CONTINUING COVENANT AGREEMENT

dated as of September 1, 2013,

between

THE PITTSBURGH WATER AND SEWER AUTHORITY

and

BANC OF AMERICA PREFERRED FUNDING CORPORATION

Relating to

The Pittsburgh Water and Sewer Authority
Water and Sewer System Subordinate Revenue Refunding Bonds

$10,000,000
Series C-1A of 2008 (Index Interest Rate Mode)

$10,000,000
Series C-1B of 2008 (Index Interest Rate Mode)

$5,000,000
Series C-1C of 2008 (Index Interest Rate Mode)
# Table of Contents

<table>
<thead>
<tr>
<th>Article I</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1.01.</td>
<td>Certain Defined Terms</td>
</tr>
<tr>
<td>Section 1.02.</td>
<td>Computation of Time Periods</td>
</tr>
<tr>
<td>Section 1.03.</td>
<td>Construction</td>
</tr>
<tr>
<td>Section 1.04.</td>
<td>Accounting Terms and Determinations</td>
</tr>
<tr>
<td>Section 1.05.</td>
<td>Relation to Other Documents; Acknowledgment of Different Provisions of Related Documents; Incorporation by Reference</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article II</th>
<th>Purchase of Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 2.01.</td>
<td>Purchase of Bonds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article III</th>
<th>Conditions Precedent to Purchase of Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 3.01.</td>
<td>Documentary Requirements</td>
</tr>
<tr>
<td>Section 3.02.</td>
<td>Litigation</td>
</tr>
<tr>
<td>Section 3.03.</td>
<td>Other Matters</td>
</tr>
<tr>
<td>Section 3.04.</td>
<td>Payment of Fees and Expenses</td>
</tr>
<tr>
<td>Section 3.05.</td>
<td>Change in Laws</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article IV</th>
<th>The Authority’s Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 4.01.</td>
<td>Payment Obligations</td>
</tr>
<tr>
<td>Section 4.02.</td>
<td>Increased Payments</td>
</tr>
<tr>
<td>Section 4.03.</td>
<td>Obligations Absolute</td>
</tr>
<tr>
<td>Section 4.04.</td>
<td>Funding Indemnity</td>
</tr>
<tr>
<td>Section 4.05.</td>
<td>Purchaser Consent to Subsequent Index Interest Rate Period</td>
</tr>
<tr>
<td>Section 4.06.</td>
<td>Security</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article V</th>
<th>Representations and Warranties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5.01.</td>
<td>Existence and Power</td>
</tr>
<tr>
<td>Section 5.02.</td>
<td>Due Authorization</td>
</tr>
<tr>
<td>Section 5.03.</td>
<td>Valid and Binding Obligations</td>
</tr>
<tr>
<td>Section 5.04.</td>
<td>Noncontravention</td>
</tr>
<tr>
<td>Section 5.05.</td>
<td>Pending Litigation and Other Proceedings</td>
</tr>
<tr>
<td>Section 5.06.</td>
<td>Financial Statements</td>
</tr>
<tr>
<td>Section 5.07.</td>
<td>Pension Plans</td>
</tr>
<tr>
<td>Section 5.08.</td>
<td>No Defaults</td>
</tr>
<tr>
<td>Section 5.09.</td>
<td>Insurance</td>
</tr>
<tr>
<td>Section 5.10.</td>
<td>Condition of Water and Sewer System</td>
</tr>
</tbody>
</table>
Section 5.11. Incorporation by Reference .......................................................... 31
Section 5.12. Correct Information ........................................................................ 31
Section 5.13. Investment Company .................................................................... 32
Section 5.14. Margin Stock ................................................................................. 32
Section 5.15. Tax-Exempt Status ...................................................................... 32
Section 5.16. Solvency ......................................................................................... 32
Section 5.17. Security .......................................................................................... 32
Section 5.18. Pending Legislation and Decisions; Other Agreements .............. 33
Section 5.19. Trustee; Paying Agent ................................................................. 33
Section 5.20. Environmental Matters ................................................................. 33
Section 5.21. No Immunity .................................................................................. 33
Section 5.22. No Public Vote or Referendum .................................................. 33
Section 5.23. Qualified Swap Agreements ......................................................... 33
Section 5.24. Anti-Terrorism Laws ................................................................. 33
Section 5.25. Use of Bonds Proceeds ............................................................... 34

ARTICLE VI

Covenants of the Authority

Section 6.01. Existence, Etc ................................................................................. 35
Section 6.02. Maintenance of Properties .......................................................... 35
Section 6.03. Compliance with Laws ............................................................... 35
Section 6.04. Insurance ..................................................................................... 35
Section 6.05. Reports ......................................................................................... 35
Section 6.06. Maintenance of Books and Records ........................................... 37
Section 6.07. Access to Books and Records ..................................................... 37
Section 6.08. Compliance with Documents ...................................................... 37
Section 6.09. Rate Covenant .............................................................................. 38
Section 6.10. No Impairment ............................................................................. 38
Section 6.11. Application of Bond Proceeds .................................................... 38
Section 6.12. Trustee; Paying Agent ................................................................. 38
Section 6.13. Personnel ...................................................................................... 39
Section 6.14. Related Documents ..................................................................... 39
Section 6.15. Liens; Judgments ...................................................................... 39
Section 6.16. Conversions and Redemptions; No Credit Enhancement .......... 39
Section 6.17. Disclosure to Participants, Purchaser Transferees and Non-Purchaser Transferees ................................................................. 40
Section 6.18. Other Agreements ...................................................................... 40
Section 6.19. No Immunity ................................................................................. 40
Section 6.20. Investments ................................................................................. 40
Section 6.21. Payment of Obligations ............................................................... 40
Section 6.22. Use of Purchaser’s Name .............................................................. 41
Section 6.23. Maintenance of Tax-Exempt Status of Bonds ......................... 41
Section 6.24. Indebtedness .............................................................................. 41
Section 6.25. Federal Reserve Board Regulations .......................................... 41
Section 6.26. Underlying Rating ....................................................................... 41
Section 6.27. Further Assurances .................................................................... 41
ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default .................................................. 42
Section 7.02. Consequences of an Event of Default .................... 46
Section 7.03. Remedies Cumulative; Solely for the Benefit of
Purchaser .................................................................................. 47
Section 7.04. Waivers or Omissions ............................................ 47
Section 7.05. Discontinuance of Proceedings ............................... 47

ARTICLE VIII

INDEMNIFICATION

Section 8.01. Indemnification .................................................... 48
Section 8.02. Survival ............................................................... 48

MISCELLANEOUS

Section 9.01. Patriot Act Notice .................................................. 48
Section 9.02. Further Assurances ................................................. 49
Section 9.03. Amendments and Waivers; Enforcement ............... 49
Section 9.04. No Implied Waiver; Cumulative Remedies ............ 49
Section 9.05. Notices ................................................................. 50
Section 9.06. Right of Setoff ....................................................... 51
Section 9.07. No Third-Party Rights ............................................ 51
Section 9.08. Severability .......................................................... 52
Section 9.09. Governing Law; Consent to Jurisdiction and Venue;
Consent to Judicial Reference .................................................. 52
Section 9.10. Prior Understandings ............................................. 53
Section 9.11. Duration ............................................................... 53
Section 9.12. Counterparts ........................................................ 53
Section 9.13. Successors and Assigns ......................................... 53
Section 9.14. Headings ............................................................. 55
Section 9.15. Acknowledge and Appointment as the Calculation Agent
......................................................................................... 55
Section 9.16. No Fiduciary Relationship ..................................... 55
Section 9.17. Electronic Signatures ............................................. 55

EXHIBITS

EXHIBIT A — Form of No Default Certificate
EXHIBIT B — Form of Purchaser Letter
CONTINUING COVENANT AGREEMENT

THIS CONTINUING COVENANT AGREEMENT, dated as of September 1, 2013 (as amended, modified or restated from time to time, this "Agreement"), between THE PITTSBURGH WATER AND SEWER AUTHORITY, a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania (the "Authority"), and BANC OF AMERICA PREFERRED FUNDING CORPORATION, a Delaware corporation, and its successors and assigns (the "Purchaser").

RECITALS

WHEREAS, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") previously entered into that certain Subordinate Trust Indenture dated as of July 15, 1995 (the "Initial Subordinate Indenture"); and

WHEREAS, the Authority and the Trustee entered into a First Supplemental Subordinate Indenture dated as of March 1, 1998 between the Trustee and the Authority (the "First Supplemental Subordinate Indenture") pursuant to which the Authority issued, inter alia, The Pittsburgh Water and Sewer Authority, Water and Sewer System Subordinate Revenue Bonds, Series C of 1998 in the original aggregate principal amount of $101,970,000 (the "1998C Bonds") for the purposes described therein; and

WHEREAS, the Authority and the Trustee entered into a Second Supplemental Subordinate Indenture dated as of June 1, 2008 (the "Initial Second Supplemental Subordinate Indenture"), pursuant to which the Authority issued, inter alia, The Pittsburgh Water and Sewer Authority (Variable Rate Demand) Water and Sewer System Subordinate Revenue Refunding Bonds, Series C-1 of 2008 in the original aggregate principal amount of $51,910,000 (the "2008C-1 Bonds") for the purposes of refunding a portion of the then outstanding 1998C Bonds, funding certain debt service reserves and paying certain costs of issuing the 1998C Bonds; and

WHEREAS, the Authority and the Trustee entered into an Amending Supplement to the Initial Subordinate Indenture and Second Supplemental Subordinate Indenture dated as of November 1, 2009 (the "First Amending Supplement"), pursuant to which the Initial Subordinate Indenture and the Initial Second Supplemental Subordinate Indenture were amended to provide for, inter alia, (a) the creation of four subseries of the 2008C-1 Bonds denominated as the $10,000,000 Water and Sewer System Subordinate Revenue Refunding Bonds, Series C-1A of 2008 (the "Original Series 2008C-1A Bonds"), the $10,000,000 Water and Sewer System Subordinate Revenue Refunding Bonds, Series C-1B of 2008 (the "Original Series 2008C-1B Bonds"), the $5,000,000 Water and Sewer System Subordinate Revenue Refunding Bonds, Series C-1C of 2008 (the "Original Series 2008C-1C Bonds") and the $26,910,000 Water and Sewer System Subordinate Revenue Refunding Bonds, Series C-1D of 2008 (the "Original Series 2008C-1D Bonds" and collectively with the Original Series 2008C-1A Bonds, the Original Series 2008C-1B Bonds and the Original Series 2008C-1C Bonds, the "Original Series 2008C-1A-D Bonds"), (b) the remarketing and conversion of the Original Series 2008C-1A-D Bonds in Term Modes (as provided in the First Amending Supplement) and (c) the delivery of
separate letters of credit to secure the Original Series 2008C-1A Bonds, the Original Series 2008C-1B Bonds and the Original Series 2008C-1C Bonds; and

WHEREAS, the Authority and the Trustee entered into an Amendment to the First Amending Supplement to the Initial Subordinate Indenture and Second Supplemental Subordinate Indenture dated as of November 15, 2009 (the “Amendment to the First Amending Supplement”, pursuant to which the Amending Supplement was amended as more particularly described therein; and

WHEREAS, the Authority and the Trustee entered into a Second Amending Supplement to the Second Supplemental Subordinate Indenture dated as of September 1, 2012 (the “Second Amending Supplement”, and the Initial Subordinate Indenture, as supplemented and amended by the First Supplemental Subordinate Indenture, the Second Subordinate Supplemental Indenture, the First Amending Supplement, the Amendment to the First Amending Supplement and the Second Amending Supplement, collectively, the “Original Subordinate Indenture” and the Initial Second Supplemental Subordinate Indenture as amended by the First Amending Supplement, as further amended by the Amendment to the First Amending Supplement and as further amended by the Second Amending Supplement, collectively, the “Original Second Supplemental Subordinate Indenture”)

WHEREAS, pursuant to the Third Amending Supplement to the Second Supplemental Subordinate Indenture dated as of September 1, 2013 between the Authority and the Trustee (the “Third Amending Supplement”, and the Original Subordinate Indenture, as amended and supplemented by the Third Amending Supplement and as the same may be amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof and thereof, the “Subordinate Indenture” and the Original Second Supplemental Subordinate Indenture, as amended and supplemented by the Third Amending Supplement and as the same may be amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof and thereof, the “Second Supplemental Subordinate Indenture”), the Authority and the Trustee are making certain amendments to the Subordinate Indenture in connection with (a) the mandatory tender and remarketing of the Original Series 2008C-1A Bonds, the Original Series 2008C-1B Bonds and the Original Series 2008C-1C Bonds (as remarked, the “2008C-1A Bonds”, the “2008C-1B Bonds” and the “2008C-1C Bonds”, respectively, and collectively, the “Bonds”) and (b) the purchase by one or more financial institutions from time to time of the Bonds; and

WHEREAS, the Purchaser has agreed to make a loan to the Authority by purchasing the Bonds in connection with the remarketing of the Bonds on September 3, 2013 and the conversion of the Rate Mode thereon to an Index Interest Rate (as hereinafter defined), and as a condition to such purchase, the Purchaser has required the Authority to enter into this Agreement.

NOW, THEREFORE, to induce the Purchaser to make a loan to the Authority by purchasing the Bonds, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Authority and the Purchaser hereby agree as follows:

-2-
ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. In addition to the terms defined in the recitals and elsewhere in this Agreement and in the Subordinate Indenture, the following terms shall have the following meanings:


"Affiliate" means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Agreement" has the meaning ascribed to such term in the introductory paragraph hereof.

"Amortization End Date" means, with respect to any Amortization Period, the earliest to occur of (a) the anniversary of the Mandatory Tender Date on which such Amortization Period commenced, (b) the date on which the Rate Mode on all of the Bonds have been converted to a Rate Mode other than the Index Interest Rate and (c) the date on which all Bonds are redeemed, repaid, prepaid or cancelled in accordance with the terms of the Related Documents.

