	24,592,270	7,403,794	6,261,972	74,120,087	170,212,247

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

<b>Total Revenues and Expenditures Per Capita</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	3,282.9	881.5	108.1	22.8	345.1	4,640.4
Expenditures	2,987.4	767.0	85.5	40.3	476.4	4,356.5

***West Springfield***

**Socioeconomic**

County	Hampden
School Structure	K-12
Form of Government	Mayor Council
2009 Population	28,165
2010 Labor Force	14,402
2010 Unemployment Rate	10.6
1999 Per Capita Income	20,982
2008 Population Per Square Mile	1,639.34
2007 Housing Units Per Square Mile	731.88
2009 Road Miles	144.09
EQV Per Capita (2008 EQV/2008 Population)	102,485
Number of Registered Vehicles (January 2008)	28,657
Average Age of Vehicles (January 2008)	10.65
2008 Number of Registered Voters	17,438

**Certification**

Most Recent	2008
Next Scheduled	2011

**Bond Ratings**

Moody's Bond Rating as of June 2010\*  
S & P Bond Rating as of December 2009\*

Aa3

\*Blank indicates the community has not been rated by the bond agency.

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	19,120,600
General Government	3,573,692
Total Receipts	22,694,292
Total Assessments	2,429,338
<b>Net State Aid</b>	<b>20,264,954</b>

### Fiscal Year 2010 Tax Classification

Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	1,841,202,100	29,459,234	16.00
Open Space	0	0	0.00
Commercial	501,703,900	17,404,108	34.69
Industrial	145,734,700	5,055,537	34.69
Personal Property	85,863,222	2,978,595	34.69
<b>Total</b>	<b>2,574,503,922</b>	<b>54,897,474</b>	

### Fiscal Year 2010 Revenues by Source

Revenue Source		Percent of Total
Tax Levy	54,897,474	60.61
State Aid	22,114,974	24.41
Local Receipts	11,563,677	12.77
Other Available	2,004,200	2.21
<b>Total</b>	<b>90,580,325</b>	

### Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	1,058,923
Override	0
Debt Exclusion	0
Levy Limit	55,392,213
Excess Capacity	494,739
Ceiling	64,362,598
Override Capacity	8,970,385

### Other Available Funds

7/1/2009 Free Cash	FY2009 Stabilization Fund	FY2010 Overlay Reserve
2,824,443	7,210,282	900,467

### Fiscal Year 2010 Average Single Family Tax Bill\*\*

Number of Single Family Parcels	6,447
Assessed Value of Single Family	223,945
Average Single Family Tax Bill	<b>3,583</b>

### State Average Single Family Tax Bill

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*West Springfield issues property tax bills Quarterly.*

<b>Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures</b>
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	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	83,582,919	12,106,117	927,000	1,268,239	3,706,247	101,590,522
Expenditures	72,832,020	11,167,822	4,938,828	1,102,874	11,884,670	101,926,214
Police	6,639,947	0	0	0	0	6,639,947
Fire	4,105,575	0	0	0	0	4,105,575
Education	33,854,536	7,762,352	0	0	0	41,616,888
Public Works	10,249,184	1,043	923,000	0	0	11,173,227
General Fund Debt Service	3,713,214					3,713,214
Health Ins	0					0
Pension	4,734,916					4,734,916
All Other	9,534,648	3,404,427	4,015,828	1,102,874	11,884,670	29,942,447

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

<b>Total Revenues and Expenditures Per Capita</b>
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	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	2,967.6	429.8	32.9	45.0	131.6	3,607.0
Expenditures	2,585.9	396.5	175.4	39.2	422.0	3,618.9

***Wilbraham***

**Socioeconomic**

County	Hampden
School Structure	
Form of Government	Town Administrator Selectmen Open Town Meeting
2009 Population	14,179
2010 Labor Force	6,791
2010 Unemployment Rate	7.2
1999 Per Capita Income	29,854
2008 Population Per Square Mile	628.71
2007 Housing Units Per Square Mile	227.18
2009 Road Miles	115.41
EQV Per Capita (2008 EQV/2008 Population)	131,685
Number of Registered Vehicles (January 2008)	15,823
Average Age of Vehicles (January 2008)	9.51
2008 Number of Registered Voters	10,451

**Certification**

Most Recent	2010
Next Scheduled	2014

**Bond Ratings**

Moody's Bond Rating as of June 2010\*  
S & P Bond Rating as of December 2009\*

Aa2

\*Blank indicates the community has not been rated by the bond agency.

**Fiscal Year 2011 Estimated Cherry Sheet Aid**

Education Aid	0
General Government	1,351,753
Total Receipts	1,351,753
Total Assessments	235,683
Net State Aid	1,116,070

**Fiscal Year 2010 Tax Classification**

<b>Tax Classification</b>	<b>Assessed Values</b>	<b>Tax Levy</b>	<b>Tax Rate</b>
Residential	1,514,745,810	24,523,735	16.19
Open Space	0	0	0.00
Commercial	119,040,590	1,927,267	16.19
Industrial	27,762,900	449,481	16.19
Personal Property	32,013,700	518,302	16.19
<b>Total</b>	<b>1,693,563,000</b>	<b>27,418,785</b>	

**Fiscal Year 2010 Revenues by Source**

<b>Revenue Source</b>		<b>Percent of Total</b>
Tax Levy	27,418,785	77.71
State Aid	1,405,842	3.98
Local Receipts	5,565,458	15.77
Other Available	895,381	2.54
<b>Total</b>	<b>35,285,466</b>	

**Fiscal Year 2010 Proposition 2½ Levy Capacity**

New Growth	248,416
Override	0
Debt Exclusion	249,593
Levy Limit	27,430,082
Excess Capacity	11,297
Ceiling	42,339,075
Override Capacity	15,158,586

**Other Available Funds**

<b>7/1/2009 Free Cash</b>	<b>FY2009 Stabilization Fund</b>	<b>FY2010 Overlay Reserve</b>
521,264	1,722,857	219,000

**Fiscal Year 2010 Average Single Family Tax Bill\*\***

Number of Single Family Parcels	4,594
Assessed Value of Single Family	295,952
Average Single Family Tax Bill	<b>4,791</b>

**State Average Single Family Tax Bill**

Fiscal Year 2008	4,110
Fiscal Year 2009	4,250
Fiscal Year 2010	4,390

*Wilbraham issues property tax bills Quarterly*

<b>Fiscal Year 2009 Schedule A – Actual Revenues and Expenditures</b>
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	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	30,298,332	2,456,408	0	2,727,546	30,013	35,512,299
Expenditures	30,146,845	2,449,870	5,102,735	2,325,801	1,230	40,026,481
Police	2,041,803	0	0	0	0	2,041,803
Fire	1,445,981	0	0	0	0	1,445,981
Education	17,916,716	327,113	0	0	0	18,243,829
Public Works	1,610,401	426,191	4,362,268	1,968,123	0	8,366,983
General Fund Debt Service	653,680					653,680
Health Ins	1,101,952					1,101,952
Pension	1,130,785					1,130,785
All Other	4,245,527	1,696,566	740,467	357,678	1,230	7,041,468

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

<b>Total Revenues and Expenditures Per Capita</b>
---

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
<b>Revenues</b>	2,136.8	173.2	0.0	192.4	2.1	2,504.6
<b>Expenditures</b>	2,126.2	172.8	359.9	164.0	0.1	2,822.9

## **Appendix B**

### **Summary of Certain Provisions of the General Bond Resolution**

The following is a brief summary of certain provisions of the General Bond Resolution including certain terms used in the General Bond Resolution and used and not elsewhere defined in this Official Statement. This summary does not purport to be complete and reference is made to the General Bond Resolution (including the various supplements thereto) for full and complete statements of its terms and provisions.

"Authorized Officer" shall mean the Chairman, the Vice Chairman, the Executive Director or the Chief Fiscal Officer of the Commission and, when used in reference to an act or document, shall also mean any other person authorized by resolution of the Commission to perform such act or sign such document;

"Authenticating Agent" shall mean, for the Bonds of a Series or any portion thereof, the Trustee and, where authorized by the applicable Supplemental Resolution, the Paying Agent or Paying Agents for the Bonds of such Series;

"Bond" or "Bonds" shall mean any of the General Revenue Bonds of the Commission authenticated and delivered under the Resolution;

"Bondholder" or "Holder" or any similar term, when used with reference to a Bond, shall mean the registered owner of the Bond;

"Capital Improvements" shall mean extensions, improvements, enlargements, betterments, alterations, renewals and replacements of the System (including land, equipment and other real or personal properties), which (i) are used or useful in connection with the System or any part thereof, (ii) are or were constructed, acquired, or made by or on behalf of the Commission or by the City of Springfield, as the previous owner of the System, and (iii) are properly chargeable (whether or not so charged by the Commission), according to general accepted accounting principles, as additions to utility plant accounts;

"Commission" shall mean the Springfield Water and Sewer Commission, a body politic and corporate and political subdivision of the Commonwealth created and established pursuant to the Act, or any body, agency, political subdivision or other instrumentality of the Commonwealth or the City of Springfield which shall hereafter succeed to the powers of the Commission;

"Consulting Engineer" shall mean an independent engineer or firm of engineers having a national reputation for expertise in such matters with respect to properties similar to those of the System selected by the Commission and satisfactory to the Trustee;

"Cost" as applied to any Capital Improvement, shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the Commission, of construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement, all lands, real and personal property, rights of way, water rights, air rights, franchises, easements and interests necessary or convenient therefor, the cost of any demolitions or relocations necessary in connection therewith, financing charges including Costs of Issuance not funded from the proceeds of Bonds, interest prior to, during and for such period as the Commission shall determine after the period of construction of such Capital Improvement on Bonds, bond anticipation notes and grant anticipation notes issued in whole or in part to finance such construction, architectural, engineering, financial and legal services, plans, specifications, appraisals, surveys, inspections, estimates of costs and revenues, and other expenses necessary or incident to determining the feasibility or practicality of such work, organizational, administrative, operating and other expenses prior to the commencement of and during such work, advance training of operating personnel and other expense, including initial working capital, or completing such work and placing the same in operation, and other item of "Cost" as defined in the Act attributable to the construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement and placing the same in operation; Commission and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, costs and expenses of refunding, accrued interest and other costs payable upon or with respect to the initial investment of the proceeds of Bonds, premiums for the insurance of the payment of Bonds, fees and expenses payable in connection with any Additional Security or Reserve Deposits, fees and expenses payable in connection with any remarketing agreements or interest rate indexing agreements and any other cost, charge or fee in connection with the original issuance of Bonds;

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by aggregating the several sums, computed with respect to the Bonds of each Series Outstanding, of (i) any unpaid interest due on such Bonds at or before said date and all interest on such Bonds accrued but not due at said date, (ii) the Principal Amount of any such Bonds matured and unpaid at or before said date, and (iii) with respect to any Principal Installment of any Bonds not included in (ii) above, but payable on the next succeeding Principal Installment payment date other than by reason of acceleration or redemption at the option of the Commission or the Holder of any

Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Installment payment date; provided, that for purposes of any such computation, the Principal Installments of and interest on the Bonds in any period shall, in the case of any Series of Trust Bonds, be limited to the Required Debt Service Fund Deposits set forth for such period in the applicable Supplemental Resolution;

"Debt Service Requirement" shall mean, for any period of calculation, the aggregate of (1) all interest payable on all Bonds Outstanding during such period (other than interest, if any, included in the Principal Installments of such Bonds payable during such period) plus (2) the Principal Installment or Installments payable on such Bonds during such period; provided that the interest and Principal Installments payable on any Series of Trust Bonds during such period shall be limited to the Required Debt Service Fund Deposits for such period set forth in the applicable Supplemental Resolution. The interest and Principal Installments for each Series shall be calculated on the assumption that no Bonds of such Series Outstanding on any date during such period of calculation shall cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof;

"Debt Service Reserve Fund Requirement" shall mean, as of any particular date of computation, an amount equal to the lesser of (a) the maximum aggregate Debt Service Requirement for all Series of Bonds in any succeeding Fiscal Year and (b) ten percent (10 %) of the aggregate original Principal Amount, less aggregate original issue discounts, of all Series of such Bonds;

"Fiscal Year" shall mean the period beginning on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year or such other period of twelve calendar months as may be provided by the Act or authorized by the Commission pursuant to the Act;

"Funded Debt Service Reserve Fund Requirement" shall mean as of any particular date of computation, an amount equal to the Debt Service Reserve Fund Requirement less the stated and unpaid amounts of all Reserve Deposits held for the account of the Debt Service Reserve Fund.