"Amortization Payment" has the meaning ascribed to such term in Section 4.01(b) hereof.

"Amortization Payment Date" means (a) the Initial Amortization Payment Date and each three month anniversary of the Initial Amortization Payment Date occurring thereafter which occurs prior to the Amortization End Date and (b) the Amortization End Date.

"Amortization Period" has the meaning ascribed to such term in Section 4.01(b) hereof.

"Anti-Terrorism Laws" has the meaning ascribed to such term in Section 5.24 hereof.

"Applicable Spread" has the meaning ascribed to such term in the Second Supplemental Subordinate Indenture.

"Authority" has the meaning ascribed to such term in the recitals hereto.

"Authority Related Documents" means the Related Documents to which the Authority is a party.
"Authorized Authority Representative" means the Chairman, Vice Chairman, Treasurer, Executive Director or Director of Finance of the Authority, or a duly authorized designee of the Chairman of the Authority; provided, that a copy of such designation shall have been provided to the Purchaser.

"Bank Agreement" means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons undertake(s) to make or provide funds to make payment of, or to purchase or provide credit enhancement for bonds or notes of the Authority that are secured on a parity with the Lien on the Subordinate Receipts and Revenues securing the payment of the principal and purchase price of and interest on the Bonds.

"Bank Purchase Date" has the meaning ascribed to such term in the Second Supplemental Subordinate Indenture.

"Base Rate" means, for any day, a fluctuating rate of interest per annum equal to the greatest of (a) the Prime Rate in effect at such time plus %, (b) the Federal Funds Rate in effect at such time plus percent (%) and (c) percent (%).

"Bond Counsel" means Dinsmore & Shohl LLP, or any other firm of attorneys nationally recognized on the subject of tax-exempt municipal finance selected by the Authority and satisfactory to the Purchaser.

"Bondholder" means the Purchaser and each Purchaser Transferee or Non-Purchaser Transferee pursuant to Section 9.13 hereof so long as such Purchaser Transferee or Non-Purchaser Transferee is an owner of Bonds.

"Bonds" means has the meaning ascribed to such term in the recitals hereto.

"Business Day" means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in New York, New York or the states where the principal corporate office of the Authority or the principal corporate trust office of the Trustee is located are authorized by law to close, (b) a day on which the New York Stock Exchange or the Federal Reserve Bank is closed or (c) a day on which the principal office of the Calculation Agent, the Market Agent or the Purchaser is closed.

"Calculation Agent" has the meaning assigned to such term in the Second Supplemental Subordinate Indenture.

"Capital Additions" means all new or additional property, which the Authority has authority to, or is required to, construct or acquire (including, without limiting the generality of the foregoing, lands, rights of way, easements and similar interests in real property and all buildings, improvements, standpipes, reservoirs, wells, flumes, sluices, canals, basins, cribs,
machinery, mains, conduits, hydrants, pipes, pipe lines, service pipes, water and sewer plants and systems, dams, tanks, shops, structures, purification systems, pumping stations, fixtures, engines, boilers, pumps, meters, facilities for cogeneration and transportation and other equipment) and any and all permanent improvements, replacements, additions, extensions and betterments to real or fixed property of the Authority, which new or additional property and permanent improvements, replacements, additions, extensions and betterments shall be hereafter constructed or otherwise acquired by the Authority.


“City” means the City of Pittsburgh, Pennsylvania.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, and, where appropriate any statutory predecessor or any successor thereto.

“Collateral” means all security pledged pursuant to this Agreement and the other Related Documents.

“Continuing Disclosure Obligations” shall mean the Authority’s obligations under Rule 15c2-12, promulgated by the Securities Exchange Commission, or any successor provision, as in effect from time to time (or, in the case of a successor provision, pursuant to the successor provision) and as implemented by the Authority from time to time in respect of any of the Authority’s outstanding obligations.


“Controlled Group” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Authority, are treated as a single employer under Section 414 of the Code.

“Current Expenses” means the reasonable, proper and necessary costs of operation, maintenance and repair of the Water and Sewer System and Capital Additions and shall include, but without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, liquidity facility fees and expenses, fees and expenses of the Trustee, and authorized depositaries, an allowance for depreciation, any payments to pension or retirement funds, taxes and payments made by the Authority to the City under a Cooperation Agreement dated as of June 15, 1995 between the Authority and the City.

“Default” means any event or condition which, with notice, the passage of time or any combination of the foregoing, would constitute an Event of Default.

“Default Rate” means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus percent (%).
"Determination of Taxability" means and shall be deemed to have occurred on the first to occur of the following:

(a) on the date when the Authority files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(b) on the date when any Bondholder or any former Bondholder notifies the Authority that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) calendar days after receipt by the Authority of such notification from any Bondholder or any former Bondholder, the Authority shall deliver to such Bondholder and such former Bondholder a ruling or determination letter issued to or on behalf of the Authority by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(c) on the date when the Authority shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Authority, or upon any review or audit of the Authority or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(d) on the date when the Authority shall receive notice from any Bondholder or any former Bondholder that the Internal Revenue Service (or any other governmental official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Bondholder or such former Bondholder the interest on the Bonds due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (c) or (d) hereunder unless the Authority has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; provided further, however, that upon demand from any Bondholder or former Bondholder, the Authority shall promptly reimburse such Bondholder or former Bondholder for any payments, including any taxes, interest, penalties or other charges, such Bondholder (or former Bondholder) shall be obligated to make as a result of the Determination of Taxability.

"Effective Date" means September 3, 2013, subject to the satisfaction or waiver by the Purchaser of the conditions precedent set forth in Article IV hereof.
"EMMA" means the Electronic Municipal Market Access system as provided by the Municipal Securities Rulemaking Board or any successor municipal obligation disclosure system provided by the Municipal Securities Rulemaking Board.

"Environmental Laws" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, licenses or other governmental restrictions relating to the environment or the release of any materials into the environment, including, without limitation, each of the following, as applicable: the Pennsylvania Solid Waste Management Act, as amended, 35 P.S. 6018.101 et seq.; the Pennsylvania Clean Streams Law, as amended, 35 P.S. 691.1 et seq.; the Pennsylvania Hazardous Sites Cleanup Act, as amended, 35 P.S. 6020.101 et seq.; the Pennsylvania Storage Tank and Spill Prevention Act, as amended, 35 P.S. 6021.101 et seq.; the Pennsylvania Hazardous Material Emergency Planning and Response Act, as amended, 35 P.S. 6022.101 et seq.; CERCLA and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§6901-6987; all of the foregoing in each case, together with the regulations promulgated thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

"Event of Default" with respect to this Agreement has the meaning set forth in Section 7.01 of this Agreement and, with respect to any Related Document, has the meaning assigned therein and, if not so assigned, any event of default or similar event or condition, the effect of which is to cause, or to permit any obligee thereunder to declare, the obligations of the Authority thereunder to become immediately due and payable.

"Event of Taxability" means (a) a change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the Authority, or the failure to take any action by the Authority, or the making by the Authority of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Bonds) which has the effect of causing interest paid or payable on the Bonds to become includable, in whole or in part, in the gross income of any Bondholder or any former Bondholder for federal income tax purposes or (b) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the Bonds to become includable, in whole or in part, in the gross income of any Bondholder or any former Bondholder for federal income tax purposes with respect to the Bonds.

"Excess Interest Amount" has the meaning ascribed to such term in Section 4.02(d) hereof.
“Excluded Taxes” means, with respect to the Purchaser, any Bondholder or any Participant, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Purchaser or such Owner or Participant is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Authority is located.

“Executive Order” has the meaning ascribed to such term in Section 5.24 hereof.

“Existing Agreement” means that certain Reimbursement Agreement dated as of October 15, 2009 between the Authority and the Purchaser, as amended and supplemented by that certain First Amendment dated as of August 31, 2011 to Reimbursement Agreement between the Authority and the Purchaser, as the same may be further amended and supplemented from time to time.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to the Purchaser on such day on such transactions as determined by the Purchaser.

“First Lien Bonds” has the meaning set forth in the Subordinate Indenture.

“First Lien Indenture” means that certain Trust Indenture dated as of October 15, 1993, between the Authority and The Bank of New York Trust Company, N.A. as successor trustee, as heretofore amended and as the same may be amended, modified or restated in accordance with the terms thereof and hereof.

“Fiscal Year” means the twelve month period from January 1 through the following December 31.

“FRB” means the Board of Governors of the Federal Reserve System of the United States, together with any successors thereof.

“Generally Accepted Accounting Principles”, “generally accepted accounting principles” or “GAAP” means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the Authority.

“Government Acts” means any act or omission to act, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.
“Governmental Approval” means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“Governmental Authority” means any federal, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, commission, bureau or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“ Incorporated Provisions” has the meaning set forth in Section 6.08 hereof.

“Indebtedness” means the total of all of the Authority’s issued and outstanding “Bonds” (as defined in the First Lien Indenture) and all of the Authority’s “Bonds” (as defined in the Subordinate Indenture), including any other obligations for borrowed money pertaining to the construction, improvement or operations of the Authority’s Water and Sewer System, whether current or long-term, senior or subordinated, including but not limited to loans from the Pennsylvania Infrastructure Investment Authority (“PennVest”) which in accordance with generally accepted accounting principles would be included as liabilities upon the Authority’s consolidated balance sheet at the date as of which Indebtedness is to be determined, and shall also include payments due under leases (whether or not capitalized) and any liabilities, whether contingent or fixed, under any interest rate swap or other rate protection product, as well as guaranties, endorsements (other than for collection in the ordinary course of business) or other arrangements whereby responsibility is assumed for the obligations of others, whether by agreement to purchase or otherwise acquire the obligations of others, including any agreement, contingent or otherwise, to furnish funds through the purchase of goods, supplies or services for the purpose of payment of the obligations of others; provided, however, that the foregoing shall be limited to obligations related to the construction, improvement or operations of the Authority’s Water and Sewer System.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitee” has the meaning ascribed to such term in Section 8.01 hereof.

“Index Interest Rate” has the meaning ascribed to such term in the Second Supplemental Subordinate Indenture.

“Index Interest Rate Period” has the meaning ascribed to such term in the Second Supplemental Subordinate Indenture.

“Initial Amortization Payment Date” means, with respect to any Amortization Period, the first Business Day of the full calendar month following the Mandatory Tender Date on which such Amortization Period commenced.
“Insurance Policy Termination Agreement” means the Insurance Policy Termination Agreement dated as of September 3, 2013 between the Authority, Assured Guaranty Municipal Corp., the Trustee and the Purchaser.

“Interest Payment Date” has the meaning ascribed to such term in the Second Supplemental Subordinate Indenture.

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Liabilities” has the meaning set forth in Section 8.01 hereof.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Mandatory Tender Date” has the meaning set forth in the Second Supplemental Subordinate Indenture.

“Mandatory Tender Purchase Price” has the meaning set forth in the Second Supplemental Subordinate Indenture.

“Margin Stock” has the meaning ascribed to such term in Regulation U promulgated by the FRB, as now and hereafter from time to time in effect.

“Material Adverse Change” means a material adverse change in (a) the business, operations, results of operations, assets, liabilities or financial condition of the Authority or (b) the business, results of operations, assets, liabilities or financial condition of the Water and Sewer System, in each case as determined by the Purchaser in its commercially reasonable discretion.

“Maximum Interest Rate” means the maximum non-usurious lawful rate of interest permitted by applicable law.

“Moody’s” means Moody’s Investors Service, Inc. and any successor rating agency.

“1933 Act” has the meaning set forth in Section 9.13(b) hereof.
“No Default Certificate” means a certificate substantially in form of Exhibit A hereto.

“Non-Purchaser Transferee” has the meaning set forth in Section 9.13(c) hereof.

“Obligations” means all amounts payable by the Authority, and all other obligations to be performed by the Authority, pursuant to this Agreement and the other Related Documents (including any amounts to reimburse the Purchaser for any advances or expenditures by it under any of such documents). For purposes of this Agreement, the term “Obligations” shall not include payments from the Authority to the Purchaser under any Swap Agreement.

“OFAC” has the meaning set forth in Section 5.24 hereof.

“Other Taxes” means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any Related Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any Related Document.

“Parity Obligation” means any and all “Bonds” (as defined in the Subordinate Indenture) issued pursuant to the Subordinate Indenture (including, without limitation, any Bond) or any Periodic Payments under any Qualified Swap Agreement executed by the Authority in connection with any “Bonds” (as defined in the Subordinate Indenture) issued pursuant to the Subordinate Indenture and secured by the Subordinate Receipts and Revenues of the Authority on a parity with the Bonds.

“Participant(s)” means any bank(s) or other financial institution(s) which may purchase a participation interest from the Purchaser in this Agreement and certain of the Related Documents pursuant to a participation agreement between the Purchaser and the Participant(s).


“Pension Plan” means any “employee pension benefit plan” which is maintained by the Authority or (b) maintained by any other Person and to which the Authority contributes (or permits any other Person to contribute) or has an obligation to contribute, or has made contributions at any time during the immediately preceding six (6) plan years.

“Periodic Payment” means any regularly schedule payment payable by the Authority to the counterparty pursuant to the terms of any Swap Agreement(s); however, Periodic Payments shall not include any termination payments, costs and fees or any other sums payable under any such Swap Agreement that are not regularly scheduled payments payable by the Authority.