"Net Revenues" shall mean, for any period of computation, (i) the balance on deposit in the Revenue Fund on the first day of such period of computation, plus (ii) all Revenues (excluding proceeds of insurance, condemnation or the sale or other disposition of any part of the System) received by the Commission during such period and deposited in the Revenue Fund, less (iii) all amounts withdrawn from the Revenue Fund during such period and deposited in the Operating Fund or the Debt Service Reserve Fund;

"Operating Expenses" shall mean any expenses incurred by or for the account of the Commission or reimbursable by or to the Commission for operation, maintenance, renewal and repair of the System including, without limiting the generality of the foregoing, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on insurance claims to the extent moneys are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the Commission, taxes, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits, and any other similar expenses required to be paid by the Commission or defined as "Current Expenses" in the Act, all to the extent properly and directly attributable to the System, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Resolution, but does not include the Cost of any Capital Improvement or any provision for interest, depreciation, amortization or similar charges on any indebtedness except for interest paid on notes, and renewals thereof (to the extent not included in the Cost of any Project paid or to be paid from amounts on deposit in any Project Account) and except for payments made with respect to any indebtedness represented by leases, mortgages, security interests and other permitted encumbrances;

"Opinion of Bond Counsel" shall mean an opinion signed by Murphy, McCoubrey & Auth, L.L.P., or by any other counsel nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions selected by the Commission and satisfactory to the Trustee;

"Outstanding" when used with reference to Bonds, shall mean as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Commission or by any other Fiduciary, at or before said date, (2) any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the maturity or redemption date, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at

maturity, of which notice of redemption shall have been, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered, and (4) any bond deemed to have been paid;

"Permitted Investments" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Commission funds;

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America, and any certificates or receipts representing direct ownership of future interest or principal payments in such bonds or other obligations;
- (ii) public housing bonds issued by public agencies or municipalities and fully guaranteed as to the payment of both principal and interest by the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the timely payment of both principal and interest by a requisition or payment agreement with the United States of America, or obligations issued by any state or any public agencies or municipalities which at the time of purchase are rated in either of the two highest rating categories by each Rating Agency then maintaining a rating on such obligations;
- (iii) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged, and direct and general obligations of any political subdivision of any such state to the payment of which the full faith and credit and unlimited ad valorem taxing power of such political subdivision is pledged, provided that at the time of their purchase under the Resolution such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
- (iv) commercial paper rated in the highest category by each Rating Agency then maintaining a rating on such commercial paper;
- (v) investments in a money market fund or other fund the investments of which consist exclusively of obligations described in clause (i) above;
- (vi) bank time deposits evidenced by certificates of deposit issued by banks (which may include any Fiduciary) having at the time of purchase a combined capital and surplus of not less than \$50,000,000 which are members of the Federal Deposit Insurance Corporation or savings and loan institutions having deposits of not less than \$100,000,000 which are members of the Federal Savings and Loan Insurance Corporation; provided that any such time deposits in excess of applicable federally insured limits are fully secured by obligations described in clause (i) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest;
- (vii) repurchase agreements relating to securities of the type specified in clause (i) above with banks or trust companies having a combined capital and surplus of not less than \$50,000,000 or with government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; provided that the market value of such securities is at the time of entering into such agreement at least one hundred three percent (103%) of the repurchase price specified in the agreement; and provided further that such securities are delivered to or held by the Trustee or a depository satisfactory to the Trustee in such manner as may be required to provide a perfected security interest in such securities;
- (viii) investment contracts with, or guaranteed by, banks or other financial institutions whose long-term unsecured debt or claims-paying ability at the time of purchase is rated in one of the three highest rating categories for such debt or claims-paying ability by each Rating Agency then maintaining a rating on such contracts;

- (ix) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal Banks for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank System, Federal Land Banks, Export-Import Bank of the United States, Federal National Mortgage Association, Government National Mortgage Association or any agency or instrumentality of or corporation wholly owned by the United States of America;
- (xi) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

"Principal Amount" with respect to any Bond, shall mean the stated principal thereon or such other amount payable on any Compound Interest Bond or Discount Bond designated as the Principal Amount thereof pursuant to the applicable Supplemental Resolution;

"Principal Installment" shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, an amount of money equal to the aggregate of (i) the Principal Amount of Outstanding Bonds of said Series which mature on such date, reduced by the aggregate Principal Amount of such Outstanding Bonds which would at or before said date be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Payments payable at or before said date for the retirement of such Outstanding Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said date for the retirement of any Outstanding Bonds of said Series;

"Rates and Charges" shall mean, except as otherwise expressly provided herein, all fees, rates, rents, assessments and other charges established by or on behalf of the Commission for the services, facilities and commodities furnished or supplied by it from the operation of the System;

"Rating Agency" shall mean Fitch Investors Service, Inc., Moody's Investors Service or Standard & Poor's Ratings Group and their respective successors and assigns and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Bonds;

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the Principal Amount thereof or of such portion, or such other amount as may be provided in the applicable Supplemental Resolution, plus the premium, if any, payable upon redemption thereof;

- (i) irrevocable, unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or of the holding company of such banking institution) have (at the time of issue of such letter of credit) a rating within the three highest rating categories generally available to banking institutions by each Rating Agency rating such debt without regard to gradations in such categories; or
- (ii) irrevocable and unconditional policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating at the time of issuance of such policies within the three highest rating categories available to insurers generally issuing such insurance by each Rating Agency rating such insurance without regard to any gradations within such categories;

in each case providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided;

"Resolution" shall mean this General Bond Resolution as the same may be amended or supplemented in accordance herewith;

"Revenues" shall mean and include (except as otherwise expressly provided herein) all income, revenues, receipts, and other moneys derived by the Commission from its ownership and operation of the System (including collections by or on behalf of the Commission on account of services and commodities furnished or supplied by the System prior to the effective date of the Resolution or prior to the creation of the Commission) and all accounts, general intangibles and contract or other rights to receive the same, whether existing at the effective date of the Resolution or thereafter coming into existence and whether held by the Commission at the effective date of the Resolution or thereafter acquired, and the proceeds thereof, including, without limiting the generality of the foregoing, receipts from Rates and Charges and from the earnings on the investment of any moneys held under the Resolution by the Trustee or the Commission, (other than from moneys held in the General Fund), receipts from fees, rates, assessments and other charges to any political subdivision of the Commonwealth for services or commodities furnished or supplied by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the Commission from the United States or the Commonwealth or from any agency, instrumentality or political subdivision of

either thereof, and except to the extent otherwise provided herein, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received with respect to the System or any part thereof, but not including any amounts not deemed "Revenues";

"Series" when used with respect to less than all of the Bonds, shall mean or refer to all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions;

"Sinking Fund Payment" shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, the amount of money required by any Supplemental Resolution to be paid by the Commission on such date for the retirement of any Outstanding Bonds of said Series which mature after said date, but does not include any amount payable by the Commission by reason of the redemption of Bonds at the election of the Commission or the Holders of such Bonds;

"Supplemental Resolution" shall mean any resolution of the Commission amending or supplementing the Resolution adopted and becoming effective in accordance with the terms hereunder;

"System" shall mean the water works system and the sewer works system of the Commission as defined in the Act, together with any Capital Improvements or other additions thereto and substitutions for any part thereof heretofore or hereafter acquired or made by or on behalf of the Commission, and all other properties of the Commission used in, or necessary or desirable for, the operation of such systems;

"Trust" means the Massachusetts Water Pollution Abatement Trust established pursuant to Chapter 29C of the Massachusetts General Laws;

"Trust Bonds" shall mean the Initial Bonds issued pursuant to the General Bond Resolution and the Trust Financing Agreement;

"Trustee" means Peoples United, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution;

"Trust Financing Agreement" shall mean any financing agreement between the Trust and the Commission pertaining to a loan made by the Trust to the Commission or pertaining to the purchase of Trust Bonds by the Trust from the Commission pursuant to Chapter 29C of the Massachusetts General Laws;

(a) There are hereby pledged for the payment of the Principal Amount and Redemption Price of and interest on the Bonds, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, (i) all Revenues, and (ii) all moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the Resolution except the General Fund and the Rebate Fund, (iii) subject to the provisions of the Bond Anticipation Notes, the proceeds of sale of the Bonds. The Bonds shall be general obligations of the Commission and the full faith and credit of the Commission are hereby pledged for the payment of the Principal Amount and Redemption Price of and interest on the Bonds. Neither the Commonwealth nor any city or town therein shall be obligated to pay the Bonds and neither the faith and credit nor the taxing power of the Commonwealth or of any city or town is pledged to such payment.

(b) The pledge made in the Resolution and the covenants and agreements therein set forth to be performed by or on behalf of the Commission shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Resolution. (Section 501 and Section 202)

(c) There is hereby authorized one or more series of Bonds of the Commission to be designated as "General Revenue Bonds", which Bonds may be issued as hereinafter provided from time to time, without limitation as to amount except as provided in the Resolution or as limited by law. The Bonds may, if and when authorized by the Commission pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "General Revenue Bonds", may include such further appropriate designations added to or incorporated in such title for the Bonds of any particular Series as the Commission may determine. The Bonds shall be issued as general obligations of the Commission and may be issued as Fixed-Rate Bonds, Variable-Rate Bonds, Tender Bonds, Compound Interest Bonds, or Discount Bonds or any combination thereof in accordance with applicable

The Bonds of a Series shall be executed by the Commission and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the order of the Commission, but only upon the receipt by the Trustee of:

- d. A certificate of an Authorized Officer setting forth a description of, and the estimated cost and completion date of, each Project, if any financed in whole or in part by such Bonds;
- e. An amount of proceeds of such Bonds, other moneys or Reserve Deposits in a stated amount such that following the issuance of such Bonds and application of their proceeds, the amounts on deposit in and the aggregate stated and unpaid amount of all Reserve Deposits held as part of the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement.
- f. A certificate of an Authorized Officer stating that the Resolution has not been repealed and that a certified copy of every Supplemental Resolution theretofore adopted by the Commission has been delivered to the Trustee;
- g. A certificate of an Authorized Officer stating that, as of the date of delivery of such Additional Bonds, no Event of Default has occurred and is continuing;
- h. A certificate of an Authorized Officer (a) setting forth the amount of Net Revenues for the last two full Fiscal Years prior to the Fiscal Year in which such Additional Bonds are issued and (b) showing that the Net Revenues in each such Fiscal Year were equal to at least one hundred twenty-five percent (125 %) of (A) the Debt Service Requirement during such Fiscal Year less (B) the amount, if any, of Bond proceeds available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year; provided that, (1) in the case of Additional Bonds issued on or before the last day of the third full Fiscal Year following the adoption of this Resolution, it will be sufficient if such certificate shows that Net Revenues for the period beginning on the date of delivery of the Initial Bonds, or of any notes issued in anticipation thereof, and ending on a date not more than 90 days prior to the date such Additional Bonds are delivered were at least equal to one hundred twenty-five percent (125 %) of (i) the Debt Service Requirement for such period less (ii) the amount, if any, of Bond proceeds applied to interest or Principal Installments paid during such period or, with respect to interest or Principal Installments accrued but not due on the last day of such period, available to be applied to the payments of such interest and Principal Installments when due (for purposes of this subsection, Net Revenues shall be based on financial statements of the Commission as audited by an independent accountant or accountants selected by the Commission and satisfactory to the Trustee to the extent such audited financial statements are available at the time of such certificate and otherwise shall be based on unaudited financial statements of the Commission); and the five full Fiscal Years following the issuance of such Additional Bonds (including the Fiscal Year in which such Additional Bonds are issued), after giving effect to any increases or decreases in Rates and Charges projected for such period, to Bonds projected to be issued during such period and to any increase in the Debt Service Reserve Requirement as a result thereof and to any additional Revenues projected to be available during such period from Projects or other Capital Improvements to be completed during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year together with the amounts of Reserved Revenues, if any, available in such Fiscal Year (as calculated by an Authorized Officer at the time of the issuance of such Additional Bonds), will be at least equal to one hundred twenty-five percent (125 %) of (A) the Debt Service Requirement for such Fiscal Year less (B) the amount, if any, of Bond proceeds available or projected to be available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding or projected to be Outstanding as of the first day of such Fiscal Year; provided that the certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the Commission for such Fiscal Year on or before the date of such certificate; and provided further that, if the certificate required pursuant to the above shows that Net Revenues in each of the Fiscal Years or periods covered by such certificate were equal to at least one hundred forty percent (140%) of (A) the Debt Service Requirement during such Fiscal Year or period less (B) the amount, if any, of Bond proceeds available to pay Principal Installments and interest becoming due in such Fiscal Year or period on Bonds Outstanding as of the first day of such Fiscal Year or period, then the certificate required under this subsection (vi) may be provided by an Authorized Officer of the Commission instead of a Consulting Engineer. (Section 206)

A Series of Refunding Bonds shall be executed by the Commission and delivered to the Authenticating Agent for such Series of Bonds and by it authenticated and delivered to or upon the order of the Commission, but if there shall have been delivered to Trustee in addition to the documents required under Conditions Precedent to Delivery of a Series of Bonds, except paragraph (i) and (j) of the above:

- (a) A certificate of an Authorized Officer setting forth the Debt Service Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds and (b) computed immediately after the delivery of such Refunding Bonds, and showing that the Debt Service Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in (b) of this paragraph will not be greater than the Debt Service Requirement in each such Fiscal Year as computed in (a) of this paragraph; provided that, in lieu of providing such certificate, the Commission may deliver to the Trustee a certificate of an Authorized Officer satisfying the conditions of Section (i) above and a certificate of a Consulting Engineer (or Authorized Officer, if permitted) satisfying the conditions of Section (j) above in each case treating the Refunding Bonds to be issued as Additional Bonds thereunder;
- (b) If any Bonds are to be redeemed prior to maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of the Bonds to be redeemed on a redemption date specified in the instructions;
- (c) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding sixty (60) days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice to the registered owners of the Bonds to be refunded; and
- (d) An amount of money or Permitted Investments sufficient to effect redemption of the Bonds to be refunded. (Section 207)

Whenever the Commission shall authorize the issuance of a Series of Bonds, the Commission may by resolution authorize the issuance of notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such notes and renewals thereof shall be payable from any moneys of the Commission available therefor, from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. Subject to the General Bond Resolution, the Commission may also pledge the Revenues to the payment of such notes.

In addition to the security provided for the Bonds hereunder, in connection with the initial issuance of any Series of Bonds hereunder, the Commission may obtain or cause to be obtained letters of credit, lines of credit, insurance or similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal Installments or Redemption Price of, or interest due or to become due on, such Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer or obligor of any such Additional Security. In connection therewith the Commission may enter into such agreements with the issuer of or obligor on such Additional Security providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Additional Security, which fees and expenses may be Costs of Issuance or Operating Expenses as appropriate, the terms and conditions of such Additional Security, the Series of Bonds affected thereby, the security, if any, to be provided for the issuance of such Additional Security, and the payments of such fees and expenses on the obligations of the Commission with respect thereto.

In addition to any security permitted hereunder, the Commission may secure its obligations with respect to any Additional Security by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Commission in the applicable Supplemental Resolution. The Commission may also in an agreement with the issuer or obligor on such Additional Security agree to directly reimburse ("Reimbursement Obligations") such issuer or obligor for amounts paid under the terms of such Additional Security, together with interest thereon. Such Reimbursement Obligations may be secured by a lien on Revenues which, upon payment of amounts payable under the terms of such Additional Security and application of such amounts as provided in the agreements providing therefor, may be on a parity with the lien created by the General Bond Resolution. (Section 209)

Delivery of the Initial Bonds, or of any notes issued in anticipation thereof (a) the following funds as established by the General Bond Counsel to be held by the Trustee, except the Operating Fund and the General Fund which shall be held by the Commission in the custody of one or more depositories selected by the Commission and satisfactory to the Trustee:

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund
- (iv) Debt Service Fund
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund
- (vii) Stabilization Fund
- (viii) Operating Reserve Fund
- (ix) Renewal and Replacement Reserve Fund
- (x) Rebate Fund
- (xi) City Bond Fund

(b) The Commission may establish, in connection with the issuance of one or more Series of Bonds, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds and subaccounts within the funds and accounts established hereunder, as set forth in Supplemental Resolutions. (Section 502)

(a) The Supplemental Resolution for any Series of Bonds issued in whole or in part to pay the Cost of any Project shall establish within the Project Fund one or more separate accounts (herein called "Project Accounts") for such Series of Bonds.