“Permitted Encumbrances” means (a) liens for taxes or assessments which are not yet due, liens for taxes or assessments or liens of judgments which are being contested, appealed or reviewed in good faith by appropriate proceedings which prevent foreclosure of any such lien or levy of execution thereunder and against which liens, if any, adequate insurance or reserves have
been provided; (b) pledges or deposits to secure payment of workers' compensation obligations, unemployment insurance, deposits or indemnities to secure public or statutory obligations or for similar purposes or letters of credit therefor; (c) those minor defects which in the opinion of the Purchaser’s counsel, do not materially affect title to the collateral for the Authority’s obligations hereunder; (d) liens in favor of the Purchaser; (e) the lessor’s retained title to personal property which is the subject matter of a true operating lease to the Authority; (f) the First Lien Indenture; (g) liens in favor of PennVest; (h) liens under the Subordinate Indenture; (i) liens securing additional Parity Obligations permitted hereby and (j) “Permitted Liens and Title Defects” as such term is defined in the First Lien Indenture.

“Person” means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

“Prime Rate” means, for any day, the rate per annum established by the Purchaser from time to time as its “prime rate” for U.S. dollar loans, or its equivalent, as is in effect on such day, any change in such rate to be effective on the date such change is effective for the Purchaser’s purposes, it being understood that such rate shall not necessarily be the best or lowest rate of interest available to the Purchaser’s best or most preferred prime, large commercial customers. Each determination of the Prime Rate by the Purchaser shall be conclusive and binding on the Authority absent manifest error. The Prime Rate is a reference rate only, and the Purchaser may make loans from time to time at interest rates above, equal to or below the Prime Rate.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“Purchase Price” has the meaning set forth in Section 2.01(a) hereof.

“Purchaser” means, initially, Banc of America Preferred Funding Corporation, a Delaware corporation, and its successors and assigns.

“Purchaser Affiliate” means the Purchaser and any Affiliate of the Purchaser.

“Purchaser Letter” has the meaning ascribed to such term in Section 9.13(c) hereof.

“Purchaser Rate” has the meaning set forth in the Second Supplemental Subordinate Indenture.

“Purchaser Transferee” has the meaning ascribed to such term in Section 9.13(b) hereof.

“Qualified Interest Rate Swap Agreement” or “Qualified Swap Agreement” has the meaning ascribed to such term in the Subordinate Indenture.

“Rate Mode” has the meaning set forth in the Subordinate Indenture.
"Rating Agency(ies)" means either or both of Moody’s and S&P.

"Rating Documentation" has the meaning ascribed to such term in Section 3.01(d)(iv) hereof.

"Receipts and Revenues" means any and all rates, fees, rents and charges established or to be established, levied and collected in connection with, and all other payments, receipts and revenues of whatever kind or character arising from, the operation or ownership of any property of the Authority or any part thereof (except tap or connection fees and charges to the extent such fees or charges are pledged in accordance with the Act as a refund to such person who has paid for the construction of any extension of the Water and Sewer System or assessment revenues which are subject to the lien of assessment bonds then outstanding), payments received under Qualified Interest Rate Swap Agreements, any income earned on the moneys or investments on deposit in the Debt Service Fund, Debt Service Reserve Fund, Construction Fund, Revenue Fund, Operation and Maintenance Fund and any sinking, purchase or analogous fund created under the First Lien Indenture.

"Related Documents" means this Agreement, the Subordinate Indenture, the First Lien Indenture, the Insurance Policy Termination Agreement and the Bonds, and any other documents executed in connection herewith, with the Third Amending Supplement or with the remarketing of the Bonds, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

"S&P" means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and any successor rating agency.

"Senior Obligations" means any Indebtedness issued or incurred by or on behalf of the Authority in accordance with the terms and conditions set forth the Related Documents and secured on a basis senior to the Lien on the Receipts and Revenues securing the payment of the principal and purchase price of and interest on the First Lien Bonds.

"Subordinate Bonds" has the meaning ascribed to such term in the Subordinate Indenture.

"Subordinate Receipts and Revenues" means the Receipts and Revenues of the Water and Sewer System after payment of (a) Current Expenses, (b) the debt service due on the First Lien Bonds, and the Reimbursement Obligations and Periodic Payments related thereto, and (c) the funding of the Debt Service Reserve Fund, the Operating Reserve Fund and the Renewal and Replacement Fund held under the First Lien Indenture and Policy Costs (as defined in the First Lien Indenture).

"Swap Agreement" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor
transactions, collar transactions, currency swap transactions, cross currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Taxable Date” means the date on which interest on the Bonds is first includable in gross income of the Bondholder (including, without limitation, any previous Bondholder) thereof as a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“Taxable Period” has the meaning ascribed to such term in Section 4.02(b) hereof.

“Taxable Rate” means an interest rate per annum at all times equal to the product of (a) the interest rate on the Bonds otherwise then in effect and (b) the Taxable Rate Factor.

“Taxable Rate Factor” means .

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“Trust Assets” has the meaning ascribed to such term in Section 4.06.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., its successors and assigns, as successor trustee and as “Paying Agent” under the Subordinate Indenture.

“Underlying Provisions” has the meaning ascribed to such term in Section 6.08.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan for the applicable plan year.

“Unremarketed Bonds” means Bonds with respect to which the Purchaser has not received payment of the Mandatory Tender Purchase Price, if any, on any Mandatory Tender Date.

“U.S.” means the United States of America.
“Water and Sewer System” has the meaning ascribed to such term in the First Lien Indenture.

Section 1.02. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.03. Construction. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, to the singular include the plural and to the part include the whole. The word “including” shall be deemed to mean “including but not limited to,” and “or” has the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereunder” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The phrase “satisfactory to the Purchaser” and other phrases of similar import mean “satisfactory to the Purchaser in its sole discretion” unless expressly otherwise provided. The Section headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified.

Section 1.04. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP. If, after the Effective Date, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Sections 6.05 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement including, without limitation, a recharacterization of operating leases to the effect that certain operating leases are to be treated as capital leases, either the Authority or the Purchaser may by notice to the other party hereto, require that the Purchaser and the Authority negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Obligated Group shall be the same as if such change had not been made. No delay by the Authority or the Purchaser in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.04, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles.

Section 1.05. Relation to Other Documents; Acknowledgment of Different Provisions of Related Documents; Incorporation by Reference. (a) Nothing in this Agreement shall be deemed to amend, or relieve the Authority of its obligations under, any Related Document to which it is a party. Conversely, to the extent that the provisions of any Related Document allow the Authority to take certain actions, or not to take certain actions, with regard for example to permitted liens, transfers of assets, maintenance of financial ratios and similar matters, the Authority nevertheless shall be fully bound by the provisions of this Agreement.
(b) Except as provided in subsection (c) of this Section 1.05, all references to other documents shall be deemed to include all amendments, modifications and supplements thereto to the extent such amendment, modification or supplement is made in accordance with the provisions of such document and this Agreement.

(c) All provisions of this Agreement making reference to specific Sections of, and defined terms included in, any Related Document shall be deemed to incorporate such Sections and defined terms into this Agreement by reference as though specifically set forth herein (with such changes and modifications as may be herein provided) and shall continue in full force and effect with respect to this Agreement notwithstanding payment of all amounts due under or secured by the Related Documents, the termination or defeasance thereof or any amendment thereto or any waiver given in connection therewith, so long as this Agreement is in effect and until all Obligations are paid in full. No amendment, modification, consent, waiver or termination with respect to any of such Sections or defined terms shall be effective as to this Agreement until specifically agreed to in writing by the parties hereto with specific reference to this Agreement.

ARTICLE II

PURCHASE OF BONDS

Section 2.01. Purchase of Bonds. (a) Purchase Price. Upon the conditions set forth in Article III hereof and based on the representations, warranties and covenants of the Authority set forth herein, the Purchaser hereby agrees to make a loan to the Authority by purchasing from Authority, and the Authority hereby agrees to sell to the Purchaser, all, but not less than all, of the Bonds at the aggregate purchase price of $25,000,000 representing the aggregate principal amount of the Bonds (the "Purchase Price").

(b) Closing. On the Effective Date, the Authority shall deliver to the Purchaser the documents described in Article III hereof. Upon delivery of such documents, the Purchaser will pay the full Purchase Price for the Bonds in immediately available federal funds payable to the Trustee on behalf of the Authority. One fully registered and authenticated 2008C-1A Bond, in the principal amount of $10,000,000, shall be registered in the name of the Purchaser and shall be delivered by the Authority or the Trustee to the Purchaser upon payment of the Purchase Price. One fully registered and authenticated 2008C-1B Bond, in the principal amount of $10,000,000, shall be registered in the name of the Purchaser and shall be delivered by the Authority or the Trustee to the Purchaser upon payment of the Purchase Price. One fully registered and authenticated 2008C-1C Bond, in the principal amount of $5,000,000, shall be registered in the name of the Purchaser and shall be delivered by the Authority or the Trustee to the Purchaser upon payment of the Purchase Price.
ARTICLE III

CONDITIONS PRECEDENT TO PURCHASE OF BONDS

Section 3.01. Documentary Requirements. The obligation of the Purchaser to make a loan to the Authority by purchasing the Bonds is subject to the conditions precedent that the Purchaser shall have received, on or before the Effective Date, the items listed below in this Section, each dated and in form and substance as is satisfactory to the Purchaser.

(a) The following Authority documents:

(i) copies of the resolutions of the governing body of the Authority approving the execution and delivery of the Related Documents to which the Authority is a party, and the other matters contemplated hereby, certified by an Authorized Authority Representative as being true and complete and in full force and effect on the Effective Date;

(ii) certified copies of the Articles of Incorporation and Bylaws of the Authority and all approvals, authorizations or consents of, or notices to, or registrations with, any governmental body or agency required for the Authority to enter into this Agreement, the Authority Related Documents or any other agreement in which the Authority is named as a party and to carry out the transactions contemplated hereby and thereby;

(iii) the audited annual financial statements of the Authority for the Fiscal Year ended December 31, 2012, together with internally prepared financial statements of the Authority for the period ending March 31, 2013;

(iv) a copy of the most recent annual budget adopted by the Authority relating to the Water and Sewer System and the audited financial report for the Water and Sewer System for the Fiscal Year ended December 31, 2012 and any other financial information, budgets, projections, etc. as the Purchaser may require; and

(v) a certificate dated the Effective Date and executed by an Authorized Authority Representative certifying the names and signatures of the persons authorized to sign, on behalf of the Authority, the Authority Related Documents and the other documents to be delivered by it hereunder or thereunder.

(b) The following financing documents:

(i) an executed original or certified copy, as applicable, of each of the Related Documents;

(ii) each original executed and authenticated Bond registered in the name of the Purchaser; and
(iii) copies of all documentation relating to any Swap Agreement of the Authority relating to the Bonds.

(c) The following opinions, dated the Effective Date and addressed to the Purchaser or on which the Purchaser is otherwise expressly authorized to rely:

(i) from counsel to the Authority, opinions as to its legal existence and authority, corporate capacity, due authorization of transactions, due execution and delivery of documents, enforceability of this Agreement and of the other Authority Related Documents, no conflicts with law (including without limitation the Act), the Related Documents or other agreements and documents, no litigation, no consents required, perfection of security interests in favor of the Trustee and the Purchaser and such other customary matters as the Purchaser may request;

(ii) from Bond Counsel, opinions to the effect that the Bonds are validly issued and legal and binding obligations of the Authority and that the interest on the Bonds is excludable from gross income for federal income tax purposes and such other customary matters as the Purchaser may request;

(iii) from counsel to Assured Guaranty Municipal Corp., opinions as to its legal existence and authority, due authorization, execution and delivery of the Insurance Policy Termination Agreement and enforceability of the Insurance Policy Termination Agreement and such other customary matters as the Purchaser may request;

(iv) each other opinion delivered by any Person on the Effective Date pursuant to the Related Documents.

(d) The following documents and other information:

(i) a certificate dated the Effective Date and executed by an Authorized Authority Representative certifying (A) that since December 31, 2012, there has been no Material Adverse Change, (B) that the representations and warranties contained in this Agreement and the other Related Documents that are not qualified by materiality are true and correct in all material respects on the Effective Date, (C) that the representations and warranties contained in this Agreement and the other Related Documents that are qualified by materiality are true and correct in all respects on the Effective Date, (D) no event has occurred and is continuing, or would result from entry into this Agreement, which would constitute a Default or Event of Default or a Material Adverse Change, (E) since the dated date of the Rating Documentation, the unenhanced long-term debt ratings assigned to any Indebtedness has not been withdrawn, suspended or reduced and (F) that all conditions precedent set forth in this Article III have been satisfied and complied with;

(ii) true and correct copies of all Governmental Approvals, if any, necessary for the Authority to execute, deliver and perform the Authority Related Documents;
(iii) recent evidence that the unenhanced long-term debt rating assigned by (A) S&P to the Parity Obligations other than the Bonds is at least “A”, (B) by Moody’s to the Senior Obligations is at least “A2” and (C) by S&P to the Senior Obligations is at least “A” (collectively, the “Rating Documentation”);

(iv) evidence that the Authority has filed Uniform Commercial Code financing statements perfecting the grant of a security interest and lien in favor of the Trustee and the Purchaser, as applicable, in the Collateral;

(v) evidence that each subseries of the Bonds has been assigned a CUSIP number;

(vi) evidence that the Bond Insurer (as defined in the Second Supplemental Subordinate Indenture) shall have consented to the Third Amending Supplement;

(vii) a copy of the duly executed Endorsement No. 7 to Municipal Bond Insurance Policy (Partial Cancellation) for Assured Guaranty Municipal Corp.’s Municipal Bond Insurance Policy No. 210575-N dated the Effective Date; and

(viii) evidence that each of the following agreements (and the letter of credit or confirming letter of credit, as applicable, relating thereto) has been terminated and that all amounts due and owing thereunder have been paid in full: (A) Letter of Credit and Reimbursement Agreement dated as of November 10, 2009 between the Authority and Northwest Savings Bank, (B) Letter of Credit and Reimbursement Agreement dated as of November 10, 2009 between the Authority and ESB Bank, (C) Letter of Credit and Reimbursement Agreement dated as of November 10, 2009 between the Authority and Washington Financial Bank and (D) the letter of credit, reimbursement and/or other similar agreement(s) between the Authority and the Federal Home Loan Bank of Pittsburgh pursuant to which the confirming letters of credit for the Original Series 2008C-1A Bonds, the Original Series 2008C-1B Bonds and the Original Series 2008C-1C Bonds were issued.