(b) There shall be deposited in each Project Account (i) the amount, if any, provided in the applicable Supplemental Resolution as necessary to pay the Cost of the Projects financed by such Series, (ii) that portion, if any, of the balance then remaining of the proceeds of any notes (or renewals thereof) issued in anticipation of the Bonds of such Series which were issued to pay the Cost of any Project financed in whole or in part by such Bonds, (hi) the balance, if any, of any Temporary Project Account established for any such Project, (iv) the proceeds of insurance on any such Project received by the Commission during the period of its construction and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Commission, including, without limitation, the proceeds of any loan received or Trust Bonds sold under a Trust Financing Agreement which the Commission elects to deposit in the Project Account pending disbursement thereof.

(c) Amounts in any Project Account shall be disbursed to or upon the order of the Commission to be applied to the Cost of the Projects financed in whole or in part by such Series upon receipt by the Trustee of one or more requisitions, in form satisfactory to the Trustee, signed by an Authorized Officer. Notwithstanding the foregoing, if at any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, City Bond Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund, Operating Reserve Fund, Renewal and Replacement Accounts and Temporary Project Accounts is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from any unencumbered moneys on deposit in the Project Accounts (in such order of priority as the Commission by certificate of an Authorized Officer shall direct or, in the absence of such direction, as the Trustee shall determine in its discretion) to the Debt Service Fund the amount necessary to meet the deficiency.

(d) Upon the determination by the Commission that a Project undertaken or to be undertaken has been or should be delayed and that no further amounts or significantly reduced amounts are required therefor from the applicable Project Account, the Commission may, by resolution duly adopted by the Commission, direct the Trustee in writing to transfer or apply amounts then on deposit in the applicable Project Account (i) to the payment of Costs of other Projects payable from such Project Account, (h) to another and separate Project Account, Temporary Project Account or Renewal and Replacement Account, (iii) to the Renewal and Replacement Reserve Fund or (iv) to the Redemption Fund for application to the redemption of Bonds of the Series for which such Project Account was established; provided that, in the case of proceeds of any Series of Trust Bonds, such amount shall be applied as provided in (iv) unless the Commission shall have received the written approval of the Trust of another use permitted under this subsection.

(e) At any time that the Commission determines by resolution to undertake Capital Improvements to be financed by Revenues, the Commission may direct the Trustee to establish within the Project Fund one or more separate accounts (herein called "Renewal and Replacement Accounts") for such Capital Improvements. There shall be deposited in any such Renewal and Replacement Account (i) any amounts withdrawn from the Revenue Fund for deposit therein, (ii) any amounts withdrawn from the Renewal and Replacement Reserve Fund for deposit therein, (iii) any amounts

withdrawn from Project Accounts or Temporary Project Accounts for deposit therein, and (iv) any other amounts (not required by the Resolution to be otherwise deposited) as determined by the Commission and certified in writing to the Trustee. Amounts in a Renewal and Replacement Account shall be disbursed to or upon the order of the Commission to be applied to the Cost of the Capital Improvements for which such account was established upon receipt by the Trustee of one or more requisitions, in form satisfactory to the Trustee, signed by an Authorized Officer. Notwithstanding the foregoing, if at any time the amount on deposit and available therefore in the Debt Service Fund, Redemption Fund, Stabilization Fund, City Bond Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund and Operating Reserve Fund is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from the Renewal and Replacement Accounts (in such order of priority as the Commission by certificate of an Authorized Officer shall direct or, in the absence of such direction, as the Trustee shall determine in its discretion) to the Debt Service Fund the amount necessary to meet the deficiency. (Section 503)

The Commission may establish in the Supplemental Resolution for any Series of Bonds a separate account ("Cost of Issuance Account") within the Project Fund and shall deposit in the Cost of Issuance Account for such Series any proceeds of such Series as directed by such Supplemental Resolution and any other moneys not otherwise directed to be applied by the Resolution. Amounts in a Cost of Issuance Account shall be disbursed to or upon the written order of the Commission without requisition to be applied to Costs of Issuance of the applicable Series of Bonds. Any balance remaining in a Cost of Issuance Account upon payment of or provision for all Costs of Issuance to be paid therefrom shall be transferred by the Trustee, upon the written direction of an Authorized Officer of the Commission, to (i) one or more Project Accounts established for the applicable Series of Bonds or (ii) the Redemption Fund to be applied to the redemption of Bonds of the Series for which such Cost of Issuance Account was established. (Section 503(7))

All Revenues, except (i) proceeds of insurance and condemnation to the extent provided in the General Bond Resolution, (ii) proceeds of any sale or other disposition of any part of the System to the extent provided in the General Bond Resolution and (iii) earnings on investment of the funds and accounts hereunder to the extent provided in the General Bond Resolution shall be collected by or for the account of the Commission and deposited daily, as far as practicable, in the Revenue Fund. There shall also be deposited in the Revenue Fund any other moneys so directed by the Resolution and any other moneys of the Commission which it may in its discretion determine to so apply unless required to be otherwise applied by the Resolution. (Section 504)

(a) On the last business day of each calendar month beginning with the month in which the Initial Bonds, or in which any notes in anticipation thereof, are delivered, the Trustee shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

(i) To the Commission for deposit in the Operating Fund, the amount provided for Operating Expenses for the next ensuing month in the Annual Operating Budget for the Fiscal Year in which such next ensuing month occurs prepared in accordance with the General Bond Resolution;

(ii) To the Debt Service Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement as of the first day of the next ensuing month;

(iii) To the Debt Service Reserve Fund, an amount, which, together with the amounts on deposit therein, will equal the Funded Debt Service Reserve Fund Requirement as of the first day of the next ensuing month;

(viii) To the Commission for deposit in one or more Renewal and Replacement Accounts, such amount as requested by the Commission but only upon receipt by the Trustee of (a) a copy of the resolution of the Commission approving the Capital Improvements to be funded in whole or in part from such Accounts, certified by an Authorized Officer, (b) a certificate of an Authorized Officer describing the Capital Improvements in such detail as the Trustee shall reasonably request and stating the estimated Cost of such Capital Improvements and their estimated completion date or dates and (c) a certificate of an Authorized Officer stating that such deposit will not impair the ability of the Commission to meet the requirements of the Revenue Fund in the succeeding months of such Fiscal Year based on the then current Annual Budget; and

(ix) To the City Bond Fund, the aggregate amount of principal and interest on all City Bonds then outstanding (a) due and unpaid as of such date and (b) to become due and payable in the next ensuing calendar month.

(b) Any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom in the succeeding months, provided that if the Commission shall have issued notes in anticipation of Revenue, amounts in the Revenue Fund remaining after the above payments have been made may be used by the Commission to pay the principal of such notes at maturity or upon earlier redemption.

(c) On the last business day of June of each Fiscal Year after the payments as of such day provided in subsection (a) of this section shall have been made, any balance or part thereof in the Revenue Fund shall, at the written request of the Commission, be withdrawn and paid to it for deposit in the General Fund but only upon receipt by the Trustee of a certificate of an Authorized Officer stating that such deposit will not impair the ability of the Commission either to (i) meet the requirements of the Revenue Fund during the next succeeding Fiscal Year based on the Annual Budget for such Fiscal Year or (ii) satisfy the requirements of the covenants of the rates and charges in the next succeeding Fiscal Year. (Section 504)

Operating Fund. Amounts in the Operating Fund shall be applied by the Commission from time to time to Operating Expenses. Amounts in the Operating Fund which the Commission at any time determines to be in excess of the requirements of such Account shall be withdrawn and deposited in the Revenue Fund. (Section 505)

(a) The Trustee shall payout of the Debt Service Fund to the respective Paying Agents (i) on each interest payment date the amount required for the interest and Principal Installments payable on such date and (ii) on each redemption date for any Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest on the Bonds then to be redeemed; provided that in each case the Commission may direct the Trustee in writing to make such payments to the Paying Agents on such date prior to the due date as the Commission determines. The Paying Agents shall apply such amounts to the payment of interest and Principal Installments on and after the due dates thereof. If on any interest payment date the amount accumulated in the Debt Service Fund for either of the purposes specified above exceeds the amount required therefor, the Commission may direct the Trustee in writing to deposit such excess in the Redemption Fund or, in its discretion, in the Revenue Fund. The Trustee shall also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased for retirement under any provision of the Resolution.

(b) Amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established) may, and if so directed by the Commission shall, be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the Principal Amount thereof plus interest to such date), such purchases to be made as directed by the Commission in writing or otherwise in such manner as the Trustee shall determine, or (ii) the redemption, pursuant to Section 402, of such Bonds then redeemable by their terms. The applicable Redemption Price or Principal Amount (in the case of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Payment was established (except in the case of Bonds maturing on a Sinking Fund Payment date) in such amount as shall be necessary to complete the retirement of the Principal Amount of the Bonds of such Series and maturity as specified for such Sinking Fund Payment in the applicable Supplemental Resolution, and whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds. The Trustee shall payout of the Debt Service Fund to the appropriate Paying Agents, on or before such redemption date or maturity date, the amount required for the redemption of the Bonds so called for redemption or for the payment of such Bonds then maturing, and such amount shall be applied by such Paying Agents to such redemption or payment.

(c) The Commission may establish in any Supplemental Resolution a separate account (herein called "Capitalized Interest Account") within the Debt Service Fund and may deposit in the Capitalized Interest Account any proceeds of Bonds as directed by such Supplemental Resolution and any other moneys not otherwise directed to be applied by the Resolution. Amounts in the Capitalized Interest Account shall be applied to the payment of interest on the Bonds and as otherwise provided in the applicable Supplemental Resolution. (Section 506)

(a) The Commission may deposit in the Redemption Fund any moneys, including Revenues, not otherwise required by the Resolution to be deposited or applied.

(b) If at any time the amount on deposit and available therefor in the Debt Service Fund is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than

amounts held therein for the redemption of Bonds for which a notice of redemption shall have been given by the Trustee). Subject to the foregoing, amounts in the Redemption Fund may be applied by the Commission to the redemption of Bonds in accordance the General Bond Resolution. (Section 507)

(a) If at any time the amount on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, City Bond Fund, Debt Service Reserve Fund and Renewal and Replacement Reserve Fund is insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall transfer from the Operating Reserve Fund to the Debt Service Fund the amount necessary to meet the deficiency.

(b) Subject to subsection (a) if at any time the amount on deposit in the Operating Fund is insufficient to pay all Operating Expenses then payable, the Trustee, upon receipt of a certificate of an Authorized Officer to that effect, shall withdraw from the Operating Reserve Fund and pay to the Commission for deposit in the Operating Fund the amount specified in such certificate. (Section 508)

(a) Amounts shall be deposited into the Stabilization Fund from the Revenue Fund to the extent provided in any Supplemental Resolution.

(b) Upon the direction of the Commission, expressed in a Supplemental Resolution or in a certificate of an Authorized Officer, amounts on deposit in the Stabilization Fund may be withdrawn and deposited in the Revenue Fund.

(c) Notwithstanding the provisions of subsection (b) above, if at any time the amounts on deposit and available therefor in the Debt Service Fund and Redemption Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Stabilization Fund and deposit in the Debt Service Fund the amount necessary to meet such deficiency. (Section 509)

(a) If at any time the amounts on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund and City Bond Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. Amounts so withdrawn shall be derived first from cash or Permitted Investments on deposit therein, and second from draws or demands on Reserve Deposits held as a part thereof, upon the terms and conditions set forth in the agreements applicable to any such Reserve Deposits or as set forth in the Supplemental Resolution providing for such Reserve Deposits.

(b) If on the last business day of any month the amount on deposit in the Debt Service Reserve Fund is in excess of the Funded Debt Service Reserve Fund Requirement (calculated as of the first day of the next succeeding month) the Trustee, upon direction of the Commission expressed in a certificate of an Authorized Officer, shall withdraw such excess and deposit it in the Revenue Fund.

(c) Whenever the Trustee shall determine that the cash and Permitted Investments on deposit in the Debt Service Reserve Fund, together with all other funds available for the purpose, is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the written direction of the Commission, shall transfer the balance of such cash and Permitted Investments from the Debt Service Reserve Fund to the Redemption Fund in connection with the redemption of all Bonds Outstanding. (Section 510)

(a) If at any time the amounts on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, City Bond Fund and Debt Service Reserve Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Renewal and Replacement Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency.

(b) Subject to Subsection (a) of this section, the Commission may apply amounts in the Renewal and Replacement Reserve Fund solely to the Cost of any Capital Improvement monies for the payment of which are not available in any Project Account, any Temporary Project Account or any Renewal and Replacement Account. The Trustee shall withdraw from such Fund and deposit in a Renewal and Replacement Account or, if the Commission has by resolution determined to subsequently finance such Capital Improvement by the issuance of Bonds or notes in anticipation thereof not then issued, in a Temporary Project Account, any amount requested by the Commission but only upon receipt of a certificate of an Authorized Officer. (Section 511)

Rebate Fund. If any Series of Bonds is issued, or becomes, subject to the rebate requirement of Section 148(t) of the Internal Revenue Code of 1986, as amended, the Commission may, by Supplemental Resolution, activate the Rebate Fund established hereunder, and the Trustee shall then establish a separate Rebate Account within the Rebate Fund for such

Series of Bonds. Funds on deposit in any Rebate Account shall be applied as set forth in the applicable Supplemental Resolution. (Section 512)

(a) If on any interest payment date for the Bonds the amounts on deposit and available therefor in the Debt Service Fund, Redemption Fund and Stabilization Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw as soon as practicable from the City Bond Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency to the extent available therein.

(b) Subject to subsection (b) amounts on deposit in the City Bond Fund shall be applied, as provided in the Act, to the payment of principal and interest on the City Bonds. On the business day immediately preceding each date on which principal of or interest on City Bonds is due, the Trustee shall withdraw from the City Bond Fund and pay to the Treasurer of the City of Springfield an amount equal to the principal of and interest on the City Bonds payable on such date of payment. (Section 513)

Amounts on deposit in the General Fund may be held and applied by the Commission to any use or purpose of the Commission, including, without limitation, the purchase or payment of Bonds and the payment of the Cost of any Capital Improvement. In addition to amounts specifically provided or permitted by the Resolution to be deposited in the General Fund, the Commission may deposit therein any other monies received from any source unless such monies are required to be otherwise applied by the Resolution. (Section 514)

Money held by the Trustee for the credit of any fund or account under the Resolution shall, to the fullest extent practicable, be invested, either alone or jointly with monies in any other fund or account, by the Trustee at the written direction of an Authorized Officer of the Commission in Permitted Investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide monies to meet the payments from such funds and accounts; provided that if monies in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of such fund or account. Notwithstanding the foregoing, monies in the Debt Service Reserve Fund shall be invested solely in the investments specified in paragraphs (i), (ii), (iii), (vii), (viii), (ix), (x) and (xi) of the definition of Permitted Investments. At least one-half of the moneys in the Debt Service Reserve Fund shall be invested in Permitted Investments (a) maturing no later than ten (10) years from the date such Permitted Investment is acquired by the Trustee or (b) subject to liquidation at par or at the amortized cost thereof, as applicable, at any time application of the moneys so invested is required under the terms of the Resolution. Unless otherwise directed by any Supplemental Resolution, Permitted Investments purchased as an investment of monies in any fund or account shall be deemed at all times to be a part of such fund or account and all income thereon shall accrue to and be deposited in such fund or account and all losses from investment shall be charged against such fund or account; provided that all income earned on investment of the Operating Reserve Fund, the Renewal and Replacement Reserve Fund, the Insurance Reserve Fund, if any, the Capitalized Interest Account, if any, the Stabilization Fund, and the City Bond Fund shall be credited to and deposited in the Revenue Fund. Notwithstanding the foregoing and any other provision herein to the contrary, the Commission may by Supplemental Resolution direct that all or any portion of income earned on investment of moneys allocable to any Series of Bonds in any fund or account established hereunder be transferred to the Rebate Account established for such Series of Bonds in the Rebate Fund.