Section 3.02. Litigation. The Purchaser shall have received a written description of all actions, suits or proceedings pending or threatened against the Authority or any of its Affiliates in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to constitute or result in a Material Adverse Change, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Purchaser may reasonably request.

Section 3.03. Other Matters. All other legal matters pertaining to the execution and delivery of this Agreement and the Related Documents shall be satisfactory to the Purchaser and its counsel, and the Purchaser shall have received such other statements, certificates, agreements, documents and information with respect to the Authority and the other parties to the Related Documents and matters contemplated by this Agreement as the Purchaser may reasonably request.
Section 3.04. Payment of Fees and Expenses. On or prior to the Effective Date, the Purchaser shall have received reimbursement of the Purchaser’s fees and expenses (including the legal fees and expenses of McGuireWoods LLP) and any other fees incurred in connection with the transaction contemplated by the Related Documents.

Section 3.05. Change in Laws. Prior to the Effective Date, the Purchaser shall have determined, in its sole discretion, that (a) there has been no change in Laws (or in the Purchaser’s interpretation or administration of any Law) that may adversely affect the consummation of the transaction and (b) no Event of Taxability has occurred.

ARTICLE IV

THE AUTHORITY’S OBLIGATIONS

Section 4.01. Payment Obligations. (a) The Authority hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Purchaser under the Related Documents and to pay any other Obligations owing to the Purchaser whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided in such Related Documents and under such Obligations.

(b) The Authority shall cause all of the Unremarketed Bonds to be redeemed at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date, on (i) the fifth Business Day after receipt by the Trustee of a written notice from the Purchaser that an Event of Default has occurred and is continuing and a written request from the Purchaser that all of the 2008C-1ABC Bonds be redeemed, (ii) immediately upon receipt by the Trustee of a written notice from the Purchaser that an Event of Default described in Section 7.01(f), Section 7.01(g) or Section 7.01(h) has occurred and a written request from the Purchaser that all of the 2008C-1ABC Bonds be redeemed and (iii) if the Purchaser has not received the Mandatory Tender Purchase Price on any Mandatory Tender Date, such Mandatory Tender Date; provided, however, that if (1) such Mandatory Tender Date occurs solely pursuant to Section 2-6.02(a)(ii)(C)(1) of the Second Supplemental Subordinate Indenture, (2) no Event of Default or Default shall have occurred and be continuing and (3) the representations and warranties set forth herein shall be true and correct on such Mandatory Tender Date as if made on such date, then the Unremarketed Bonds shall be subject to mandatory redemption at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date, in principal installments payable on each Amortization Payment Date (each such payment, an “Amortization Payment”), with the final installment in an amount equal to the entire then outstanding principal amount of such Bonds to be redeemed on the Amortization End Date (the period commencing on such Mandatory Tender Date and ending on the Amortization End Date is herein referred to as the “Amortization Period”). Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During the Amortization Period, interest on the Unremarketed Bonds shall accrue at the Purchaser Rate and shall be payable monthly in arrears on the first Business Day of each calendar month.
(c) The Authority shall pay to the Purchaser upon demand therefor:

(i) if an Event of Default shall have occurred, all costs and expenses of the Purchaser in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Agreement, the other Related Documents and such other documents which may be delivered in connection therewith;

(ii) a fee for each amendment to this Agreement or any other Related Document or any consent or waiver by the Purchaser with respect to any Related Document, in each case, in a minimum amount of $100 plus the reasonable fees and expenses of counsel to the Purchaser;

(iii) the reasonable fees and out-of-pocket expenses for counsel or other consultants to the Purchaser in connection with advising the Purchaser as to its rights and responsibilities under this Agreement and the other Related Documents or in connection with responding to requests from the Authority for approvals, consents and waivers; and

(iv) any amounts advanced by or on behalf of the Purchaser to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Related Document, together with interest at the Default Rate.

In addition, if at any time any Governmental Authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Agreement or other Related Documents, then, if the Authority lawfully may pay for such stamps, taxes or fees, the Authority shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the Authority agrees to save the Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay of the Authority in paying, or omission of the Authority to pay, such stamps, taxes and fees hereunder.

(d) If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 4.02. Increased Payments. (a) (i) If the Purchaser, any Bondholder or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case, whether or not having the force of law), or compliance by the Purchaser, any Bondholder or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), regardless of the date enacted, adopted or issued, or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision.
or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall:

(A) subject the Purchaser, any Bondholder or any Participant to any Tax, or change the basis of taxation of payments to the Purchaser, such Bondholder or such Participant of any amounts payable hereunder (except for Indemnified Taxes or Other Taxes covered by clause (e) below and the imposition of, or any change in the rate of, any Excluded Tax payable by the Purchaser, such Bondholder or such Participant); or

(B) impose, modify or deem applicable any reserve, liquidity, special deposit, insurance premium, fee, financial charge, monetary burden or similar requirement against the making, maintenance or funding of any loan of any loan or the purchase and holding of the Bonds, or complying with any term of this Agreement, or against assets held by, or deposits with or for the account of, the Purchaser, such Bondholder or such Participant; or

(C) impose on the Purchaser, such Bondholder or such Participant any other condition, expense or cost regarding this Agreement, and the result of any event referred to in clause (A) or (B) above shall be to increase the cost to the Purchaser, such Bondholder or such Participant of making, maintaining or funding any loan or the purchase and holding of the Bonds or complying with any term of this Agreement or to reduce the amount of any sum received or receivable by the Purchaser, such Bondholder or such Participant hereunder (each such instance, referred to individually herein as a "Reduction in Amount" and, collectively as "Reductions in Amount"), then the Authority shall pay to the Purchaser upon demand therefor, such additional amount or amounts as will compensate the Purchaser, such Bondholder or such Participant for such increased costs or Reductions in Amount.

The Purchaser, the Bondholder or the Participant, as applicable, shall use its best efforts to provide to the Authority written notice of the expected occurrence of any event referred to in clause (A), (B) or (C) above for which it has actual knowledge, setting forth the anticipated additional amount or amounts that the Purchaser, such Bondholder or such Participant, as applicable, expects to demand from the Authority as additional compensation for such increased costs or Reductions in Amount (the "Yield Protection Demand Notice") and the anticipated date upon which the Purchaser, such Bondholder or such Participant, as applicable, would make such demand upon the Authority. Notwithstanding the foregoing, a failure by the Purchaser, any Bondholder or any Participant to deliver to the Authority a Yield Protection Demand Notice shall in no event relieve the obligation of the Authority of any obligation under this Section 4.02(a). Additionally, nothing set forth in this Section 4.02(a) shall limit the obligation of the Authority to pay to the Purchaser any increased cost imposed upon the Purchaser, any Bondholder or Participant or Reductions in Amount suffered by the Purchaser, any Bondholder or Participant related to any event referred to in clause (A), (B) or (C) above.

(ii) If the Purchaser, any Bondholder or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation,
implementation, or administration thereof by, any Governmental Authority (in each case whether or not having the force of law), or compliance by the Purchaser, any Bondholder or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall impose, modify or deem applicable any capital (including but not limited to contingent capital) adequacy, reserve, insurance, liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Purchaser, any Bondholder or any Participant allocates capital resources or reserves to its commitments) that either:

(A) affects or would affect the amount of capital or reserves to be maintained by the Purchaser, such Bondholder or such Participant, or

(B) reduces or would reduce the rate of return on the Purchaser's, such Bondholder's or such Participant's capital or reserves to a level below that which the Purchaser, such Bondholder or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Purchaser, such Bondholder or such Participant with respect to capital adequacy or the maintenance of reserves) then, the Purchaser, such Bondholder or such Participant, as applicable, shall use its best efforts to provide the Authority written notice of the expected occurrence of any event referred to in clause (A) or (B) above for which it has actual knowledge, setting forth the anticipated additional amount or amounts that the Purchaser, such Bondholder or such Participant, as applicable, expects to demand from the Authority as additional compensation for such increased cost related to any event referred to in clause (A) or (B) above (the "Capital Adequacy Demand Notice") and the anticipated date upon which the Purchaser, such Bondholder or Participant would make such demand upon the Authority. Notwithstanding the foregoing, a failure by the Purchaser, any Bondholder or any Participant to deliver to the Authority a Capital Adequacy Demand Notice shall in no event relieve the obligation of the Authority of any obligation under this Section 4.02(a)(ii). Additionally, nothing set forth in this Section 4.02(a)(ii) shall limit the obligation of the Authority to pay to the Purchaser any increased cost imposed upon the Purchaser, any Bondholder or Participant related to any event referred to in clause (A) or (B) above.

(iii) The amounts demanded in the respective Yield Protection Demand Notice or Capital Adequacy Demand Notice or any other written notice from the Purchaser, a Bondholder or a Participant to the Authority making a demand on the Authority for the payment of increased costs or Reductions in Amount pursuant to this Section 4.02(a), as applicable, are intended to compensate the Purchaser, Bondholder or Participant, as applicable, for such increased costs or Reductions in Amount incurred by the Purchaser, such Bondholder or such Participant as a result of any event referred to in subsections (i) or (ii) above. Any Yield Protection Demand Notice or Capital Adequacy Demand Notice or any other written notice from the Purchaser, a Bondholder
or a Participant to the Authority making a demand on the Authority for the payment of increased costs or Reductions in Amount pursuant to this Section 4.02(a) submitted by the Purchaser, any Bondholder or any Participant to the Authority shall be conclusive as to the amount thereof absent manifest error.

(iv) In making the determinations contemplated by any Yield Protection Demand Notice or Capital Adequacy Demand Notice or any other written notice from the Purchaser, a Bondholder or a Participant to the Authority making a demand on the Authority for the payment of increased costs or Reductions in Amount pursuant to this Section 4.02(a), the Purchaser, such Bondholder or such Participant, as applicable, may make reasonable estimates, assumptions, allocations and the like that the Purchaser, such Bondholder or such Participant, as applicable, in good faith determines to be appropriate. For purposes of this Section 4.02, the term "Purchaser" or "Bondholder" or "Participant", as applicable, shall also include any entity controlling the Purchaser, Bondholder or Participant or the holding company thereof. For purposes of the immediately preceding sentence, "controlling" means the power to direct the management and policies of the Purchaser, Bondholder or Participant directly or indirectly, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract or otherwise. The obligations of the Authority under this Section 4.02(a) shall survive the termination of this Agreement and repayment of all Obligations hereunder.

Notwithstanding anything herein to the contrary, no Participant shall be entitled to receive payment pursuant to Section 4.02(a) hereof in an amount greater than the amount which would have been payable had the Purchaser not granted a participation to such Participant.

(b) Determination of Taxability. (i) In the event a Determination of Taxability occurs, to the extent not payable to each Bondholder (or to the Purchaser for the period that it was the Bondholder of any of the Bonds) under the terms of the Subordinate Indenture and the Bonds, the Authority hereby agrees to pay to each Bondholder (or, if applicable, the Purchaser) on demand therefor (A) an amount equal to the difference between (1) the amount of interest that would have been paid to such Bondholder (or, if applicable, the Purchaser) on the Bonds during the period for which interest on the Bonds is includable in the gross income of such Bondholder (or, if applicable, the Purchaser) if the Bonds had borne interest at the Taxable Rate, beginning on the Taxable Date (the "Taxable Period"), and (2) the amount of interest actually paid to the Bondholder (or, if applicable, the Purchaser) during the Taxable Period, and (B) an amount equal to any interest, penalties or charges owed by such Bondholder (or, if applicable, the Purchaser) as a result of interest on the Bonds becoming includable in the gross income of such Bondholder (or, if applicable, the Purchaser), together with any and all attorneys’ fees, court costs, or other out-of-pocket costs incurred by such Bondholder (or, if applicable, the Purchaser) in connection therewith;

(ii) Subject to the provisions of clause (iii) below, such Bondholder (or, if applicable, the Purchaser) shall afford the Authority the opportunity, at the Authority’s sole cost and expense, to contest (A) the validity of any amendment to the Code which causes the interest on the Bonds to be includable in the gross income of such Bondholder (or, if applicable, the Purchaser) or (B) any challenge to the validity of the tax exemption
with respect to the interest on the Bonds, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals); and

(iii) As a condition precedent to the exercise by the Authority of its right to contest set forth in clause (ii) above, the Authority shall, on demand, immediately reimburse such Bondholder (or, if applicable, the Purchaser) for any and all expenses (including attorneys’ fees for services that may be required or desirable, as determined by such Bondholder (or, if applicable, the Purchaser) in its sole discretion) that may be incurred by the Bondholder (or, if applicable, the Purchaser) in connection with any such contest, and shall, on demand, immediately reimburse the Bondholder (or, if applicable, the Purchaser) for any payments, including any taxes, interest, penalties or other charges payable by such Bondholder (or, if applicable, the Purchaser) for failure to include such interest in its gross income.

(c) Default Rate. Upon the occurrence and during the continuation of an Event of Default, the Obligations shall bear interest at the Default Rate, which shall be payable by the Authority to each Bondholder (or, if applicable, the Purchaser) upon demand therefor. If at any time any Obligations are not paid when due, such Obligations shall bear interest at the Default Rate, which shall be payable by the Authority to each Bondholder (or, if applicable, the Purchaser) upon demand therefor.

(d) Maximum Interest Rate. (i) If the amount of interest payable for any period in accordance with the terms hereof or the Bonds exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Interest Rate, then interest for such period shall be payable in an amount calculated at the Maximum Interest Rate.