(2) In computing the amount in any fund or account hereunder for any purpose, Permitted Investments shall be valued at amortized cost. As used herein, the term "amortized cost", when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discounts at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Unless otherwise provided in the Resolution, Permitted Investments in any fund or account hereunder shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in the Debt Service Reserve Fund shall be valued at amortized cost for all purposes of the Resolution unless and until a withdrawal from such Fund shall be required, in which event such investments shall thereafter be valued at amortized cost or market, whichever is lower, until the balance in such Fund, on the basis of such valuation, shall equal the Funded Debt Service Reserve Fund Requirement. (Section 515)

Except as otherwise provided in any Supplemental Resolution, monies held by or for the account of the Commission in connection with the System which are required to be applied under the terms of an agreement to the acquisition, construction or alteration of a facility which is the subject of such agreement (including, any such monies received by the Commission for such purpose under any grant or loan agreement with the United States of America or the Commonwealth or any agency, political subdivision or instrumentality of either) or which are subject to refund by the

Commission or held for the account of others or subject to refund to others, including, without limitation, any amounts which, under any agreement by the Commission providing for adequate separation of such amounts from Revenues, are collected by the Commission on behalf of others for services rendered or commodities provided to customers of the System, any amounts deducted by the Commission from wage and salary payments to the employees of the Commission, any amounts contributed by the Commission to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the Commission and any amounts held as deposits, including customers' service deposits, guaranteed revenue contract deposits, unexpended developers' deposits under construction loan contracts, minimum revenue deposits and unexpended jobbing deposits, together with any investments of such monies and interest and profits thereon to the extent such interest and profits are also held for the account of others or subject to refund to others, may be held by the Commission outside of the various funds and accounts established by the Resolution and, notwithstanding anything herein to the contrary, shall not be subject to the pledge created by the Resolution or be considered Revenues hereunder while so held. (Section 516)

(a) So long as any Bonds or any notes in anticipation thereof are Outstanding, the Commission shall establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other monies, including any Reserved Revenues which are directed by the Commission to be deposited in the Revenue Fund, at least sufficient, with such margin of safety as the Commission shall deem reasonable, to payor provide for, as the same become due or are payable (i) all Operating Expenses, (ii) all payments of Principal Installments and Redemption Price of and interest on the Bonds and all other bonds, notes or other evidences of indebtedness of or assumed by the Commission, including the City Bonds, (iii) all amounts payable to the Operating Reserve Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund and Insurance Reserve Fund, if any, (iv) all repairs, replacements and renewals of the System deemed necessary by the Commission and (v) all other amounts which the Commission may by law or contract be obligated to pay.

(b) Without limiting the provisions of (a) above, the Commission shall establish and maintain Rates and Charges at levels sufficient so that total Net Revenues in each Fiscal Year during which Bonds are Outstanding, beginning with the first full Fiscal Year following issuance of the Initial Bonds, shall equal at least one hundred twentyfive percent (125 %) of (1) the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year less (2) the amount, if any, of Bond proceeds available to pay interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year. Failure by the Commission to comply with the requirements of this subsection (2) shall not be considered an Event of Default under the Resolution so long as the Commission has complied or is diligently proceeding to comply with the requirements of subsections (c) and (d) below.

(c) On or before the last day of each Fiscal Year the Commission shall review the adequacy of its Rates and Charges to satisfy the requirements of this Section for the next succeeding Fiscal Year. If such review indicates that the Rates and Charges are, or are likely to be, insufficient to meet the requirements of this Section for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that Rates and Charges are or are likely to be insufficient to meet such requirements, the Commission shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency.

(d) Within one hundred eighty (180) days of the close of each Fiscal Year while Bonds are Outstanding, beginning with the first full Fiscal Year following issuance of the Initial Bonds, and within one hundred eighty (180) days of the close of each Fiscal Year while any notes in anticipation of the Initial Bonds are outstanding, the Commission shall deliver to the Trustee a certificate of an Authorized Officer stating, if such was the case, that the Commission satisfied the requirements of (a) and (b) above in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the Commission so that it will comply with such requirements in the then current Fiscal Year. Such certificate shall be accompanied by a certificate of the independent public accountant or firm of accountants regularly auditing the books of the Commission setting forth the Net Revenues for the preceding Fiscal Year.

(e) The Commission will promptly enforce in the manner and to the extent provided by law the payment of any and all delinquent accounts except when the Commission determines that such enforcement is no longer practicable or economically justified. (Section 603)

(a) Except as provided under this heading, no part of the System shall be sold, mortgaged, leased (with the Commission as lessor) or otherwise disposed of or encumbered.

(b) The Commission may sell or exchange or otherwise dispose of, at any time or 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 written opinion of the Commission are no longer useful in the operation of the System and, if the market value of such property or facilities as determined by the Commission is in excess of \$500,000, the Commission delivers to the Trustee a certificate of an Authorized Officer 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 Commission to satisfy the Rate of Charge Covenant 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, exchanged or disposed of shall be deposited in the Revenue Fund.

(c) The Commission may mortgage, grant security interests in or otherwise encumber any real or personal property included in the System, or may lease as lessee any real or personal property to be used in the operation of the System, all in accordance with the provisions of the Act; provided that (i) the aggregate annual payments required to be made by the Commission under all such mortgages, security interests, encumbrances and leases shall not in any Fiscal Year exceed twenty-five percent (25%) of the Operating Expenses for such Fiscal Year or (ii) the Commission shall deliver to the Trustee a certificate of an Authorized Officer stating that such action shall not impede the City's ability to comply with all the covenants set forth in the Resolution for so long as any Bonds shall remain Outstanding and (a) setting forth the estimated annual Net Revenues for each of the five full Fiscal Years following the action (including the Fiscal Year in which such action is taken), after giving effect to any increases or decreases in Rates and Charges projected to be in effect for such period and to any additional Revenues projected to be available during such period, and (b) showing for each of such Fiscal Years that the estimated annual Net Revenues for such Fiscal Year will be at least equal to one hundred twenty five percent (125 %) of the Debt Service Requirement for such Fiscal Years (provided that the certificate shall not project any increase in Rates and Charges during the first full Fiscal Year of the projection period which has not been adopted by the Commission for such Fiscal Year on or before the date of such certificate). 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 hereunder.

(d) The Commission 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, impede the operation by the Commission of the System. Except as provided the Resolution, any payments to the Commission 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 and be deemed Rates and Charges. (Section 604)

The Commission 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, working order and 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 Commission 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 Resolution shall require the Commission to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall have been filed with the Trustee a certificate of an Authorized Officer stating that, in the opinion of the signer (i) abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Holders of the Bonds, and (ii) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the Commission to satisfy the requirements of the Rate and Charges Covenant in the current or any future Fiscal Year. Nothing in this Resolution shall be deemed to preclude the Commission 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. (Section 605)

(a) The Commission shall at all times keep all property which is a part of the System and which is of an insurable nature and of the character usually insured by operating systems similar to the System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are customary or shall self-insure against such risks as provided in subsection (c) below. The Commission will also at all times maintain insurance against loss or damage from such hazards and risks to the persons and property of others as are usually insured against by those operating systems similar to the Commission or shall self-insure against such risks as provided in subsection (c) below. In determining the amounts and types of insurance to be maintained under this Section, the Commission may rely upon the advice of a Consulting Engineer or an insurance consultant selected by the Commission. All policies of insurance shall be carried with insurers of good standing authorized to do business in the Commonwealth and shall provide that the proceeds of such insurance shall be payable to the Commission.

(b) All proceeds of insurance insuring the properties and facilities of the System against loss or damage shall be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged, unless the Commission determines not to restore, replace or reconstruct such property or facilities. Any proceeds of such insurance not applied to restoration, replacement or reconstruction or remaining after such work is completed shall be deposited in the Revenue Fund, provided that any proceeds of insurance received by the Commission with respect to loss or damage to a Project

prior to the completion of construction thereof shall be deposited in the applicable Project Account. Proceeds of insurance against loss or damage to the person or property of others shall be applied by the Commission in satisfaction of the applicable claim.

(c) If at any time the Commission determines that any of the policies of insurance required to be maintained by this Section are not reasonably obtainable or may not be obtained at a reasonable cost, the Commission may elect to insure itself against the risks to be covered by such insurance. If the Commission so elects, it shall by resolution (which may be a Supplemental Resolution) establish a separate fund (herein called the "Insurance Reserve Fund"), to be held by the Commission in accordance with the Resolution, and shall deposit in such Fund an amount equal to the Insurance Reserve Fund Requirement. The Insurance Reserve Fund Requirement shall be that amount (or such greater amount provided in any Supplemental Resolution) certified to the Commission by a Consulting Engineer or an insurance consultant retained by the Commission (who may be the insurance consultant or agent regularly furnishing insurance to the Commission) as necessary to adequately reserve against the risks to be covered by the Insurance Reserve Fund. A copy of the resolution of the Commission establishing the Insurance Reserve Fund, certified by an Authorized Officer, together with a certificate of an Authorized Officer, setting forth the Insurance Reserve Fund Requirement shall be promptly delivered to the Trustee. Commencing with the Fiscal Year after the Insurance Reserve Fund is established, the Commission shall annually review the requirements of the Insurance Reserve Fund and no later than one hundred eighty (180) days after the end of each Fiscal Year shall deliver to the Trustee a certificate of an Authorized Officer setting forth the Insurance Reserve Fund Requirement for the ensuing Fiscal Year. If a withdrawal is made from the Insurance Reserve Fund, monthly deposits shall be made to the Insurance Reserve Fund beginning on the last Business Day of July of the Fiscal Year following the Fiscal Year in which such withdrawal is made and on the last Business Day of each succeeding month in an amount equal to one-twelfth (1/12) of the amount of such withdrawal.

(d) If at any time the amounts on deposit and available therefor in the Debt Service Fund, Redemption Fund, Stabilization Fund, City Bond Fund, Debt Service Reserve Fund, Renewal and Replacement Reserve Fund, Operating Reserve Fund, Renewal and Replacement Accounts, Temporary Project Accounts and Project Accounts are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Commission shall withdraw from the Insurance Reserve Fund and pay to the Trustee for deposit in the Debt Service Fund the amount necessary to meet the deficiency. Subject to the foregoing, amounts in the Insurance Reserve Fund shall be applied by the Commission to the payment of liability claims or to the restoration, replacement or reconstruction of portions of the System lost or damaged and for which neither insurance proceeds or amounts on deposit in the Operating Fund are available. Any amounts withdrawn from the Insurance Reserve Fund shall be applied in the same manner as provided in this Section for the proceeds of insurance.

(e) If any property or facilities comprising part of the System shall be taken through the exercise of the power of eminent domain, the Commission shall apply the proceeds of any award received on account of such taking to the replacement of the property or facilities so taken, unless the Commission determines not to replace such property or facilities. Any proceeds of such award not applied to replacement or remaining after such work has been completed shall be deposited in the Revenue Fund. (Section 606)

(a) The Commission shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien on the Revenues and other monies, securities, Reserve Deposits, if any, and funds held or set aside by the Commission or by the Fiduciaries under the Resolution, and shall not otherwise create or cause to be created any lien or charge on such Revenues, monies, securities, Reserve Deposits, if any, and funds, except to the extent provided herein.

(b) Notwithstanding anything herein to the contrary, the Commission may at any time or from time to time issue notes or other evidences of indebtedness (and renewals thereof):

- (i) Bond Anticipation Notes, if so determined by the Commission, may be secured by a pledge of Revenues, provided that such pledge shall in all respects be subordinate to the provisions of the Resolution and the pledge created by the Resolution;
- (ii) in anticipation of the receipt by the Commission of any grant-in-aid from the United States of America or the Commonwealth or any agency, instrumentality or political subdivision of either for or on account of Capital Improvements and payable solely out of, or secured by a pledge of, the amounts to be received (which amounts shall not be deemed Revenues hereunder while any such notes are outstanding); provided that no such notes shall be issued unless (a) the Commission shall have received and accepted an agreement, whether conditional or unconditional, providing for the grant-in-aid anticipated by such notes executed by authorized officers of the grantor, (b) the aggregate principal amount of such notes (excluding renewals thereof) issued by the Commission shall not exceed the

aggregate amount of the grant-in-aid provided for in such agreement and not yet received by the Commission and (c) all such notes or renewals thereof shall be issued to mature not later than six (6) months after the expected final date of receipt of amounts provided under such grant-in-aid; or

- (iii) in anticipation of the Revenues to be received in any Fiscal Year, which notes may be payable out of, or secured by a pledge of, Revenues; provided that (a) any such pledge shall in all respects be subordinate to the provisions of the Resolution and the pledge created by the Resolution, (b) any such notes shall be payable no later than one (1) year from their date of issue (or, in the case of notes issued to renew any such notes, no later than one (1) year from the date of issue of the original issue of notes), (c) the aggregate principal amount of such notes outstanding at anyone time in a Fiscal Year shall not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year and (d) the proceeds of such notes (other than the proceeds of renewal notes required to pay notes) shall be deposited in the Revenue Fund.