(ii) Any interest that would have been due and payable for any period but for the operation of the immediately preceding subclause (i) shall accrue and be payable as provided in this subclause (ii) and shall, less interest actually paid to each Bondholder for such period, constitute the “Excess Interest Amount.” If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the Maximum Interest Rate until payment to each Bondholder of the entire Excess Interest Amount.

(iii) Notwithstanding the foregoing, on the date on which no principal amount with respect to the Bonds remains unpaid, the Authority shall pay to each Bondholder a fee equal to any accrued and unpaid Excess Interest Amount.

(e) Taxes.

(i) Any and all payments by or on account of any obligation of the Authority hereunder or with respect to the Bonds shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the Authority shall be required by applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (A) the sum payable shall be
increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Purchaser, the Bondholder or the Participant, as applicable, receives an amount equal to the sum it would have received had no such deductions been made, (B) the Authority shall make such deductions and (C) the Authority shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Law.

(ii) Without limiting the provisions of subsection (i) above, the Authority shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Law.

(iii) The Authority shall indemnify the Purchaser, each Bondholder and each Participant, upon demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Purchaser, such Bondholder or such Participant, as applicable, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate stating the amount of such payment or liability delivered to the Authority by the Purchaser, such Bondholder or such Participant shall be conclusive absent manifest error. In addition, the Authority shall indemnify the Purchaser, such Bondholders and such Participants, upon demand therefor, for any incremental Taxes that may become payable by the Purchaser as a result of any failure of the Authority to pay any Taxes when due to the appropriate Governmental Authority or to deliver to the Purchaser, the Bondholders and the Participants, pursuant to subsection (iv) below, documentation evidencing the payment of Taxes.

(iv) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Authority to a Governmental Authority, the Authority shall deliver to the Purchaser, such Bondholder or such Participant, as applicable, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Authority, such Bondholder or such Participant, as applicable.

(f) Survival. The obligations of the Authority under clauses (a), (b) and (e) of this Section 4.02 shall survive the termination of this Agreement and the redemption or other payment in full of the Bonds.

Section 4.03. Obligations Absolute. The payment obligations of the Authority under this Agreement shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including without limitation the following:

(a) any lack of validity or enforceability of this Agreement, the Bonds or any of the other Related Documents;
(b) any amendment or waiver of or any consent to departure from all or any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right which the Authority may have at any time against the Purchaser, any other Bondholder or any other person or entity, whether in connection with this Agreement, the other Related Documents, the transactions contemplated herein or therein or any unrelated transaction; or

(d) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Notwithstanding this Section, the Purchaser acknowledges the Authority may have the right to bring a collateral action with respect to one or more of the foregoing circumstances. The Authority’s payment obligations shall remain in full force and effect pending the final disposition of any such action. All fees payable pursuant to this Agreement shall be deemed to be fully earned when due and non-refundable when paid.

Section 4.04. Funding Indemnity. In the event the Purchaser shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Purchaser to purchase or hold the Bonds or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Purchaser) as a result of any redemption of or conversion of the interest rate on the Bonds on a date other than an Interest Payment Date for any reason, whether before or after default, and whether or not such payment is required by any provision of this Agreement or the Subordinate Indenture, then upon the demand of the Purchaser, the Authority shall pay to the Purchaser a redemption or conversion premium, as applicable, in such amount as will reimburse the Purchaser for such loss, cost, or expense. If the Purchaser requests such redemption or conversion premium, as applicable, it shall provide to the Authority a certificate setting the computation of the loss, cost, or expense giving rise to the request for such redemption or conversion premium, as applicable, in reasonable detail and such certificate shall be conclusive absent manifest error.

Section 4.05. Purchaser Consent to Subsequent Index Interest Rate Period. So long as the Purchaser is the Bondholder, on or before the date that is one hundred twenty (120) calendar days prior to the end of the Bank Purchase Date then in effect, the Authority may provide written notice to the Purchaser of its desire to change the Rate Mode of the Bonds (including conversion to a new Index Interest Rate Period) and requesting the Purchaser to purchase such Bonds in such new Index Interest Rate Period or provide the liquidity or credit enhancement necessary to facilitate the conversion of the Bonds to such new Rate Mode. The Purchaser will make reasonable efforts to respond to such request within sixty (60) calendar days after receipt of all information necessary, in the Purchaser’s reasonable judgment, to permit the Purchaser to make an informed credit decision. The Purchaser may, in its sole and absolute discretion, decide to accept or reject any such request and no consent shall become effective unless the Purchaser shall have consented thereto in writing. In the event the Purchaser fails to definitively respond to such request within such sixty (60) calendar day period, the Purchaser shall be deemed to have
refused to grant such request. The consent of the Purchaser, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Purchaser (which may include, but not be limited to, the delivery of a “no adverse effect” opinion of Bond Counsel to the Purchaser (or such other opinions as may be required by the Purchaser) with respect to the tax-exempt status of the Bonds as a result of such conversion and interest rate setting). In the event the Authority and the Purchaser fail to document in writing their agreement of the proposed rate(s) and terms of the succeeding period(s), the Authority shall remain obligated to repurchase the Bonds on the Mandatory Tender Date at a purchase price equal to the Mandatory Tender Purchase Price.

Section 4.06. Security. The Authority’s obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds, as and when due are payable from and secured by a pledge of and lien on the Subordinate Receipts and Revenues and the other funds, assets and security described in the Subordinate Indenture (“Trust Assets”) on a parity with all other Parity Obligations, without the need for any physical delivery, recordation, filing or further act. In order to secure the timely payment of all Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Related Documents to which the Purchaser or any Affiliate thereof is a party, the Authority hereby irrevocably pledges the Subordinate Receipts and Revenues and Trust Assets to the Purchaser (for the benefit of the Purchaser, Bondholders, Participants and any Affiliate of the Purchaser to whom any such Obligation is at any time owed), which Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) are payable from and secured by a pledge of and lien on the Subordinate Receipts and Revenues and Trust Assets on a basis subordinate only to the payment of the principal of and interest on the Bonds, including Unremarketed Bonds, and other Parity Obligations as set forth in the Subordinate Indenture and subject to the rights of PennVest, the Trustee and third party beneficiaries under the Subordinate Indenture. The pledge of and lien on the Subordinate Receipts and Revenues and Trust Assets provided for herein shall constitute a valid pledge of and charge and lien upon the Subordinate Receipts and Revenues, shall immediately attach and be effective, binding, and enforceable against the Authority, its successors, purchasers of any of the Subordinate Receipts and Revenues and Trust Assets, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Subordinate Indenture, irrespective of whether those parties have notice of the pledge of and lien on the Subordinate Receipts and Revenues and Trust Assets and without the need for any physical delivery, recordation, filing or further act; provided, however, that the rights of the Purchaser hereunder shall be subject to the provisions of Section 3.04 of the Subordinate Indenture. An Event of Default under this Agreement may be an event of default under the Subordinate Indenture.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Authority makes the following representations and warranties to each Bondholder:
Section 5.01. Existence and Power. The Authority is a body corporate and politic, duly organized and legally existing under the Act and in good standing under the laws of the Commonwealth of Pennsylvania and has the legal power and authority to authorize, enter into and perform this Agreement and each of the Related Documents in which it is named as a party, to fulfill its obligations set forth herein and therein and to carry out the transactions contemplated hereby and thereby. The Authority has all requisite corporate power to own and operate its Property and to carry on its business as now conducted and as proposed to be conducted.

Section 5.02. Due Authorization. Pursuant to the Capital Lease Agreement between the Authority and the City dated as of July 15, 1995, the Authority has good and marketable leasehold title to each portion of the real estate constituting the Water and Sewer System and good and merchantable leasehold title to all of its other assets now carried on its books as part of the Water and Sewer System, free of any mortgages, pledges, charges, liens, security interests or other encumbrances, except as expressly permitted under Section 6.15(a). The Authority enjoys peaceful and undisturbed possession under all leases under which it is operating, and all said leases are valid and subsisting and in full force and effect.

Section 5.03. Valid and Binding Obligations. This Agreement and the other Related Documents and any other documents delivered to the Purchaser and/or the Trustee by the Authority pursuant hereto are the valid and binding obligations of the Authority, enforceable in accordance with their respective terms.

Section 5.04. Noncontravention. The execution, delivery and performance by the Authority of this Agreement and the other Related Documents (a) have been duly authorized by all necessary corporate action, (b) will not require any consent of any third party not obtained prior to the Effective Date, and (c) will not conflict with, violate the provisions of, or cause a default or constitute an event which, with the passage of time or the giving of notice or both, could constitute a default on the part of the Authority under any contract, agreement, law, rule, order, ordinance, franchise, instrument or other document or under any provision of the Act, the First Lien Indenture or the Subordinate Indenture or result in the imposition of any lien or encumbrance on any property or assets of the Authority, except for the liens in favor of the Purchaser and/or the Trustee.

Section 5.05. Pending Litigation and Other Proceedings. There are no actions, suits, proceedings or investigations pending or, to the knowledge of the Authority, threatened, anticipated or contemplated (nor, to the knowledge of the Authority, is there any basis therefor) against or affecting the Authority before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could prevent or hinder the consummation of the transactions contemplated hereby or call into question the validity of this Agreement, any of the other Related Documents or any other instrument provided for or contemplated by this Agreement or any action taken or to be taken in connection with the transactions contemplated hereby or thereby or which in any single case or in the aggregate might result in any material adverse change in the business, condition, affairs or operations of the Authority or any material impairment of the right or ability of the Authority to carry on its operations as now conducted or as proposed to be conducted or a material adverse change in the use or value of the Water and Sewer System.
Section 5.06. Financial Statements. The audited financial statements of the Authority as of December 31, 2012, heretofore delivered to the Purchaser, are each complete and accurate, and each of same fairly presents the financial condition of the Authority as at the date thereof, having been prepared in accordance with generally accepted accounting principles. The Authority has no liability, contingent or otherwise, not disclosed in the aforesaid financial statements or in any notes thereto that could materially affect the financial condition of the Authority. There has been no material adverse change in the business, assets or financial condition of the Authority. None of the business, condition and operations of the Authority, nor any of its Property has been materially adversely affected as the result of any legislative or regulatory change, any revocation or change in any franchise, license or right to do business, or any other event or occurrence, whether or not insured against. Except as disclosed in writing to the Purchaser, (a) the Authority has not experienced any material controversy or problem with its employees or with any labor organization and (b) the Authority has not entered into any material transaction other than in the ordinary course of business (including loans from PennVest).

Section 5.07. Pension Plans. To the best knowledge of the Authority after due inquiry (a) each Pension Plan is in compliance in all material respects with the applicable provisions of the Code and other applicable Law; (b) there are no pending or threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Pension Plan which has resulted or could reasonably be expected to result in a Material Adverse Change; (c) there has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Pension Plan which has resulted or could reasonably be expected to result in a Material Adverse Change; and (d) each Pension Plan is a governmental plan as defined in Section 3(32) of ERISA.

Section 5.08. No Defaults.

(a) The Authority is not in violation of any term of the Act, the First Lien Indenture or the Subordinate Indenture. The Authority is not in violation of any material term of any mortgage, indenture, judgment, decree or order, or any other material instrument, contract or agreement applicable to the Authority.

(b) The Authority is in compliance with all requirements of the Act, the First Lien Indenture and the Subordinate Indenture, and all approvals thereunder have been obtained with respect to the Bonds and this Agreement, and no further action is required in connection therewith.

(c) The Authority is in compliance with all requirements of law, federal, state and local, and all requirements of all governmental bodies or agencies having or claiming jurisdiction over it, the conduct of its business and the use of its Property, as presently conducted and used, and all premises occupied by it, all to the extent that failure to comply with any of such requirements could (singly or in the aggregate) have a material adverse effect on the business or financial condition of the Authority.
(d) No Default or Event of Default has occurred and is continuing hereunder, and no “default” or “event of default” under, and as defined in, any of the other Related Documents has occurred and is continuing.

Section 5.09. Insurance. All insurance policies required to be maintained hereunder and under the other Related Documents are maintained by the Authority and are valid and in full force and effect. No notice has been given or claim made and, to the best of the Authority’s knowledge, no grounds exist to cancel or void any of such policies or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage in amounts sufficient to insure the assets and risks of the Authority in accordance with prudent business practices.

Section 5.10. Condition of Water and Sewer System.

(a) As of the date hereof, no part of the Water and Sewer System has been damaged by fire or other casualty, which has not been repaired.

(b) There are no easements, restrictions or encumbrances across or affecting any of the Water and Sewer System which could have any adverse effect upon the operation of any of the improvements at the Water and Sewer System for their intended purpose, nor which could in any way interfere with the construction of any such improvements.

(c) All utility services necessary for the operation of the improvements at the Water and Sewer System for their intended purpose are available at the boundary of the Water and Sewer System, including, without limitation, water supply, storm and sanitary sewer facilities, gas, electric and telephone facilities and are of sufficient capacity to service adequately such improvements and all necessary governmental regulatory consents to the connecting of such facilities to such improvements have been obtained (which consents are not on a provisional, temporary or “stand-by” basis).

Section 5.11. Incorporation by Reference. The representations and warranties of the Authority contained in the other Authority Related Documents, together with the related definitions of terms contained therein, are hereby incorporated by reference in this Agreement as if each and every such representation and warranty and definition were set forth herein in its entirety, and the representations and warranties made by the Authority in such Sections are hereby made for the benefit of the Purchaser. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Document or incorporated by reference shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Purchaser.

Section 5.12. Correct Information. Neither this Agreement, nor the financial statements referred to herein, nor any other agreement, document, certificate or written statement furnished or to be furnished to the Purchaser by or on behalf of the Authority in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. There is no fact within the special knowledge of any of the officers of the Authority which has not been disclosed herein or in writing by it to the Purchaser and which
materially adversely affects or in the future in their opinion may, insofar as they can now reasonably foresee, materially adversely affect the business, Property or financial condition of the Authority. There is no fact known to the Authority which materially adversely affects or in the future may (so far as the Authority can now reasonably foresee) materially adversely affect the operations, Property or financial condition of the Authority which has not been set forth in this Agreement or in the other documents, certificates and statements furnished to the Purchaser or its counsel by or on behalf of the Authority prior to the date of execution and delivery of this Agreement in connection with the transactions contemplated hereby.

Section 5.13. **Investment Company.** The Authority is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.14. **Margin Stock.** The Authority is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of any proceeds of the Bonds has been or will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or in any other manner which would involve a violation of any of the regulations of the FRB.

Section 5.15. **Tax-Exempt Status.** The Authority has not taken any action or omitted to take any action, and has no actual knowledge of any action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from Commonwealth personal income taxes.

Section 5.16. **Solvency.** After giving effect to the transactions contemplated hereby, the Authority (a) will be able to pay its debts as they become due, (b) will have funds and capital sufficient to carry on its business as now conducted and as intended to be conducted and (c) is not insolvent and will not be rendered insolvent as determined by applicable Law.

Section 5.17. **Security.** The Subordinate Indenture creates a valid pledge of and lien on the Subordinate Receipts and Revenues and the funds and accounts created under the Subordinate Indenture and the moneys (including, without limitation, the Subordinate Receipts and Revenues) on deposit therein, as security for the punctual payment of the interest and principal due with respect to the Bonds (including Unremarked Bonds) and all Parity Obligations. All action necessary to create the pledge of and lien on the Subordinate Receipts and Revenues and such funds and accounts and on moneys on deposit therein (including the Subordinate Receipts and Revenues), in the priority set forth in the Subordinate Indenture have been duly and validly taken. The Authority's obligation to pay the principal of and interest on the Bonds (including Unremarked Bonds) is pari passu with its obligation to pay the principal of and interest on all other Subordinate Bonds and other Parity Obligations. The Subordinate Indenture and Section 4.06 of this Agreement creates a valid pledge of and lien on the Subordinate Receipts and Revenues and the funds and accounts created from time to time under the Subordinate Indenture and the moneys (including, without limitation, the Subordinate Receipts and Revenues) on deposit therein (except in the Rebate Fund), as security for the punctual payment when due of the principal of and interest on the Bonds, including
Unremarketed Bonds. All action necessary to create the foregoing pledge of and lien on the Subordinate Receipts and Revenues and such funds and accounts and on moneys on deposit therein (including the Subordinate Receipts and Revenues), have been duly and validly taken.

Section 5.18. Pending Legislation and Decisions; Other Agreements.

(a) To the knowledge of the Authority, there are no proposed changes of law which would adversely affect this Agreement, the other Related Documents or the transactions contemplated thereby, or the rights of the Purchaser hereunder or thereunder.

(b) The Authority is not a party to any contract or agreement, the terms of which now have or, as far as can be reasonably foreseen, may have a material adverse effect on the financial condition, business or Property of the Authority.

Section 5.19. Trustee; Paying Agent. The Bank of New York Mellon Trust Company, N.A. is the duly appointed and acting trustee and “Paying Agent” for the Bonds.

Section 5.20. Environmental Matters. The Authority and each portion of the Water and Sewer System are in compliance in all material respects with all Environmental Laws, and no violation of any Environmental Laws has occurred and is continuing which could have a material adverse effect on the Authority or on the value or use of any of the Water and Sewer System.

Section 5.21. No Immunity. The Authority is not entitled to claim the defense of sovereign immunity in any contract-based action, suit or proceeding arising under or relating to this Agreement or any other Authority Related Document (a) for monetary damages or (b) for the execution or enforcement of any judgment, nor may there be attributed to the Authority any such immunity (whether or not claimed).

Section 5.22. No Public Vote or Referendum. There is no public vote or referendum pending, proposed or concluded, the results of which could reasonably be expected to have materially adversely effect on the transactions contemplated hereby and by the other Related Documents or the business, Property or financial condition of the Authority.

Section 5.23. Qualified Swap Agreements. The Authority represents that only Periodic Payments under any Qualified Swap Agreement relating to the Bonds are and, so long as any Obligations remain outstanding under this Agreement, will constitute Parity Obligations; and that all other payments under any Qualified Swap Agreement relating to the Bonds, including without limitation termination payments, are and, so long as any Obligations remain outstanding under this Agreement, will be subordinate to any and all Obligations.

Section 5.24. Anti-Terrorism Laws. The Authority is not in violation of any Laws relating to terrorism or money laundering (“Anti-Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”), and the Patriot Act;

(a) The Authority is not any of the following:
(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which the Purchaser is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(v) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(b) The Authority does not (i) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (a)(ii) above, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engage in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 5.25. Use of Bonds Proceeds. The proceeds of the Bonds have been and will be expended in the manner set forth in the Subordinate Indenture.

ARTICLE VI

COVENANTS OF THE AUTHORITY

The Authority covenants and agrees, until the full and final payment and satisfaction of all of the Obligations, except in any instance in which the Purchaser specially agrees in writing to any performance or noncompliance, that:

Section 6.01. Existence, Etc.

(a) The Authority will preserve and maintain its legal existence and good standing as a municipal authority in the Commonwealth.

(b) The Authority will not liquidate, or dissolve, or merge or consolidate with any person, firm, corporation or other entity, or permit any change in control of the Authority, or sell, lease, transfer or otherwise dispose of all or any substantial part of its property or assets, whether
now owned or hereafter acquired, provided that any change in members of the Board of Directors of the Authority shall not be deemed to be a change in control of Authority.

Section 6.02. Maintenance of Properties. The Authority will maintain and preserve all of its Property constituting the Water and Sewer System and necessary or useful in the proper conduct of its business in good working order and condition, making all necessary repairs thereto and replacements thereof.

Section 6.03. Compliance with Laws. The Authority will comply with the requirements of the Act and all other applicable laws, rules, regulations and the orders of any governmental authority applicable to it or any of its business or Property, failure to comply with which could (singly or in the aggregate) have a material adverse effect on the business or financial condition of the Authority or on the value or operations of any portion of the Water and Sewer System.

Section 6.04. Insurance. The Authority shall maintain in full force and effect all insurance required by law, this Agreement and the other Related Documents. The Purchaser acknowledges that the Authority is self-insured with respect to general liability claims.

Section 6.05. Reports. The Authority shall furnish to the Purchaser in form and detail satisfactory to the Purchaser:

(a) Annual Report. As soon as available and in any event within two hundred (200) calendar days after the end of each Fiscal Year of the Authority, a copy of the annual audited financial statements of the Authority for such Fiscal Year, consisting of the statement of income and statement of cash flows of the Authority as of the close of such Fiscal Year and a balance sheet of the Authority for such period, and accompanying notes thereto, all prepared in accordance with the accounting practice used by the Authority in its immediately preceding Fiscal Year and in reasonable detail showing in comparative form the figures for the previous Fiscal Year, together with (i) an opinion thereon of a firm of independent public accountants of recognized national standing, selected by the Authority and reasonably satisfactory to the Purchaser, to the effect that the financial statements described herein have been prepared in accordance with the accounting practice used by the Authority in its immediately preceding fiscal year and present fairly in accordance with the accounting practice used by the Authority in its immediately preceding fiscal year the financial condition of the Authority as of the close of such fiscal year and the results of its operations and cash flows for the fiscal year then ended and that an examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, together with and (ii) a No Default Certificate signed by an Authorized Authority Representative stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

-35-
(b) **Unaudited Quarterly Financials.** As soon as available, and in any event within ninety (90) calendar days after the close of each fiscal quarter of each Fiscal Year, the complete unaudited financial statements of the Authority all in reasonable detail, and based on the regular monthly financial statements prepared by the Authority, showing in comparative form the figures for the corresponding date and period in the previous Fiscal Year, prepared by the Authority certified by the chief financial officer of the Authority or an Authorized Authority Representative, together with a No Default Certificate signed by an Authorized Authority Representative stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default;

(c) **Budget.** Promptly upon adoption by the Authority, a copy of the adopted operating budget for the Fiscal Year commencing on the immediately following February 1;

(d) **Covenant Calculations.** Concurrently with the delivery thereof to the Trustee and the trustee under the First Lien Indenture, copies of the annual debt service coverage calculations and compliance certificates required under the Subordinate Indenture and the First Lien Indenture, respectively;

(e) **Trustee, Notices.** As soon as available all notices, certificates, instruments, letters and written commitments in connection with the Bonds or any of the Related Documents provided to or by the Trustee other than those notices, certificates, instruments, letters and written commitments that relate solely to the routine issuance and payment of the Bonds;

(f) **Notices of Resignation of the Trustee.** As promptly as practicable, written notice to the Purchaser of any resignation of the Trustee (whether as trustee under the Subordinate Indenture or as Paying Agent) immediately upon receiving notice of the same;

(g) **Offering Memorandum and Material Event Notices.** (i) Within ten (10) calendar days after the issuance of any issue of First Lien Bonds or Subordinate Bonds or any other securities by the Authority with respect to which a final official statement or other offering or disclosure document has been prepared by the Authority, (A) a copy of such official statement or offering circular or (B) notice that such information has been filed with EMMA and is publicly available; and (ii) all information, as and when required to be filed or delivered pursuant to the Authority’s Continuing Disclosure Obligations;

(h) **Notice of Default or Event of Default.** Prompt written notice of any action or proceeding instituted by or against the Authority or as to which the Authority shall have received written notice or of which it has actual knowledge which constitutes an Event of Default under this Agreement or a default by the Authority under any Bank Agreement or any other material contract, instrument or agreement to which it is a party or by which it or any of its Property may be bound or to which it or any of its Property
may be subject, in each case, specifying in reasonable detail the nature and period of existence thereof and what action the Authority has taken or proposes to take with respect thereto;

(i) **Consultant Reports.** Promptly after receipt thereof, the Authority shall furnish or cause to be furnished to the Purchaser, any consultant reports required by the First Lien Indenture or the Subordinate Indenture;

(j) **Ratings Change.** As soon as practicable, notice of any change in, or the suspension, withdrawal or unavailability of, any rating on any First Lien Bonds or Subordinate Bonds;

(k) **Evidence of Insurance.** Promptly upon request therefor by the Purchaser from time to time, such insurance policies and other documentation and information requested by the Purchaser in order to evidence compliance with Section 6.04; and

(l) **Other Information.** Such other information (including, without limitation, management letters) regarding the business affairs, financial condition and/or operations of the Authority and the Water and Sewer System as the Purchaser may from time to time reasonably request.

**Section 6.06. Maintenance of Books and Records.** The Authority will keep proper and complete records and books of account in which complete entries will be made in accordance with generally accepted accounting principles consistently applied reflecting all financial transactions of the Authority and the Water and Sewer System. All financial statements hereafter delivered by the Authority to the Purchaser under this Agreement will be complete and accurate and will fairly present the financial condition of the Authority and the Water and Sewer System as at the dates thereof and for the periods covered thereby, and all of same will be prepared in accordance with generally accepted accounting principles consistently applied.

**Section 6.07. Access to Books and Records.** The Authority will permit the Purchaser and its duly authorized representatives and agents to visit and inspect any of the properties, corporate books and financial records of the Authority, to examine and make copies of the books of accounts and other financial records of the Authority and to discuss the affairs, finances and accounts of the Authority with, and to be advised as to the same by, its officers and independent public accountants (and by this provision the Authority authorizes such accountants to discuss with the Purchaser the finances and affairs of the Authority) with reasonable advance notice and at such reasonable times and reasonable intervals as the Purchaser may designate.

**Section 6.08. Compliance with Documents.** The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Subordinate Indenture and each of the other Related Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Purchaser and shall be enforceable against the Authority (such enumerated covenants, agreements and defined and
interpretative terms, the "Underlying Provisions"; the Underlying Provisions as so incorporated, the "Incorporated Provisions"). To the extent that any such Underlying Provision permits the Authority, the Trustee or any other party to waive compliance with such Underlying Provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the Authority, the Trustee or any other party, for purposes of this Agreement, the corresponding Incorporated Provision shall be complied with unless it is specifically waived by the Purchaser in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Purchaser which shall only be evidenced by the written approval by the Purchaser of the same. Except as permitted by Section 6.14 hereof, no termination or amendment to any Underlying Provision, shall be effective to terminate or amend any Incorporated Provision or release the Authority with respect thereto in each case without the prior written consent of the Purchaser, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding any termination or expiration of any Underlying Provision, the Authority shall continue to observe the covenants therein contained for the benefit of the Purchaser until the termination of this Agreement and the payment in full of the Bonds (including Unremarketed Bonds) and all other Obligations. All such Incorporated Provisions shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

Section 6.09. Rate Covenant. The Authority agrees to charge rates, fees, rentals and charges for its facilities and services as required by the Related Documents.

Section 6.10. No Impairment. The Authority will neither take any action, nor cause the Trustee to take any action, under the Subordinate Indenture or any other Related Document which would materially adversely affect the rights, interests, remedies or security of the Purchaser under this Agreement or any other Related Document or which would result in any material impairment of the value of any Collateral.

Section 6.11. Application of Bond Proceeds. The Authority will not take or omit to take any action, which action or omission will in any way result in the proceeds from the issuance of the Bonds being applied in a manner other than to pay the Purchase Price of the Bonds in connection therewith. The Authority will use the proceeds of the Bonds solely as provided for in the Subordinate Indenture.

Section 6.12. Trustee; Paying Agent. The Authority shall not permit the Trustee (in its capacity as trustee under the Subordinate Indenture or as Paying Agent) to resign, or select a different trustee under the Subordinate Indenture or a different Paying Agent, without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld.