(3) Notwithstanding anything herein to the contrary, the Commission may issue bonds, notes or other evidences of indebtedness secured solely by the revenues, receipts or other monies derived by the Commission 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 Commission with the proceeds of such bonds, notes or evidences of indebtedness. Such revenues, receipts and other monies shall not be considered Revenues or Rates and Charges hereunder provided that (i) neither the debt service on such bonds, notes or other evidences of indebtedness, nor any cost of the acquisition, construction, operation, maintenance or repair of any such facility of equipment, nor provision for reserves for any of the foregoing, shall be paid from the proceeds of Bonds or from Revenues (other than Revenues deposited in the General Fund or shall be included in Operating Expenses, (ii) any such revenues, receipts and monies 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 bonds, notes or other evidences of indebtedness, the Commission shall deliver to the Trustee a certificate of an Authorized Officer stating that the lease, license, operation, sale or other disposition of such facility or equipment and the application of the revenues, receipts and other monies derived therefrom to the operation, maintenance and repair thereof and the payment of the debt service on the bonds, notes or other evidences of indebtedness issued therefor and the provision of reserves for the foregoing, will not result in any decrease in the Net Revenues projected to be received by the Commission during the succeeding five (5) Fiscal Years (including the Fiscal Year in which such bonds, notes or other evidences of indebtedness are issued). (Section 607)

(a) Not less than thirty (30) days prior to the beginning of each Fiscal Year the Commission shall prepare and deliver to the Trustee a preliminary annual operating budget for such Fiscal Year and not less than one (1) day prior to the beginning of each Fiscal Year shall adopt and file with the Trustee an annual operating budget (herein called "Annual Budget") for such Fiscal Year. The Commission may at any time, but not more often than once a month, adopt and file with the Trustee (or annually delegate to an Authorized Officer the authority to prepare and file with the Trustee) an amended or supplemental Annual Budget for the Fiscal Year then in progress. The Annual Budget shall be prepared on the basis of monthly requirements and shall show for each month projected Operating Expenses to be paid from the Operating Fund in such month, as well as the Revenues or other monies held hereunder projected to be available to meet the same. The Commission shall not incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount of Operating Expenses shown in the Annual Budget as amended and supplemented for such Fiscal Year, except in case of emergency or as required by law, and shall promptly file a written report of any such excess expenditure with the Trustee signed by an Authorized Officer.

(b) The Operating Reserve Fund Requirement shall mean, unless a greater amount is required by any Supplemental Resolution, one-sixth (1/6) of the amount of the annual Operating Expenses set forth in the most recent Annual Budget as amended and supplemented for such Fiscal Year.

(c) On the last business day of each calendar month a deposit shall be made to the Operating Reserve Fund in an amount which, together with amounts on deposit therein, shall equal the Operating Reserve Fund Requirement as of June 30 of the preceding Fiscal Year plus an amount equal to (i) the difference between the Operating Reserve Fund Requirement as of the end of the Fiscal Year and the amount on deposit in the Operating Reserve Fund on June 30 of the preceding Fiscal Year multiplied by (ii) a fraction, the numerator of which shall be the number of months elapsed from such June 30 and the denominator of which shall be twelve (12).

(d) If a withdrawal is made from the Operating Reserve Fund monthly deposits shall be made to the Operating Reserve Fund beginning on the last Business Day of July of the Fiscal Year following the Fiscal Year in which such withdrawal is made and on the last Business Day of each of the succeeding eleven months in an amount equal to onetwelfth (1/12) of the amount of such withdrawal. (Section 608)

(a) Not less than thirty (30) days prior to the beginning of each Fiscal Year the Commission shall prepare and file with the Trustee a proposed program of Capital Improvements to be undertaken by the Commission during such Fiscal Year and the next two ensuing Fiscal Years, identifying the Capital Improvements to be carried out, the estimated Cost thereof and the period of construction thereof, together with a proposed budget for the Capital Improvements to be undertaken in the first of such Fiscal Years. Not less than one (1) day prior to the beginning of each Fiscal Year the Commission shall adopt and file with the Trustee a final budget (herein called "Capital Improvements Budget") for the Capital Improvements or parts thereof to be undertaken by the Commission in such Fiscal Year. The Capital Improvements Budget shall show all projected disbursements from any Project Account, Renewal and Replacement Account or Temporary Project Account in the Project Fund and, to the extent provided by the Commission, any other fund or account under the Resolution, as well as the sources of monies projected to be available to meet the same. The Capital Improvements Budget shall further identify the Capital Improvements to be undertaken, the nature of the work, the estimated Cost thereof and the estimated completion date of each Capital Improvement.

(b) The Commission may from time to time, but not more often than once a month, amend or supplement the Capital Improvements Budget for the Fiscal Year then in progress by filing with the Trustee a certificate of an Authorized Officer setting forth the amendment or supplement.

(c) The Renewal and Replacement Reserve Fund Requirement shall be that amount (or such greater or lesser amount provided in any Supplemental Resolution) recommended by a Consulting Engineer in any review required hereunder or in any other review conducted by a Consulting Engineer on behalf of the Commission as sufficient to make renewals, replacements and improvements necessary to maintain the System. On the last business day of each calendar month a deposit shall be made to the Renewal and Replacement Reserve Fund in an amount which, together with amounts on deposit therein, shall equal the Renewal and Replacement Reserve Fund Requirement as of June 30 of the preceding Fiscal Year plus (i) the difference between the Renewal and Replacement Reserve Fund Requirement as of the end of such Fiscal Year and the amount on deposit in the Renewal and Replacement Reserve Fund on June 30 of the preceding Fiscal Year multiplied by (ii) a fraction, the numerator of which shall be the number of months elapsed from such June 30, and the denominator of which shall be twelve (12) (or, if greater, the minimum number of months in which the amount described in the first sentence of this section (c) can be attained consistent with the above-described funding limitation).

(d) If a withdrawal is made from the Renewal and Replacement Reserve Fund, monthly deposits shall be made to the Renewal and Replacement Reserve Fund beginning on the last business day of July of the Fiscal Year following the Fiscal Year in which such withdrawal is made and on the last business day of each of the succeeding months in an amount equal to one-twelfth (1/12) of the amount of such withdrawal until the amount of such withdrawal has been replenished. (Section 609)

(a) The Commission shall maintain its books and accounts in accordance with generally accepted accounting principles and in accordance with such other principles of accounting as the Commission shall deem appropriate. Said books and accounts shall at all times be subject to the inspection of the Trustee or the Holder or Holders of not less than five percent (5 %) in Principal Amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Commission shall annually, within one hundred eighty (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 public accountant or firm of accountants selected by the Commission and, so long as any Trust Bonds are Outstanding, acceptable to the Trust, 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 Resolution during such Fiscal Year and the amounts held therein at the end of such Fiscal Year and the amount of any Reserved Revenues on deposit at the end of such Fiscal Year. 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 an Event of Default had occurred under the Resolution or, if such is not the case, specifying the nature of the Event of Default.

(c) Not later than the last day of the third full Fiscal Year following the delivery of the Initial Bonds and of each third full Fiscal Year thereafter, the Commission shall cause an examination of and report on the properties and operations of the System to be made by a Consulting Engineer and shall cause a copy of such examination and report, certified by an Authorized Officer, to be filed with the Trustee. Such examination and report shall include a review and evaluation of the Commission's current and any proposed Capital Improvements Budget and of the Commission's Annual Budgets for the current year and, if available, for the next year, including a statement as to whether such budgets are appropriate, adequate and reasonably required to allow the Commission to operate the System, a recommendation as to the amount of the Renewal and Replacement Reserve Fund Requirement and such other reports, surveys and examinations as the Commission or the Consulting Engineer shall deem necessary. (Section 610)

- (a) if default shall be made by the Commission in the payment of the Principal Installments or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the Commission or any Holder, or otherwise, or in the payment of any Sinking Fund Payment when due;
- (b) if default shall be made by the Commission in the payment of any installment of interest on any Bond when due;
- (c) if default shall be made by the Commission in the performance or observance of the covenants, agreements and conditions as to rates and charges;
- (d) if default shall be made by the Commission in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the Resolution or in the Bonds and such default shall continue for a period of thirty (30) days after written notice thereof shall be given to the Commission by the Trustee or to the Commission and the Trustee by the Holders of a majority of Principal Amount of the Bonds Outstanding; provided that if such default cannot be remedied within such thirty (30) day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the Commission within such period and diligently pursued until the default is remedied;
- (e) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee or liquidator for the Commission or the whole or any substantial part of the System, (b) granting relief in involuntary proceedings with respect to the Commission under the Federal Bankruptcy Act, or (c) assuming custody or control of the Commission or of the whole or any substantial part of the System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree; or
- (f) if the Commission (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of the System, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Commission or of the whole or any substantial part of the System;

Upon the happening and continuance of an Event of Default shall not have been cured, either the Trustee (by notice in writing to the Commission), or the Holders of twenty-five percent (25%) in Principal Amount of the Bonds Outstanding (by notice in writing to the Commission and the Trustee), may, with the consent of the Trust (so long as there are any Trust Bonds Outstanding), declare the Principal Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right to make such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, all outstanding Events of Default (other than the payment of Principal Amount and interest due and payable solely by reason of such declaration) shall have been cured or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case, unless a final judgment has been obtained for any Principal Amount or interest coming due and payable solely by reason of such declaration, the Holders of a majority in Principal Amount of the Bonds Outstanding, by written notice to the Commission and to the Trustee, may annul such declaration, or, if the Trustee shall have acted without a direction from Bondholders 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 then Outstanding, then any such declaration shall be deemed to be annulled. (Section 701)

(a) The Commission covenants that if an Event of Default shall happen and shall not have been remedied, the Commission, upon demand of the Trustee, shall pay over and assign to the Trustee (i) forthwith all monies, securities, Reserve Deposits, Additional Security, if any, and funds then held by the Commission in any fund or account pledged under the 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 the monies, securities, Reserve Deposits, Additional Security, if any, and funds held by the Trustee and such Revenues and the income therefrom as follows and in the following order:

- (i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of any engineer or firm of engineers selected by the Trustee pursuant to this Article and to the payment of any fees and expenses required to keep any Reserve Deposits or Additional

Security in full force and effect;

(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 Commission for other purposes) selected by the Trustee;

(iii) to the payment of the interest and Principal Amount or Redemption Price then due on the Bonds, subject to the provisions of Section 602, as follows:

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

First: To the payment to the persons entitled thereto to all installments of interest then due in the order of the maturity of such 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 Amount or Redemption Price of any Bonds which shall 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 Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

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

(c) If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges and expenses of the Fiduciaries, and all other sums payable by the Commission under the Resolution, including the Principal Installments and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Commission, or provision satisfactory to the Trustee shall be made for such payment and all defaults under the Resolution or the Bonds shall have been cured, the Trustee shall pay over to the Commission all monies, securities and funds remaining unexpended in all funds and accounts provided by the Resolution to be held by the Commission, and thereupon the Commission and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution and all Revenues shall thereafter be applied as provided in the Resolution. No such payment over to the Commission by the Trustee or resumption of the application of Revenues as provided in the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon. (Section 702)

(a) Whether or not a declaration shall be made by the Trustee or Bondholders, if an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution 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 Commission as if the Commission 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 Resolution.

(b) Upon the occurrence of an Event of Default by suit, action or proceedings in any court of competent jurisdiction, the Trustee shall be entitled to obtain the appointment of a receiver of the monies, securities and funds then held by the Commission in any fund or account under the Resolution and of the Revenues and the whole or any part of the System, with all such powers as the court making such appointment shall confer. Such receiver may take possession of the System, operate and

maintain it, and collect and receive the Revenues in the same manner as the Commission itself might do and shall apply the same in accordance with the obligations of the Commission. 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 monies, securities and funds deposited or pledged with it under the Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Resolution.

(c) All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

(d) The Holders of a majority in Principal Amount of the Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to 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 Bondholders not parties to such direction.

(e) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in Principal Amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may deem necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, or necessary or expedient to preserve or protect its interests and the interests of the Bondholders. (Section 703)

(a) No Holder of any 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 Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of any Event of Default and shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity to exercise the powers granted in this Article 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 thereby, and the Trustee shall have refused to comply with such request within a reasonable time.

(b) Nothing in the Resolution shall affect or impair the obligation of the Commission to pay on the respective dates of maturity thereof the Principal Amount of and interest on the Bonds, or affect or impair the right of action of any Holder to enforce the payment of his Bond. (Section 704)

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days written notice to the Commission and not less than thirty (30) days written notice to each Bondholder and Paying Agent specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice provided a successor shall have been appointed, unless previously a successor shall have been appointed by the Commission or the Bondholder as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 807)

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 their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Commission. (Section 808)

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 of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Holders of a majority in Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Commission, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Commission and the predecessor Trustee. Pending such appointment, the Commission, by a written instrument signed by an Authorized Officer and delivered to the predecessor Trustee, shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders as herein authorized. The Commission shall give written notice of any such appointment made by it to each Bondholder and Paying Agent at least thirty (30) days after the date of such appointment. Any successor Trustee appointed by the Commission shall, immediately and without further act, be superseded by a Trustee appointed by the Bondholders. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Commission written notice as provided in the Resolution or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or the Holder of any 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. The Trustee shall continue to serve

until a successor Trustee shall be appointed under the provisions of this Section. Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company organized under the laws of the Commonwealth, or a national banking association doing business and having its Principal Office in the Commonwealth, having a capital and surplus aggregating at least fifty million dollars (\$50,000,000), 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 duties imposed upon it by the Resolution. (Section 809)

The Commission may at any time and from time to time adopt a resolution supplementing the Resolution for anyone or more of the following purposes, which resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(2) to add to the covenants and agreements of the Commission contained in the Resolution other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds;

(4) to authorize Bonds of a Series, and in connection therewith, specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Resolution;

(5) to exercise any provision herein or to make such determinations hereunder as expressly provided herein to be exercised or determined in a Supplemental Resolution; and

(6) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Resolution of the Revenues. (Section 90 I)

Any modification or amendment of the Bonds or of the Resolution may be made by a Supplemental Resolution, with the written consent given as provided below, (i) of the Holders of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) in aggregate Principal Amount of all Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Payment, of the Holders of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) in aggregate Principal Amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the vote or consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided further that no such modification or amendment shall permit a change in the terms of redemption or maturity of the Principal Amount of any Outstanding Bond, except as aforesaid, or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon, or the method for determining such rate without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the Principal Amount of Bonds, the consent of which is required to effect any such modification or amendment. (Section 1002)

#### Consent of Bondholders.

The Commission may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions above, to take effect when and as provided in this Section. Upon the adoption of such Supplemental Resolution, a copy thereof, certified by an Authorized Officer, shall be filed with the Trustee for the inspection of the Bondholders. A copy of such Supplemental Resolution (or summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Commission to each affected Bondholder (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee the written consents of the percentages of the Holders of Outstanding Bonds specified in the Powers of Amendment and a notice shall have been given as hereinafter in this Section provided. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder of such Bonds (whether or not such subsequent Holder has notice thereof). At any time after the Holders of the required percentages of Bonds shall have filed their consent to the Supplemental Resolution, notice, stating in substance that the Supplemental Resolution has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to the Bondholders by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such resolution from becoming effective and binding as herein provided). The Commission shall file with the Trustee proof of giving such notice. Such Supplemental Resolution shall be deemed conclusively binding upon the Commission, the Fiduciaries and the Holders of all Bonds at the expiration of sixty (60) days after the filing with the Trustee of the proof of the mailing of such notice, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or

equitable proceeding commenced for such purpose within such sixty (60) day period; provided, however, that any Fiduciary and the Commission during such sixty (60) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient. (Section 1003)

Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Bonds then Outstanding at his address, if any, appearing upon the register and (ii) to the Trustee. (Section 1001)

Notwithstanding anything contained in Article IX or in the foregoing provisions of this Article, the rights and obligations of the Commission and of the Holders of the Bonds and the terms and provisions of the Bonds or of the Resolution may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the Commission and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Consent of Bondholder, except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. (Section 1004)

(a) If the Commission shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds then Outstanding the Principal Amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues or other monies, securities, Reserve Deposits and Additional Security, if any, pledged by the Resolution and all other rights granted by the Resolution shall be discharged and satisfied. In such event, the Trustee shall, upon request of the Commission, execute and deliver to the Commission all such instruments as may be desirable to evidence such release and discharge and the Fiduciaries shall pay over or deliver to the Commission all monies or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(b) Bonds or interest installments for the payment or redemption of which monies shall be held by the Fiduciaries (through deposit by the Commission of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Outstanding Bonds of any Series or any part of a Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Commission shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide, notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or Permitted Investments of the type described in clauses (i) or (xi) of the definition thereof not subject to redemption at the option of the issuer thereof prior to the due date thereof, the principal of and interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Trustee at the time of deposit of such Permitted Investments, shall be sufficient to pay, when due, the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Commission shall have given the Trustee, in form satisfactory to it, irrevocable instructions to provide, as soon as practicable, at least thirty (30) days written notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with paragraph (a) above and stating the maturity or redemption date upon which monies are to be available for the payment of the Principal Amount or Redemption Price, if applicable, on said Bonds. Neither Permitted Investments nor monies deposited with the Trustee pursuant to this section, nor principal or interest payments on any such Permitted Investments, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from the principal or interest payments on such Permitted Investments deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Permitted Investments maturing at times and in principal amount.

be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of monies or Permitted Investments and monies, if any, in accordance with (b) hereof, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such Variable Rate Ceiling for any period, the total amount of monies and Permitted Investments on deposit with the Trustee for the payment of interest on such Variable Rate Bonds 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 Bonds in order to satisfy the provisions of subsection (b) hereof, the Trustee shall, if requested by the Commission, pay promptly the amount of such excess to the Commission free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

(d) Tender Bonds shall be deemed to have been paid in accordance with subsection (b) hereof only if, in addition to satisfying the requirements thereof, there shall have been deposited with the Trustee monies in an amount which shall be

sufficient to pay, when due, the maximum Principal Amount and Redemption Price of and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the provisions of subsection (b) herein, the options originally exercisable by the Holders of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds for purposes of this section. If any portion of the monies deposited with the Trustee for the payment of the Principal Amount or Redemption Price of and interest on Tender Bonds is not required for such purpose the Trustee shall, if requested by the Commission, pay promptly the amount of such excess to the Commission free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(e) Anything in the Resolution to the contrary notwithstanding, any monies held by a Fiduciary in trust for the payment and

discharge of any Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such monies were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such monies if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Commission, be repaid promptly by the Fiduciary to the Commission as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Commission for the payment of such Bonds; provided, however, that before being required to make any such payment to the Commission, the Fiduciary shall, at the expense of the Commission, cause to be mailed to the Holders of all Bonds Outstanding a notice that said monies remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such monies then unclaimed will be returned promptly to the Commission. (Section 1101)

All documents received by a Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Commission, any other Fiduciary and any Bondholder, and their agents and representatives, any of whom may make copies thereof. (Section 1202)

No Recourse on the Bonds. No recourse shall be had for the payment of the Principal Amount or Redemption Price of or the interest on the Bonds, or for any claim based thereon or on the Resolution, against any member, officer, agent, representative or employee of the Commission or any person executing the Bonds. No member, officer, agent, representative or employee of the Commission shall be held personally liable to any purchaser or Holder of any Bond under or upon such Bond, or under or upon the Resolution or any Supplemental Resolution relating to Bonds, or, to the extent permitted by law, because of the sale or issuance or attempted sale or issuance of Bonds, or because of any act or omission in connection with the construction, acquisition, operation or maintenance of the System, or because of any act or omission in connection with the investment or management of the Revenues, funds or monies of the Commission, or otherwise in connection with the management of its affairs, excepting solely for things willfully done or omitted to be done with an intent to defraud. (Section 1203)

## **Appendix C**

### **Proposed form of Legal Opinion**

[closing date]

Finance Director  
Springfield Water and Sewer Commission  
250 M Street Ext.  
Agawam, MA

\$27,300,000  
Springfield Water and Sewer Commission  
General Revenue Bonds, 2010 Series B  
Dated: November \_\_, 2010

We have acted as bond counsel to the Springfield Water and Sewer Commission (the “Commission”) in connection with the issuance by the Commission of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. The Bonds are issued pursuant to Chapter 40N of the Massachusetts General Laws as amended (the “Act”) and under and pursuant to a resolution of the Commission adopted March 8, 2000, and as amended on April 5, 2000 entitled “General Bond Resolution” and a resolution of the Commission adopted November \_\_, 2010 entitled “Thirteenth Supplemental Resolution” (both said resolutions herein collectively called the “Resolutions”).

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

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Commission is duly created and validly existing under the Act as a body politic and corporate and a political subdivision of The Commonwealth of Massachusetts (the “Commonwealth”) and has the right and power under the Act to adopt the Resolutions and to authorize, issue and deliver the Bonds.
2. The Resolutions have been duly and lawfully adopted by the Commission, are in full force and effect and are valid and binding upon the Commission and enforceable in accordance with their terms and no other authorization for the Resolutions is required. The Resolutions create the valid pledge which they purport to create (subject only to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions) of the proceeds of the Bonds, the Revenues (as defined in the Resolutions) and all moneys, securities and Reserve Deposits (as defined in the Resolutions) in all funds and accounts established by or pursuant to the Resolutions except the Rebate Fund and the General Fund created thereby.
3. The Bonds have been duly authorized, executed and delivered by the Commission in accordance with the Act and the Resolutions and constitute valid and binding general obligations of the Commission for the payment of which the full faith and credit of the Commission is pledged, enforceable in accordance with their terms and the terms of the Resolutions and entitled to the benefits of the Act and the Resolutions.

The Commission may issue Bonds and Refunding Bonds (as defined in the Resolutions) on a parity with the Bonds upon the terms and conditions provided in the Resolutions. The Commission has no taxing power. Neither the Commonwealth nor any city or town therein is obligated to pay the Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any city or town is pledged to such payment.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Commission with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted in the Resolutions to comply with all such requirements. Failure by the Commission to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

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.

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

Very truly yours,

Murphy McCoubrey

## **Appendix D**

### **Financial Statements for Fiscal Year ended June 30, 2009**

**SPRINGFIELD WATER  
AND SEWER COMMISSION**

**Annual Financial Statements**

**For the Year Ended June 30, 2009**

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Proprietary Funds:</b>	
Statement of Net Assets	6
Statement of Revenues, Expenses, and Changes in Fund Net Assets	7
Statement of Cash Flows	8
<b>Notes to Financial Statements</b>	<b>9</b>
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of Operating Expenditures - Budget and Actual	23
Notes to Supplemental Schedule	24

MH&Co

Melanson Heath & Company, PC

Certified Public Accountants  
Management Advisors

*51 Davis Street  
Greenfield, MA 01301  
Tel (413) 772-2546 Fax (413) 772-2547  
www.melansonheath.com*

## INDEPENDENT AUDITORS' REPORT

To the Commissioners  
Springfield Water and Sewer Commission  
Springfield, Massachusetts

We have audited the accompanying financial statements of the business-type activities of the Springfield Water and Sewer Commission, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Springfield Water and Sewer Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Springfield Water and Sewer Commission as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Additional Offices:*

*Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME*

The management's discussion and analysis, appearing on the following pages is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplementary information presented on pages 23 - 24 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Melanson Heath + Company P.C.*

Greenfield, Massachusetts  
October 1, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Springfield Water and Sewer Commission, we offer readers this narrative overview and analysis of the financial activities of the Springfield Water and Sewer Commission for the fiscal year ended June 30, 2009.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include (1) the statement of net assets, (2) the statement of revenues, expenses and changes in fund net assets, (3) the statement of cash flows, and (4) notes to the financial statements.

The Statement of Net Assets is designed to indicate our financial position as of a specific point in time. At June 30, 2009, it shows our net worth of \$ 149,845,309, which is comprised of \$ 92,904,693 invested in capital assets, \$ 24,079,997 restricted for other purposes, namely restricted cash and inventory, and \$ 32,860,619 unrestricted.

The Statement of Revenues, Expenses and Changes in Fund Net Assets summarizes our operating results. As discussed in more detail below, our change in net assets for the year ended June 30, 2009 was an increase of \$ 2,215,012.

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period.

### **B. SUMMARY OF NET ASSETS**

	<u>2009</u>	<u>2008</u>
Current Assets	\$ 65,394,508	\$ 70,007,012
Noncurrent Assets	<u>178,859,516</u>	<u>162,734,501</u>
Total Assets	244,254,024	232,741,513
Current Liabilities	7,252,059	8,445,791
Noncurrent Liabilities	<u>87,156,656</u>	<u>76,665,425</u>
Total Liabilities	94,408,715	85,111,216
Net Assets:		
Invested in Capital Assets, Net of Related Debt	92,904,693	99,253,813
Restricted - other purposes	24,079,997	21,028,273
Unrestricted	<u>32,860,619</u>	<u>27,348,211</u>
Total Net Assets	<u>\$ 149,845,309</u>	<u>\$ 147,630,297</u>

(continued)

(continued)

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 51,181,311	\$ 51,880,887
Operating Expenses	<u>(46,080,845)</u>	<u>(44,241,852)</u>
Operating Income	5,100,466	7,639,035
Nonoperating Revenues (Expenses)	<u>(2,885,454)</u>	<u>(272,118)</u>
Increase in Net Assets	2,215,012	7,366,917
Beginning Net Assets, (2007 as restated)	<u>147,630,297</u>	<u>140,263,380</u>
Ending Net Assets	<u>\$ 149,845,309</u>	<u>\$ 147,630,297</u>

### **C. FINANCIAL HIGHLIGHTS**

Activities for the year resulted in an increase in net assets of \$ 2,215,012. Key elements of this change are discussed in the following paragraphs.

In accordance with a rate schedule adopted in June 2007 (for the fiscal years 2008 through 2010), water and sewer user rates have been increased each year. In fiscal year 2009, usage was less than anticipated and adjusted rate revenue was less than budgeted by approximately \$ 3 million. Wholesale water costs were less than anticipated and as a result, revenue was also under budget by \$ (950,000). Power generation revenue, however, exceeded estimates by \$ 400,000. In addition, costs to provide wastewater regional services increased, resulting in increased member assessment revenue of approximately \$ 66,000. Earnings on investments, however, did not meet our estimate by \$ (1,000,000). All of these factors resulted in total revenue of approximately \$ 51 million in fiscal year 2009, approximately \$ 4 million (8.5%) under budget and \$ 1.5 million less than the prior year.

Operating expenses were less than budget by approximately \$ 2 million, primarily as a result of vacant positions, conservatively budgeting for employee benefits and general operational costs.

### **D. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets at year end amounted to \$ 172,655,667 (net of accumulated depreciation), an increase of \$ 16 million from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Depreciation expense of \$ (5.9 million).
- \$ 13.9 million addition under the Chicopee and Connecticut Rivers and other CSO relief projects.
- \$ 1.5 million in various sewer and wastewater treatment improvements and projects.
- \$ 1.1 million in power supply equipment replacement.
- \$ 2.1 million in pipe replacement and hydrant projects.
- \$ 305,000 in Provin Mountain plant improvements.
- \$ 385,000 in a distribution system swabbing study.
- \$ 916,000 addition in large and small meters as a continuation of the equipment needed as a result of the conversion to a fully automated usage reading system.
- \$ 540,000 in WPF building improvements and bypass mains.
- New vehicles and equipment purchased of \$ 718,000.
- Computer software and equipment purchases of \$ 26,000.
- Various general building improvements of \$ 216,000, land purchases of \$ 260,000 and other improvements of \$ 272,000.
- Net loss on the sale and/or disposition of assets of \$ (27,000).

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 89,013,968, of which approximately \$ 2.7 million was issued through the City of Springfield and \$ 86.3 million was issued under revenue bonds backed by dedicated revenues of the Commission.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Springfield Water and Sewer Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Public Communications Director  
Springfield Water and Sewer Commission  
P.O. Box 995  
Springfield, MA 01101-0995

SPRINGFIELD WATER AND SEWER COMMISSION

STATEMENT OF NET ASSETS

JUNE 30, 2009

**ASSETS**

Current:

Cash	\$ 24,067,647
Restricted cash	26,884,581
User charges receivable, net of allowance for uncollectibles	10,267,512
Intergovernmental receivable	<u>4,174,768</u>
Total current assets	65,394,508

Noncurrent:

Intergovernmental receivable, net of current portion	2,143,773
Inventory, net of allowance	1,420,431
Inventory held by others	1,022,136
Deferred charges	1,122,282
Health insurance deposit	495,227
Land and construction in progress	62,312,983
Capital assets, net of accumulated depreciation	<u>110,342,684</u>
Total noncurrent assets	<u>178,859,516</u>

**TOTAL ASSETS**

244,254,024

**LIABILITIES**

Current:

Accounts payable	1,440,528
Accrued payroll and withholdings	379,291
Accrued interest payable	1,149,687
Other liabilities	66,490
Unamortized bond premium	512,718
Current portion of loans payable	3,280,674
Current portion of loans payable (through City of Springfield)	432,314
Unamortized effect of advance refunding of debt	<u>(9,643)</u>
Total current liabilities	7,252,059

Noncurrent:

Loans payable, net of current portion	83,048,841
Loans payable (through City of Springfield), net of current portion	2,252,138
Unamortized effect of advance refunding of debt, net of current portion	(106,071)
Accrued compensated absences	1,507,797
Other accrued liabilities	<u>453,951</u>
Total noncurrent liabilities	<u>87,156,656</u>

**TOTAL LIABILITIES**

94,408,715

**NET ASSETS**

Invested in capital assets, net of related debt	92,904,693
Restricted - other purposes	24,079,997
Unrestricted	<u>32,860,619</u>

**TOTAL NET ASSETS**

\$ 149,845,309

See notes to financial statements

SPRINGFIELD WATER AND SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

**Operating Revenues**

Water and sewer usage	\$ 50,879,536
Other	<u>301,775</u>
Total Operating Revenues	51,181,311