Section 6.13. Personnel. The Authority will employ personnel necessary for the operation and maintenance of the Water and Sewer System.

(a) The Authority agrees that it will perform and comply with each and every covenant (including, without limitation, all financial covenants) and each and every agreement required to be performed or observed by it under the Related Documents and all other material obligations under other contracts, instruments and agreements to which it is a party.

(b) The Authority shall not amend, supplement or otherwise modify, or consent to any amendment, supplement or modification of, the First Lien Indenture, the Subordinate Indenture or any other Related Document without the prior written consent to the Purchaser.

Section 6.15. Liens; Judgments.

(a) The Authority will not create, incur or permit to exist any lien on the Collateral except for Permitted Encumbrances.

(b) The Authority will not permit any uninsured judgment in excess of $1,000,000 individually or in the aggregate obtained against it to remain unpaid for a period of thirty (30) days following the entry thereof without obtaining a stay of execution or causing such judgment to be bonded.

Section 6.16. Conversions and Redemptions; No Credit Enhancement.

(a) The Authority shall provide sixty (60) calendar days written notice to the Purchaser prior to the date of any proposed conversion of the interest rate on the Bonds to a rate of interest other than the Index Interest Rate.

(b) The Authority shall provide sixty (60) calendar days written notice to the Purchaser prior to the date of any proposed optional redemption or purchase in lieu of redemption of Bonds pursuant to the Subordinate Indenture.

(c) In the event that the Purchaser on or prior to the forty-fifth (45th) calendar day preceding the Mandatory Tender Date has not agreed to repurchase the Bonds for a subsequent Index Interest Rate Period and, as a result, the Bonds shall be subject to tender on the Mandatory Tender Date, the Authority shall cause a remarketing agent to remarket the Bonds to another Bondholder in connection with the conversion of the interest rate on all of the Bonds to another Rate Mode or redeem the Bonds (including any Unremarketed Bonds), in either case, on or prior to such Mandatory Tender Date.

(d) The Authority will not provide or permit to be provided any credit enhancement or liquidity facility for any Bonds.

Section 6.17. Disclosure to Participants, Purchaser Transferees and Non-Purchaser Transferees. The Authority shall permit the Purchaser to disclose the financial information received by it pursuant to this Agreement to each Participant, Purchaser Transferee and
Non-Purchaser Transferee pursuant to Section 9.13 of this Agreement, subject to confidentiality restrictions and use restrictions customary for financial institutions.

Section 6.18. Other Agreements. In the event that the Authority shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement under which any person or persons undertakes to make loans or extend credit or liquidity, in each case secured by any Subordinate Receipts and Revenues, on a parity with the obligations of the Authority to the Purchaser hereunder, to or for the account of the Authority, which provides such Person with more restrictive covenants, additional or different events of default, greater rights and remedies and/or acceleration rights than are provided to the Purchaser in this Agreement (collectively, the "Additional Rights"), then, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (each such event referred to herein as a "potential default") (without regard to a waiver of such potential default or event of default) under such Bank Agreement caused by such Additional Rights, such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Purchaser shall have the benefits of such Additional Rights; provided, however, that such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Purchaser shall have the benefits of such Additional Rights only from and after the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Bank Agreement caused by the Additional Rights or a failure by the Authority to comply with such Additional Rights. The Authority shall promptly, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Bank Agreement caused by such Additional Rights or a failure by the Authority to comply with such Additional Rights, enter into an amendment to this Agreement to include such Additional Rights, provided that the Purchaser shall maintain the benefit of such Additional Rights even if the Authority fails to provide such amendment.

Section 6.19. No Immunity. The Authority agrees that it will not assert any immunity it may have as a governmental entity against lawsuits with respect to the enforcement of any of the obligations of the Authority under this Agreement or any other Related Documents.

Section 6.20. Investments. The Authority will invest its moneys in accordance with the Act, the First Lien Indenture and prudent business practices for an entity of like size and character.

Section 6.21. Payment of Obligations. The Authority will pay promptly when due any and all amounts owing to the Purchaser hereunder, and the Authority shall provide in each annual operating budget all amounts required to be paid by the Authority under this Agreement (during the period covered by such annual operating budget).

Section 6.22. Use of Purchaser’s Name. The Authority shall not include any information concerning the Purchaser (other than identifying the Purchaser as a party to its contracts with the Authority) that is not supplied in writing, or otherwise consented to, by the Purchaser expressly
for inclusion therein, in any offering document, prospectus or other published materials (other than the Authority's staff reports, annual statements, audited financial statements and rating agency presentations or to the extent, but only to the extent, required to be disclosed by Law) without the prior written consent of the Purchaser.

Section 6.23. Maintenance of Tax-Exempt Status of Bonds. The Authority shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the excludability of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of such interest from Commonwealth of Pennsylvania personal income taxes.

Section 6.24. Indebtedness. Without the prior written consent of the Purchaser, the Authority will not create, incur, assume or suffer to exist any Indebtedness except for indebtedness in an aggregate amount of less than $1,000,000 or permitted by the First Lien Indenture, the Subordinate Indenture and loans from PennVest, and the Authority shall not breach any of its obligations under the Related Documents.

Section 6.25. Federal Reserve Board Regulations. The Authority shall not use any portion of the proceeds of the Purchase Price of the Bonds for the purpose of carrying or purchasing any Margin Stock and shall not incur any Indebtedness which is to be reduced, retired or purchased by the Authority out of such proceeds.

Section 6.26. Underlying Rating. The Authority shall at all times maintain a rating on its long-term unenhanced Parity Obligations (other than the Bonds) of at least (a) "BBB-" (or the equivalent) from S&P and (b) if Moody's at any time after the Effective Date provides a rating on any such Parity Obligations, "Baa3" (or the equivalent) from Moody's. The Authority covenants and agrees that it shall not at any time permit any such rating to be withdrawn or suspended.

Section 6.27. Further Assurances. The Authority will execute and deliver, or cause to be executed and delivered, to the Purchaser from time to time, promptly upon request therefor, any and all other and further instruments (including correction instruments) that may be requested by the Purchaser to cure any deficiency in the execution and delivery of this Agreement or any other Authority Related Document or more fully to describe or give effect to particular aspects of any of the Authority's agreements and undertakings provided in this Agreement or intended to be so provided.

Section 6.28. Pension Plans. To the extent any Pension Plan is maintained in whole or in part by the Authority, the Authority shall maintain each such Pension Plan in compliance in all material respects with the applicable provisions of the Code and other applicable Law and shall make all required contributions to each such Pension Plan. The Authority shall not permit, at any time, any such Pension Plan to: (a) engage in any nonexempt "prohibited transaction" (as defined in Section 503 of the Code); (b) fail to comply with applicable Laws; (c) incur any material increase in its Unfunded Pension Liability; or (d) terminate in any manner; which, in the case of any such event, has resulted, or could reasonably be expected to result, in a Material Adverse Change.
Section 6.29. Ranking of Obligations. The Authority shall not take (or fail to take) any action that would result in the Bonds (including Unremarketed Bonds) not ranking at least pari passu in right of payment and security from the Subordinate Receipts and Revenues and Trust Assets with other Subordinate Bonds and Parity Obligations and ranking subordinate to more than Senior Obligations. Subject to Section 3.04 of the Subordinate Indenture, the Authority shall not take (or fail to take) any action that would result in the Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) ranking subordinate in right of payment and security from the Subordinate Receipts and Revenues and Trust Assets to more than the Bonds (including Unremarketed Bonds), Subordinate Bonds and other Parity Obligations and loans from PennVest.

Section 6.30. EMMA Filing. As soon as practicable after the Effective Date, the Authority shall file, or cause to be filed, one true and complete copy of the executed Subordinate Indenture and one true and complete copy of this Agreement with EMMA and shall associate such filed copies with each of the Senior Obligations and Parity Obligations; provided, however, that each copy of each document to be so filed and associated shall contain redactions of certain information as directed by the Purchaser in its sole discretion.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an “Event of Default” hereunder, unless waived in writing by Purchaser:

(a) the Authority shall fail to pay the principal or, subject to Section 4.01(b), the Mandatory Tender Purchase Price of or interest on any Bond (including any Unremarketed Bond) when due (whether by scheduled maturity, required prepayment, redemption or otherwise); or

(b) the Authority shall fail to pay any Obligation (other than the obligation to pay the principal of or interest on the Bonds or Unremarketed Bonds) when due and such failure shall continue for five (5) calendar days; or

(c) any representation or warranty made by or on behalf of the Authority in this Agreement or in any other Related Document or in any certificate, financial statement or other document delivered in connection with or pursuant to this Agreement or any other Related Document (i) that is not qualified by materiality shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered or (ii) that is qualified by materiality shall be incorrect or untrue in any respect when made or deemed to have been made or delivered; or

(d) the Authority shall default in the due performance or observance by it of any Incorporated Provision and/or default in the due performance or observance of any of
the covenants set forth in Section 6.01, 6.02, 6.03, 6.09, 6.10, 6.12, 6.14(b), 6.15, 6.16, 6.19, 6.21, 6.22, 6.23, 6.24, 6.25, 6.26, 6.28 and/or 6.29 hereof; or

(e) the Authority shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement (other than those referred to in clauses (a), (b), (c) and (d) above) or any other Related Document and such default shall remain unremedied for a period of thirty (30) calendar days after the occurrence thereof; provided, however, that if such failure is reasonably susceptible of cure, but cannot be cured within such thirty (30) day period, then, so long as the Authority promptly commences cure and thereafter diligently pursues such cure to completion, then the cure period provided for in the foregoing provisions of this clause (e) shall be extended for a reasonable period within which the Authority may complete such cure, such period not to exceed an additional thirty (30) days; or

(f) the Authority shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property (including, without limitation, the Water and Sewer System), (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 7.01(g) of this Agreement; or

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Authority or any substantial part of its Property (including, without limitation, the Water and Sewer System), or a proceeding described in Section 7.01(f)(i) shall be instituted against the Authority and such proceeding continues undischarged or any such proceeding continues undischarged or unstayed for a period of thirty (30) or more calendar days; or

(h) a debt moratorium, debt restructuring (other than a refinancing or refunding in the ordinary course of the Authority's business), debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Indebtedness of the Authority by the Authority or any Governmental Authority with appropriate jurisdiction; or

(i) (i) any provision of this Agreement or any Related Document related to (A) payment of principal of or interest on the Bonds (including Unremarketed Bonds) or
any Parity Obligations or Senior Obligations or (B) the validity or enforceability of the
pledge of the Subordinate Receipts and Revenues, Trust Assets or any other pledge or
lien created by the Subordinate Indenture or this Agreement shall at any time for any
reason cease to be valid and binding on the Authority as a result of a finding or ruling by
a court or Governmental Authority with competent jurisdiction, or shall be declared by
any court to be null and void, invalid or unenforceable; or

(ii) the validity or enforceability of any material provision of this
Agreement or any Related Document related to (A) payment of principal of or
interest on the Bonds (including Unremarketed Bonds) or any Parity Obligations
or Senior Obligations, or (B) the validity or enforceability of the pledge of the
Subordinate Receipts and Revenues, Trust Assets or any other pledge or lien
created by the Subordinate Indenture or this Agreement shall be publicly
contested by the Authority; or

(iii) any other material provision of this Agreement or any other
Related Document, other than a provision described in clause (i) above, shall at
any time for any reason cease to be valid and binding on the Authority as a result
of a ruling or finding by a court or a Governmental Authority with competent
jurisdiction or shall be declared by any court to be null and void, invalid, or
unenforceable, or the validity or enforceability thereof shall be publicly contested
by the Authority; or

(j) dissolution or termination of the existence of the Authority or the Water
and Sewer System; or

(k) any default on the part of the Authority shall exist, and shall remain
unwaived or uncured beyond the expiration of any applicable notice and/or grace period,
(i) with respect to the payment of the principal of or interest on any Parity Obligations or
Senior Obligations including, without limitation, any Periodic Payments which constitute
Parity Obligations or Senior Obligations, beyond the period of grace, if any, provided in
the instrument or agreement under which such Parity Obligations or Senior Obligations
was created or incurred; or (ii) under any other contract or agreement or of the Authority
which default, if uncured, would materially and adversely affect the Authority’s ability to
perform its obligations hereunder (including, without limitation, any of the Related
Documents); or

(l) any default shall exist and remain unwaived or uncured (i) under any
contract or agreement now existing or hereafter entered into with or for the benefit of the
Purchaser or any Affiliate of the Purchaser in any capacity or capacity (including without
limitation the Existing Agreement), and such default shall remain unwaived or uncured
beyond the period of grace, if any, provided in such contract or agreement; or (ii) with
respect to any other Indebtedness of the Authority or any for borrowed money in excess
of $1,000,000 in aggregate principal amount or the advance of credit in excess of
$1,000,000 in aggregate principal amount; or any such other Indebtedness for borrowed
money in excess of $1,000,000 in aggregate principal amount shall not have been paid

-44-
when due, or shall have been declared to be due and payable prior to its stated maturity, or any event or circumstance shall occur which permits, or with the lapse of time or the giving of notice or both would permit, the acceleration of the maturity of any such Indebtedness in excess of $1,000,000 in aggregate principal amount by the holder or holders thereof; or

(m) (i) there shall be entered against the Authority any final uninsured judgment (or insured judgment if the insurer has disputed coverage in writing) which, singly or with any other final uninsured judgment or judgments (or insured judgment or insured judgments if the insurer has disputed coverage in writing) against the Authority, exceeds $1,000,000 and remains unpaid for a period of thirty (30) calendar days, or (ii) any of the Collateral shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) calendar days after its issue or levy; or