**Operating Expenses:**

Salaries and wages	12,448,253
Employee benefits	4,429,019
Operations	21,371,672
Intergovernmental	477,701
Capital outlay	971,581
Depreciation and amortization	6,073,872
Other	<u>308,747</u>
Total Operating Expenses	<u>46,080,845</u>

Operating Income	5,100,466
------------------	-----------

**Nonoperating Revenues (Expenses):**

Interest income	278,324
Interest expense	(3,289,552)
Grant reimbursement revenue	251,763
Other nonoperating revenue (expense), net	<u>(125,989)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(2,885,454)</u>

Change in Net Assets	2,215,012
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Net Assets at Beginning of Year, as restated	<u>147,630,297</u>
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Net Assets at End of Year	<u><u>\$ 149,845,309</u></u>
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See notes to financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

**Cash Flows From Operating Activities:**

Receipts from customers and users	\$ 50,910,315
Payments to vendors and employees	(42,243,321)
Net Cash Provided By Operating Activities	8,666,994

**Cash Flows From Noncapital Financing Activities:**

Intergovernmental reimbursements	247,904
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**Cash Flows From Capital and Related Financing Activities:**

Proceeds from sale of assets	24,847
Acquisition and construction of capital assets	(22,024,217)
Proceeds from intergovernmental loans	14,810,941
Proceeds from bonds	14,135,000
Principal payments on bonds and loans	(3,118,004)
Payments of interest	(3,216,186)
Net Cash Provided By Capital and Related Financing Activities	612,381

**Cash Flows From Investing Activities:**

Receipt of investment income	278,324
Net Change in Cash and Short-Term Investments	9,805,603

Cash and Short Term Investments, Beginning of Year	41,146,625
Cash and Short Term Investments, End of Year	\$ 50,952,228

**Reconciliation of Operating Income to Net Cash  
Provided by (Used For) Operating Activities:**

Operating income	\$ 5,100,466
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	6,073,872
Changes in assets and liabilities:	
User fees	(270,996)
Inventory	(443,486)
Accounts payable and accrued payroll	(1,867,114)
Accrued compensated absence	94,421
Other liabilities	(20,169)
Net Cash Provided By Operating Activities	\$ 8,666,994

See notes to financial statements.

## Springfield Water and Sewer Commission

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Springfield Water and Sewer Commission (the Commission) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

##### A. Business Activity

The Commission has the responsibility to provide water and wastewater services on a fair and equitable basis to the City of Springfield (the City) and to provide wholesale water and regional wastewater services to other participating communities.

##### B. Regulation and Basis of Accounting

The Springfield Water and Sewer Commission (the Commission) was created in July 1996 under Massachusetts General Laws Chapter 40N; however, the Commission did not become a separate accounting entity until July 1997. Under Massachusetts General Laws Chapter 40N, the Board of Commissioners, appointed by the Mayor of the City of Springfield, establishes policies for accounting and other matters. The Board regulates the rates that the Commission can charge its customers for water and sewer usage. The rates charged to customers are based on the cash required for the Commission's operations, debt service and reserve contributions.

To comply with the external financial reporting requirements of the Board, the accompanying financial statements are presented on a basis that is consistent with generally accepted accounting principles (GAAP) for proprietary (enterprise) funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

*C. Cash and Short-Term Investments*

For purposes of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents. These are reflected in the following accounts reported on the statement of net assets: unrestricted cash and restricted cash.

*D. Inventory for Consumption*

Gasoline and diesel fuel purchased and unused at year end is stated at cost, and materials inventory is stated at average cost.

*E. Inventory Held by Others*

Under the terms of a privatization agreement with Springfield Water, LLC, the Commission transferred custody of certain inventory to Springfield Water, LLC. The value stated was a negotiated value, which will be replaced by Springfield Water, LLC at the expiration of the privatization contract in October 2020.

*F. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 (for land, vehicles and equipment), \$ 10,000 (for buildings and improvements) and \$ 20,000 (for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities would be included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Water/sewer infrastructure	50 - 100
Vehicles	5 - 15
Office and computer equipment	5 - 10

**G. Compensated Absences**

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred. Sick pay benefits are payable upon death or retirement, with certain limits, for all employees employed over six months.

**H. Use of Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. Stewardship, Compliance and Accountability**

**Budgetary Information**

At the June meeting of the Commission, the Commissioners review and approve an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The original budget may be amended during the fiscal year at Commission meetings as required by changing conditions.

At year end, appropriation balances lapse, except for certain unexpended capital items which will be honored during the subsequent year.

A budget and actual comparison of operating expenditures is presented as a supplementary schedule.

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk, as defined under GASB Statement No. 40, is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of June 30, 2009, \$ 12,406 of the Commission's bank balance of \$ 51,996,789 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by the pledging bank's trust department not in the Commission's name.

Massachusetts General Law Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Commission's deposits are within this limitation.

In September 2008 the Commission obtained a letter of credit from the Federal Home Loan Bank of Pittsburgh to secure funds on deposit with TD BankNorth. The letter of credit was renewed in September 2009. At June 30, 2009, the letter of credit provided collateralization of up to \$ 15 million. The Commission expects bank balances in all other institutions to be within the insurance limits provided by the FDIC.

### **4. Restricted Cash**

The Commission issues debt under a General Bond Resolution which requires cash reserves to be maintained. These reserves are reported as restricted cash.

The reserves include an Operating Reserve Fund (equal to 1/6 of the Commission's annual operating budget), a Renewal/Replacement Fund (\$ 1 million), a Debt Service Fund (equal to principal and interest, payable on an accrual basis at June 30), and a Debt Service Reserve Fund (equal to the highest principal and interest due in any subsequent year). In addition, the Bond Resolution establishes several other reserves which may be activated in future years.

The restricted cash balance reported in the financial statements is comprised of the following at June 30, 2009:

Reserve Funds:	
Operating Reserve Fund	\$ 7,194,572
Renewal/Replacement Fund	1,000,000
Debt Service Fund	6,682,909
Debt Service Reserve Fund	6,682,909
Other Funds:	
Project Accounts	5,247,151
Scholarship Trust Fund	<u>77,040</u>
Total	<u>\$ 26,884,581</u>

## 5. Accounts Receivable

Accounts receivable consist of the following at June 30, 2009:

Customer Accounts:	
Billed water, sewer and wastewater regional	\$ 5,279,777
Less allowances	<u>(1,456,242)</u>
Total billed	3,823,535
Unbilled water (including power generation and wholesale water charges) and sewer	4,882,698
Adjustment to wastewater regional and sewer pump station for actual usage through June 30, 2009	<u>1,561,279</u>
Total customer accounts	<u>\$ 10,267,512</u>

## 6. Intergovernmental Receivables

The balance in this account represents the following:

	<u>Current</u>	<u>Non Current</u>
Massachusetts Water Pollution Abatement Trust loan funds not yet requested (or expended on project cost) as of June 30, 2009. These funds are expected to be drawn down as project costs are incurred in fiscal year 2010.	\$ 3,919,968	\$ -
DEP Water Supply Protection grant	136,820	-
Amount due from Town of Wilbraham under an agreement signed in June 2007, whereby the Town agrees to reimburse the Commission a portion of the costs/debt incurred to enable the Town to enter the sewage disposal system. Future amounts to be paid by the Town are anticipated to coincide with certain debt	117,980	2,257,723
Less allowance for anticipated reduction in Town-related MWPAT loan	<u>-</u>	<u>(113,950)</u>
Total Balance 6/30/09	<u>\$ 4,174,768</u>	<u>\$ 2,143,773</u>

**7. Inventory for Consumption**

This inventory balance at June 30, 2009 consists of the following:

Fuel inventory (gasoline and diesel)	\$	45,572
Materials inventory (parts and supplies)		1,473,381
Less adjustment for obsolete and slow moving materials inventory		<u>(98,522)</u>
Total	\$	<u><u>1,420,431</u></u>

**8. Deferred Charges**

Deferred charges consist of costs incurred in prior years for privatizing and upgrading the wastewater regional plant facility. They will be funded through adjustments to regional wastewater member town assessments over the life of the privatization contract, which ends in 2021.

**9. Health Insurance Deposit**

In January 2007, the Commission terminated its health insurance coverage with the City of Springfield and joined the Hampshire County Group Insurance Trust (HCGIT). The HCGIT required the Commission to place on deposit the equivalent of 3 months (estimated) claims expense. This deposit reserve affords the Commission voting rights in the HCGIT and would only be used to fund the residual claims in the event the Commission withdraws from the Trust.

**10. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Convert to Capital <u>Assets</u>	Ending <u>Balance</u>
Capital assets, being depreciated:					
Furniture and fixtures	\$ 1,445	\$ -	\$ -	\$ 549	\$ 1,994
Vehicles and equipment	6,031	-	(874)	1,211	6,368
Buildings and improvements	4,495	-	-	1,405	5,900
Infrastructure	<u>193,368</u>	<u>-</u>	<u>-</u>	<u>7,353</u>	<u>200,721</u>
Total capital assets, being depreciated	205,339	-	(874)	10,518	214,983
Less accumulated depreciation for:					
Furniture and fixtures	(870)	(193)	-	-	(1,063)
Vehicles and equipment	(3,977)	(830)	823	-	(3,984)
Buildings and improvements	(521)	(155)	-	-	(676)
Infrastructure	<u>(94,121)</u>	<u>(4,796)</u>	<u>-</u>	<u>-</u>	<u>(98,917)</u>
Total accumulated depreciation	<u>(99,489)</u>	<u>(5,974)</u>	<u>823</u>	<u>-</u>	<u>(104,640)</u>
Total capital assets, being depreciated, net	105,850	(5,974)	(51)	10,518	110,343
Capital assets, not being depreciated:					
Land	4,400	-	-	443	4,843
Construction in progress	<u>46,407</u>	<u>22,024</u>	<u>-</u>	<u>(10,961)</u>	<u>57,470</u>
Total capital assets, not being depreciated	<u>50,807</u>	<u>22,024</u>	<u>-</u>	<u>(10,518)</u>	<u>62,313</u>
Capital assets, net	<u>\$ 156,657</u>	<u>\$ 16,050</u>	<u>\$ (51)</u>	<u>\$ -</u>	<u>\$ 172,656</u>

## 11. Long-Term Debt

### A. Debt Issued through the City of Springfield

At the time of its creation, the Commission assumed general obligation certificates of indebtedness and State revolving loans of the City pertaining to the water and sewer systems. Payments of principal and interest are made directly to the City in accordance with the original maturity and interest schedules.

### B. Revenue Bonds:

Certain debt issued after separating from the City has been issued as Revenue Bonds. Under the terms of these loans, all operating revenues of the Commission are deposited in a dedicated operating reserve account and from which prescribed reserves are established (see restricted cash footnote). In addition, all bond proceeds have been deposited in separate project accounts that are under the lender's controls. These project accounts may be accessed only to fund project-related costs.

A summary of the long-term debt outstanding as of June 30, 2009 follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2009
<u>Issued Through City of Springfield:</u>			
Sewer bond	01/15/13	4.25 - 6.00	\$ 496,000
Sewer bond (MWPAT 91-59)	02/01/15	1.00 - 2.75	624,721
Sewer bond (MWPAT 94-24)	02/01/15	1.00 - 2.75	<u>1,563,731</u>
Total issued through City			2,684,452
<u>Issued Through Water and Sewer Commission:</u>			
Revenue bonds (non refunded)	11/01/12	3.50 - 5.00	2,135,000
Sewer (MWPAT 94-24 / 95-07 / 98-133)	08/01/20	1.00 - 2.75	4,322,395
Sewer (Springfield Water, LLC)	10/01/20	Various	1,058,467
Revenue bonds (refunding)	11/01/21	4.0 - 5.0	6,510,000
Sewer CSO (MWPAT CW-01-39)	08/01/22	1.00 - 2.75	2,619,823
Revenue bonds	07/01/23	2.0 - 5.0	7,650,000
Revenue bonds	07/15/26	4.25 - 5.0	17,695,000
Revenue bonds	10/15/28	4.0 - 5.75	14,135,000
Sewer CSO (MWPAT CW-06-27)	07/15/37	2.41	<u>30,203,830</u>
Total issued through Water and Sewer Commission			86,329,515
Total Long-Term Debt			<u><u>\$ 89,013,967</u></u>

### C. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the States and are used by local communities to improve their sewer systems.

The Commission's loans are administered through the Massachusetts Water Pollution Abatement Trust (MWPAT) Revolving Loan Program. The following is a summary of MWPAT loan balances at June 30, 2009.

<u>Loan Number</u>	<u>Issue Date</u>	<u>Original Loan Balance</u>	<u>Principal Subsidy</u>	<u>Balance June 30, 2009</u>
91-59	06/01/95	\$ 1,513,116	\$ (197,745)	\$ 624,721
94-24 (Part II)/				
95-07 / 98-133	11/01/00	6,572,640	(1,557,109)	4,322,395
CW-01-39	11/26/02	3,704,546	(827,715)	2,619,823

### D. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,712,988	\$ 3,264,049	\$ 6,977,037
2011	3,841,826	3,143,422	6,985,248
2012	3,983,720	3,009,048	6,992,768
2013	4,154,439	2,854,879	7,009,318
2014	4,174,132	2,709,177	6,883,309
2015 - 2019	21,478,600	11,274,917	32,753,517
2020 - 2024	21,368,181	6,793,787	28,161,968
Thereafter	<u>26,300,081</u>	<u>4,243,563</u>	<u>30,543,644</u>
Total	<u>\$ 89,013,967</u>	<u>\$ 37,292,842</u>	<u>\$ 126,306,809</u>

#### E. Long-Term Debt Activity

The following summarizes activity in long-term obligations during 2009 (in thousands):

	<u>Balance</u> <u>07/01/08</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/09</u>	<u>Less</u> <u>Current</u> <u>Portion</u>	<u>Equals</u> <u>Long -Term</u> <u>Portion</u>
<u>Long-Term Debt:</u>						
Issued through						
Commission	\$ 74,881	\$ 14,135	\$ (2,686)	\$ 86,330	\$ (3,281)	\$ 83,049
Issued through						
City	3,116	-	(432)	2,684	(432)	2,252
Unamortized effect of						
advance refunding	(126)	-	10	(116)	10	(106)
Other:						
Compensated						
absences	1,413	95	-	1,508	-	1,508
Workers						
compensation	489	-	(35)	454	-	454
Total	<u>\$ 79,773</u>	<u>\$ 14,230</u>	<u>\$ (3,143)</u>	<u>\$ 90,860</u>	<u>\$ (3,703)</u>	<u>\$ 87,157</u>

#### F. Advance Refunding – Prior Year

In fiscal year 2007, the Commission defeased a portion of the 2001 Revenue Bond issue by creating a separate irrevocable trust fund. The proceeds from the new issuance of bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide interest payments until the refunded bonds mature in November 2011. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Commission's balance sheet. As of June 30, 2009, the amount of defeased debt outstanding but removed was \$ 6,390,000.

As a result of the advance refunding, while the Commission reduced its total future debt service payments of principal and interest, it increased its total principal debt outstanding by \$ 135,000. The increase is being amortized as interest expense over the life of the refunding bonds. The

annual amortization is \$ 9,643 and the remaining unamortized balance at June 20, 2009 was \$ 115,714.

## 12. **Restricted Net Assets**

The balance in restricted net assets of \$ 24,079,997 represents the restricted cash balance for required reserves and scholarships of \$ 21,637,430 and the total value of inventory of \$ 2,442,567.

## 13. **Subsequent Events**

### A. Debt

Subsequent to June 30, 2009, the Commission has incurred the following additional debt as an interim note financing through MWPAT:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Interim note	\$ 22,251,162	0.37%	08/20/09	12/31/10

### B. Capital Asset Disposition

On July 1, 2009, the Commission entered into an agreement with United Water (privatized wastewater provider), which in part called for certain Commission-owned assets to be decommissioned in order to change the sludge compost process. The largest equipment to be decommissioned was a sludge dryer, which had a net book value of approximately \$ 5 million on June 30, 2009. It is anticipated that the change in the sludge compost process will result in reduced utility costs and greater efficiency overall, the savings from which will be shared by the Commission and United Water.

## 14. **Commitments and Contingencies**

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Sewer Overflow - The Commission has been under an administrative consent order (ACO) from the Environmental Protection Agency to abate the discharge of pollutants from overflow into the Connecticut River. The ACO will require the Commission to perform testing and construct devices / facilities to

meet certain environmental standards. The scope of the ACO has been modified at least twice since it was originally issued in the late 1990s. In July 2004, the Commission received the latest revision to this ACO, which contains deadlines for various phases, ranging from 2006 to 2011.

In September 2008, the Commission received an additional ACO, related to sewer collection system Capacity, Management, Operation and Maintenance (CMOM) program. Under the ACO, the Commission is required to establish a CMOM program to assess and monitor the entire system; identify and prioritize system deficiencies; and ultimately design plans and construction drawings for eliminating overflows. The deadline for completion of this ACO is September 30, 2011. The Commission is currently on schedule to meet the time requirements contained in both the 2004 and 2008 ACOs.

Compliance with the ACO will result in major expansion, improvement and/or construction of new and existing facilities (pump stations and related infrastructure). As a result, costs for the three major projects currently identified, estimated at \$ 79 million (\$ 57 million of which has been incurred as of June 30, 2009) will be capitalized as incurred. The Commission intends to fund these costs through a combination of grants, reduced rate (State) loans, bonds and retained earnings.

Water Conservation - In September 2004, the Commission received a non-punitive consent order from the Department of Environmental Protection related to improving water conservation efforts. Most of the conditions set forth in the consent order have been met by the Commission's installation of automated water meters to virtually all customers and an upgraded customer billing system. The remaining conditions are not considered material and will be met through normal operating expenses.

Workers Compensation Liability - The financial statements include an estimate of future benefit costs/settlements for employees currently receiving workers compensation benefits.

Self-Insurance - The Commission participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. The Trust contracts with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$ 150,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At March 31, 2009, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$ 3.1 million, the Trust was in a surplus position of almost \$ 8.1 million.

**15. Post-Employment Health Care and Life Insurance Benefits**

Under Massachusetts General Law Chapter 40N, Commission employees become City of Springfield employees upon retirement. Consequently, all benefits paid after retirement are liabilities of the City and not the Commission. Therefore, GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* does not apply to the Commission.

**16. Pension Plan**

The Commission follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

**A. Plan Description**

The Commission contributes to the City of Springfield Retirement System (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan administered by the City of Springfield retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the City of Springfield Retirement System.

**B. Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Commission is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Commission are governed by Chapter 32 of the Massachusetts General Laws. The Commission's contributions to the System for the years ended June 30, 2009, 2008 and 2007 were \$ 2,140,530, \$ 2,526,779 and \$ 1,619,656, respectively, which were equal to its annual required contributions for each of these years.

**17. Transactions with City of Springfield**

The Commission contributes to the City of Springfield Retirement System and the payment is made directly to the City in accordance with the assessment

schedule set forth by the Retirement System. In fiscal year 2009, the Commission paid \$ 2,140,530 for its retirement system contribution. Other transactions with the City consist of payments for Police Department services of \$ 396,021 and other City department services and fees totaling \$ 214,007.

## **18. Privatization**

In August 2000, the Commission entered into an agreement with Springfield Water, LLC (United Water) to privatize the wastewater regional operations effective October 1, 2000 for a term of 20 years. The pertinent conditions of the agreement are as follows:

- All assets remain the property of the Commission.
- Equipment/inventory used over the 20-year term is to be replaced/reimbursed by Springfield Water, LLC.
- The Commission continues to control the customer billing process.
- The Commission agreed to incur a maximum of \$ 10.3 million for the initial capital improvements to the facility. These improvements will become the property of the Commission upon acceptance, with Springfield Water, LLC acting as general contractor for no fee.
- Springfield Water, LLC bills the Commission monthly for the cost of providing service and an administrative fee.
- In September 2000, Springfield Water, LLC reimbursed the Commission for approximately \$ 1.9 million of costs incurred in the privatization process. The Commission will repay this amount to Springfield Water, LLC through the monthly billing process.
- The contract terms stipulate that Springfield Water, LLC provide a letter of credit to the Commission as security for operating performance and capital asset management. The initial letter of credit was provided in September 2000 for \$ 10 million. The letter of credit is adjusted annually to maintain a value equal to the contract value, which changes based on a number of factors. The letter of credit is also required to be guaranteed.

In fiscal year 2004, because of changes related to the original guarantors of the contract with Springfield Water, LLC, the letter of credit's value was increased to equal 150% of the contract value. At June 30, 2009, the letter of credit was approximately \$ 18.8 million.

**19. Beginning Net Asset Restatement**

The beginning (July 1, 2008) net assets of the Commission have been restated as follows:

As previously reported	\$ 145,235,582
To record amount due from the Town of Wilbraham to reimburse costs related to the Town's entry into the Sewage Collection System.	<u>2,394,715</u>
As restated	<u>\$ 147,630,297</u>

# SPRINGFIELD WATER AND SEWER COMMISSION

## Schedule of Operating Expenditures

### Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures and Other Uses:				
Salaries and wages	\$ 12,796,650	\$ 12,796,650	\$ 12,253,495	\$ 543,155
Employee benefits	4,596,060	4,596,060	4,463,864	132,196
Administrative overhead	245,000	245,000	-	245,000
Operations	22,124,994	22,399,994	21,316,875	1,083,119
Intergovernmental	468,892	498,892	480,142	18,750
Capital outlay	364,350	364,350	326,804	37,546
Depreciation and amortization	5,816,112	5,816,112	6,073,872	(257,760)
Interest	3,533,474	3,228,474	3,110,886	117,588
Other	<u>502,576</u>	<u>502,576</u>	<u>454,456</u>	<u>48,120</u>
Total Expenditures	\$ <u>50,448,108</u>	\$ <u>50,448,108</u>	\$ <u>48,480,394</u>	\$ <u>1,967,714</u>

See accompanying notes to supplemental schedule and Independent Auditors' Report.

## Notes to Supplemental Schedule

### Schedule of Operating Expenditures - Budget and Actual

#### Budgetary Basis

The appropriation appearing on page 23 of the financial statements represents the operating budget of the Commission that was originally authorized in June 2008.

#### Budget/GAAP Reconciliation

The budgetary data is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual expenditures to conform to the budgetary basis of accounting.

Operating Expenditures (GAAP basis)	\$ 46,080,845
Non-operating Expenditures (GAAP basis)	3,435,261
Reverse capital expenditures appropriated in a prior fiscal year	(644,777)
Reverse the effect of prior year and current year GAAP accruals of:	
Interest on long-term debt	(178,666)
Accounts payable and accrued payroll	(155,134)
Compensated absence liability	(94,421)
Workers compensation liability	34,845
Other	2,441
Budgetary basis	<u>\$ 48,480,394</u>

**Appendix E**  
**Form of Continuing Disclosure**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Springfield Water and Sewer Commission (the "Commission") in connection with the issuance of its \$27,300,000 General Revenue Bonds 2010 Series B, dated November \_\_\_, 2010 (the "Bonds"). The Commission covenants and agrees as follows:

### SECTION 1. Purpose of the Disclosure Certificate.

This Disclosure Certificate is being executed and delivered by the Commission for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

### SECTION 2. Definitions.

For purpose of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Tax exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includible as an item of tax preference or otherwise includible directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### SECTION 3. Provision of Annual Reports.

(a) The Commission shall, not later than 270 days after the end of each fiscal, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Commission may be submitted when available separately from the balance of the Annual Report.

(b) If the Commission is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Commission shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

### SECTION 4. Content of Annual Reports.

The Commission's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Commission's Official Statement of November \_\_\_, 2010, relating to the Bonds regarding (i) the revenues and

expenditures of the Commission relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) current water and wastewater rates and charges, (v) outstanding indebtedness and overlapping debt of the Commission, and (vi) pension obligations of the Commission, and

- (b) the most recently available audited financial statements of the Commission, prepared in accordance with generally accepted accounting principles.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Commission 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 Municipal Securities Rulemaking Board. The Commission shall clearly identify each such other document so incorporated by reference.

#### SECTION 5. Reporting of Material Events.

(a) The Commission shall give notice in accordance with Section 5(b) below, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, IRS Notices, or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of owners of the Bonds, if material
8. Bond calls, if material.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Tender offers.
13. Bankruptcy, insolvency, receivership or similar event of the obligated person.
14. Merger, consolidation, or acquisition of the obligated person, if material.
15. Appointment of successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the Commission obtains knowledge of the occurrence of a Listed Event, the Commission shall within ten (10) business days promptly file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices.

Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation.

The Commission's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver.

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

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Commission 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 the MSRB.

SECTION 9. Default.

In the event of a failure of the Commission to comply with any provision of this Disclosure Certificate any Owners of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries.

This Disclosure Certificate shall insure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: November \_\_, 2010

SPRINGFIELD WATER AND  
SEWER COMMISSION

By \_\_\_\_\_  
Executive Director

**EXHIBIT A**

**MSRB**

**Municipal Securities Rulemaking Board**

1900 Duke St., Suite 600  
Alexandria, VA 22314  
Phone: (703) 797-6600  
Fax: (703) 683-1930

**EMMA**

**Electronic Municipal Market Access**

<http://emma.msrb.org>

(703) 797-6668

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Springfield Water and Sewer Commission  
Springfield, Massachusetts

Name of Issue: \$27,300,000 General Revenue Bonds  
2010 Series B dated November \_\_\_, 2010

Date of Issuance: November \_\_\_, 2010

NOTICE IS HEREBY GIVEN that the Commission has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Certificate of the Commission, dated November \_\_\_, 2010. The Commission anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SPRINGFIELD WATER AND  
SEWER COMMISSION

By: \_\_\_\_\_  
Executive Director

**Appendix F**  
**Bond Insurance**

## **BOND INSURANCE**

### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. (“AGC” or the “Insurer”) will issue its financial guaranty insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### **ASSURED GUARANTY CORP.**

AGC is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. AGC commenced operations in 1988. AGC is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders is obligated to pay any debts of AGC or any claims under any insurance policy issued by AGC.

AGC’s financial strength is rated “AA+” (stable outlook) by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). On February 24, 2010, Fitch, Inc. (“Fitch”), at the request of AGL, withdrew its “AA-” (Negative Outlook) insurer financial strength rating of AGC at the then current rating level. Each rating of AGC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGC in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGC. AGC does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On October 25, 2010, S&P published a Research Update in which it downgraded AGC's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA-" (Negative Outlook) insurer financial strength rating of AGC at the then current rating level. Reference is made to the press release, a copy of which is available at [www.fitchratings.com](http://www.fitchratings.com), for the complete text of Fitch's comments.

In a press release dated December 18, 2009, Moody's announced that it had confirmed its "Aa3" insurance financial strength rating of AGC, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGC.

For more information regarding AGC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission ("SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

### *Capitalization of Assured Guaranty Corp.*

As of September 30, 2010, AGC had total admitted assets of \$2,960,883,225 (unaudited), total liabilities of \$1,988,304,080 (unaudited), total surplus of \$972,579,145 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,639,152,806 (unaudited), in each case, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

### *Incorporation of Certain Documents by Reference*

The portions of the following documents filed by AGL with the SEC relating to AGC are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);
- the Current Report on Form 8-K dated August 6, 2010;
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and

- the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All consolidated financial statements of AGC and all other information relating to AGC included in documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE — Assured Guaranty Corp." shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of AGC incorporated by reference herein and of the statutory financial statements filed by AGC with the Maryland Insurance Administration are available upon request by contacting AGC at 31 West 52<sup>nd</sup> Street, New York, New York 10019 or by calling AGC at (212) 974-0100. In addition, the information regarding AGC that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

AGC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGC supplied by AGC and presented under the heading "BOND INSURANCE".



## Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**AGC**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

AGC will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which AGC shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by AGC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and AGC shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in AGC. Upon and to the extent of such disbursement, AGC shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by AGC to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of AGC under this Policy to the extent of such payment.

This Policy is non-cancelable by AGC for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of AGC, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or AGC are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless AGC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to AGC may be mailed by registered mail or personally delivered or telecopied to it at 31 West 52<sup>nd</sup> Street, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel at the same address and at [generalcounsel@assuredguaranty.com](mailto:generalcounsel@assuredguaranty.com) or at the following Facsimile Number: (212) 445-8705, or to such other address as shall be specified by AGC to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by AGC on a given Business Day if it is Received prior to 12:00 noon (New York City

time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, AGC may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to AGC pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to AGC. All payments required to be made by AGC under this Policy may be made directly by AGC or by the Fiscal Agent on behalf of AGC. The Fiscal Agent is the agent of AGC only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of AGC to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGC hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to AGC to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and AGC expressly reserves, AGC's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by AGC of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of AGC with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, AGC has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon AGC by virtue of such signature.

(SEAL)

**ASSURED GUARANTY CORP.**

By: \_\_\_\_\_  
[Insert Authorized Signatory Name]  
[Insert Authorized Signatory Title]

Signature attested to by:

\_\_\_\_\_  
Counsel