(n) the Water and Sewer System shall suffer substantial loss, theft, taking, damage or destruction to or of any of its Property which (i) is uninsured or (ii) if insured, nonetheless would have a material adverse effect upon the business, operations or financial condition of the Water and Sewer System; or the Water and Sewer System shall suffer the loss (or proceedings shall be commenced which could result in the loss) of any license or permit material to the operation of the Water and Sewer System for the purposes intended; or

(o) the security interest and lien of the Purchaser or the Trustee in or on any of the Collateral shall not be in full force and effect as a fully perfected lien with the priority intended by the Subordinate Indenture and the provisions hereof, or any Person shall contest the validity, enforceability or perfection of any lien granted pursuant to the Subordinate Indenture or this Agreement, or any party to the Subordinate Indenture or this Agreement shall seek to disaffirm, terminate, limit or reduce its obligation under any of the foregoing instruments or if the payment obligations or security interests provided herein become invalid, unenforceable or null and void, for any reason; or

(p) the Authority shall suffer or sustain any Material Adverse Change or the Purchaser shall, in a commercially reasonably manner, determine that the prospect of payment by the Authority of its obligations hereunder is materially impaired; or

(q) (i) any of the long term unenhanced ratings assigned by S&P to any Parity Obligations other than the Bonds are withdrawn or suspended for any credit-related reason or reduced below “BBB-” (or the equivalent) or (ii) in the event Moody’s at any time after the Effective Date provides a long term unenhanced rating on any Parity Obligations, any of the long term unenhanced ratings assigned by Moody’s to any such Parity Obligations are withdrawn or suspended for any credit-related reason or reduced below “Baa3” (or the equivalent); or
any of the long term unenhanced ratings assigned by Moody’s or S&P to any Senior Obligations are withdrawn or suspended for any reason or reduced below (i) “Baa3” (or the equivalent) in the case of Moody’s or (ii) “BBB-” (or the equivalent) in the case of S&P; or

(s) any “event of default” (as defined in Subordinate Indenture) shall have occurred or any failure or default under any of the Related Documents shall have occurred and shall have continued beyond the expiration of any applicable notice and/or grace period; or

(t) the occurrence and continuation of an “Event of Default” as described in Section 8.01 of the Subordinate Indenture which results in an acceleration of principal of not less than 25% in aggregate principal amount of the Subordinate Bonds then Outstanding.

Section 7.02. Consequences of an Event of Default. If an Event of Default specified in Section 7.01 hereof shall occur and be continuing, the Purchaser may take one or more of the following actions at any time and from time to time (regardless of whether the actions are taken at the same or different times):

(a) (i) by written notice to the Trustee and the Authority, declare the outstanding amount of the Obligations under this Agreement to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue;

(ii) deliver a written notice to the Trustee and the Authority that an Event of Default has occurred and is continuing and direct the Trustee and the Authority, as applicable, to cause a mandatory tender for purchase or redemption of the Bonds or take such other remedial action as is provided for in the Subordinate Indenture;

(iii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the Authority under the Related Documents, whether for specific performance of any agreement or covenant of the Authority or in aid of the execution of any power granted to the Purchaser in the Related Documents;

(iv) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; provided, however, that the Purchaser shall have no obligation to effect such a cure; and
(v) exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents (other than as provided for in clause (ii) of this Section 7.02(a)) and as otherwise available at law and at equity.

(b) Notwithstanding the provisions of Section 7.02(a)(i) or 7.02(a)(ii), upon the occurrence of an actual or deemed entry of an order for relief with respect to the Authority or a substantial part of its Property (including the Water and Sewer System) under the United States Bankruptcy Code (i) the outstanding amount of the Obligations shall automatically become due and payable and (ii) the Purchaser may deliver a written notice to the Trustee that an Event of Default has occurred and is continuing and direct the Trustee to cause a mandatory tender for purchase or redemption of the Bonds or take such other remedial action as is provided for in the Subordinate Indenture.

Section 7.03. Remedies Cumulative; Solely for the Benefit of Purchaser. To the extent permitted by, and subject to the mandatory requirements of, applicable Law, each and every right, power and remedy herein specifically given to the Purchaser in the Related Documents shall be cumulative, concurrent and nonexclusive and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Purchaser, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The rights and remedies of the Purchaser specified herein are for the sole and exclusive benefit, use and protection of the Purchaser, and the Purchaser is entitled, but shall have no duty or obligation to the Authority, the Trustee or any other Person or otherwise, to exercise or to refrain from exercising any right or remedy reserved to the Purchaser hereunder or under any of the other Related Documents.

Section 7.04. Waivers or Omissions. No delay or omission by the Purchaser in the exercise of any right, remedy or power or in the pursuit of any remedy shall impair any such right remedy or power or be construed to be a waiver of any default on the part of the Purchaser or to be acquiescence therein. No express or implied waiver by the Purchaser of any Event of Default shall in any way be a waiver of any future or subsequent Event of Default.

Section 7.05. Discontinuance of Proceedings. In case the Purchaser shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Purchaser shall have the unqualified right so to do and, in such event, the Authority and the Purchaser shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Purchaser hereunder shall continue as if the same had never been invoked.
ARTICLE VIII

INDEMNIFICATION

Section 8.01. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority hereby agrees (to the extent permitted by law) to indemnify and hold harmless each Bondholder and Participant and their respective officers, directors, employees and agents (each, an "Indemnitee") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys' fees) which may incur or which may be claimed against an Indemnitee by any Person or entity whatsoever (collectively, the "Liabilities") by reason of or in connection with: (a) the execution and delivery or transfer of, or payment or failure to pay under, any Related Document; (b) the issuance and sale of the Bonds; (c) the use of the proceeds of the Bonds; and (d) any Government Acts; provided that the Authority shall not be required to indemnify an Indemnitee for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of such Indemnitee as determined by a final nonappealable judgment or order of a court of competent jurisdiction. If any proceeding shall be brought or threatened against an Indemnitee by reason of or in connection with the events described in clause (a), (b) or (c) as a condition of indemnity hereunder each Indemnitee shall promptly notify the Authority in writing and the Authority shall assume the defense thereof, including the employment of counsel satisfactory to such Indemnitee and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, each Indemnitee shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnitee unless (i) the employment of such counsel shall have been authorized in writing by the Authority, (ii) the Authority, after due notice of the action, shall not have employed counsel satisfactory to such Indemnitee to have charge of such defense, or (iii) such Indemnitee shall have concluded in its sole discretion that there exists or may exist a potential conflict of interest between the Authority and such Indemnitee in the conduct of the defense of such action, in any of which events the reasonable fees and expenses of counsel for such Indemnitee shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its consent. Nothing under this Section 8.01 is intended to limit the Authority's payment of the Obligations.

Section 8.02. Survival. The obligations of the Authority under this Article VIII shall survive the payment of the Bonds and the termination of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Patriot Act Notice. The Purchaser hereby notifies the Authority that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Purchaser to identify the Authority in
accordance with the Patriot Act. The Authority hereby agrees that it shall promptly provide such
information upon request by the Purchaser.

Section 9.02. Further Assurances. From time to time upon the request of either party
hereto, the other shall promptly and duly execute, acknowledge and deliver any and all such
further instruments and documents as the requesting party may in its reasonable discretion deem
necessary or desirable to confirm this Agreement, and the other Related Documents, to carry out
the purpose and intent hereof and thereof or to enable the requesting party to enforce any of its
rights hereunder or thereunder. At any time, and from time to time, upon request by the
Purchaser, the Authority will, at the Authority's expense, (a) correct any defect, error or
omission which may be discovered in the form or content of any of the Related Documents, and
(b) make, execute, deliver and record, or cause to be made, executed, delivered and recorded,
any and all further instruments, certificates, and other documents as may, in the opinion of the
Purchaser, be necessary or desirable in order to complete, perfect or continue and preserve the
Lien of the Subordinate Indenture. Upon any failure by the Authority to do so, the Purchaser or
the Trustee may make, execute and record any and all such instruments, certificates and other
documents for and in the name of the Authority, all at the sole expense of the Authority, and the
Authority hereby appoints the Purchaser and the Trustee the agent and attorney-in-fact of the
Authority to do so, this appointment being coupled with an interest and being irrevocable.
Without limitation of the foregoing, the Authority irrevocably authorizes the Purchaser at any
time and from time to time to file any initial financing statements, amendments thereto and
continuation statements deemed necessary or desirable by the Purchaser to establish or maintain
the validity, perfection and priority of the security interests granted in the Subordinate Indenture,
and the Authority ratifies any such filings made by the Purchaser prior to the date hereof. In
addition, at any time, and from time to time, upon request by the Purchaser or the Trustee, the
Authority will, at the Authority's expense, provide any and all further instruments, certificates
and other documents as may, in the opinion of the Purchaser or the Trustee, be necessary or
desirable in order to verify the Authority's identity and background in a manner satisfactory to
the Purchaser or the Trustee, as the case may be.

Section 9.03. Amendments and Waivers; Enforcement. The Purchaser and the Authority
may from time to time enter into agreements amending, modifying or supplementing this
Agreement or the other Related Documents or changing the rights of the Purchaser or the
Authority hereunder or thereunder, and the Purchaser may from time to time grant waivers or
consents to a departure from the due performance of the obligations of the Authority hereunder
or thereunder. Any such agreement, waiver or consent must be in writing and shall be effective
only to the extent specifically set forth in such writing. In the case of any such waiver or consent
relating to any provision hereof, any Default or Event of Default so waived or consented to shall
be deemed to be cured and not continuing, but no such waiver or consent shall extend to any
other or subsequent Default or Event of Default or impair any right consequent thereto.

Section 9.04. No Implied Waiver; Cumulative Remedies. No course of dealing and no
delay or failure of the Purchaser in exercising any right, power or privilege under this Agreement
or the other Related Documents shall affect any other or future exercise thereof or exercise of
any right, power or privilege; nor shall any single or partial exercise of any such right, power or
privilege or any abandonment or discontinuance of steps to enforce such a right, power or
privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Purchaser under this Agreement are cumulative and not exclusive of any rights or remedies which the Purchaser would otherwise have under any Related Document, at law or in equity.

Section 9.05. Notices. All notices, requests, demands, directions and other communications (collectively “notices”) under the provisions of this Agreement shall be in writing (including facsimile communication), unless otherwise expressly permitted hereunder, and shall be sent by first-class mail or overnight delivery and shall be deemed received as follows: (a) if by first class mail, five (5) calendar days after mailing; (b) if by overnight delivery, on the next Business Day; (c) if by telephone, when given to a person who confirms such receipt; and (d) if by facsimile, when confirmation of receipt is obtained. All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other parties hereto:

The Authority:  
The Pittsburgh Water and Sewer Authority  
Penn Liberty Plaza I - 2nd Floor  
1200 Penn Avenue  
Pittsburgh, Pennsylvania 15222  
Attention: Executive Director  
Facsimile:  
Telephone:

with a copy to:  
Clark Hill Thorp Reed  
One Oxford Centre  
301 Grant Street, 14th Floor  
Pittsburgh, Pennsylvania 15219  
Attention: , Esquire  
Facsimile:  
Telephone:  
Email:

The Purchaser:  
Banc of America Preferred Funding Corporation  
One Bryant Park, 12th Floor  
New York, New York 10036  
Attention: , Senior Vice President  
Facsimile:  
Telephone:  
Email:
With a copy to:

Bank of America Merrill Lynch
100 Westminster Street
Mailstop: RI1-536-10-02
Providence, Rhode Island 02903
Attention: , Sr. Credit Support Associate
Telephone:
Facsimile:

The Trustee:
The Bank of New York Mellon Trust Company, N.A.
Global Corporate Trust
525 William Penn Place, 7th Floor
Pittsburgh, Pennsylvania 15259
Attention:
Facsimile:
Telephone:

The Purchaser may rely on any notice (including telephone communication) purportedly made by or on behalf of the other, and shall have no duty to verify the identity or authority of the Person giving such notice, unless such actions or omissions would amount to gross negligence or intentional misconduct.

Section 9.06. Right of Setoff. (a) Upon the occurrence of an Event of Default, a Bondholder may, at any time and from time to time, without notice to the Authority or any other person (any such notice being expressly waived), set off and appropriate and apply against and on account of any Obligations under this Agreement, without regard to whether or not such Bondholder shall have made any demand therefor, and although such Obligations may be contingent or unmatured, any and all deposits (general or special, including but not limited to deposits made pursuant to this Agreement and Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, such as restricted donor accounts) and any other Indebtedness at any time held or owing by such Bondholder to or for the credit or the account of any or all of the Authority.

(b) Each Bondholder agrees promptly to notify the Authority after any such set-off and application referred to in subsection (a) above, provided that the failure to give such notice shall not affect the validity of such set-off and application. Subject to the provisions of subsection (a) above, the rights of a Bondholder under this Section 9.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bondholder may have.

Section 9.07. No Third-Party Rights. Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the parties hereto and the Bondholders any legal or equitable right, remedy or claim under or in respect of this Agreement, which is intended for the sole and exclusive benefit of the parties hereto.

-51-
Section 9.08. Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 9.09. Governing Law; Consent to Jurisdiction and Venue; Consent to Judicial Reference. (a) This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without giving effect to conflicts of laws provisions.

(b) To the fullest extent permitted by applicable law, each of the Purchaser and the Authority waives the right to trial by jury civil action or proceeding arising out of, or based upon, or in any way connected with this Agreement or any other Related Document. This waiver is knowingly, willingly and voluntarily made by the Authority and the Purchaser, and the Authority and the Purchaser hereby represent that no representations of fact or opinion have been made by any person or entity to induce this waiver or trial by jury or to in any way modify or nullify its effect. This provision is a material inducement for the parties entering into the related documents. The Authority and the Purchaser are each hereby authorized to file a copy of this Section in any proceeding as conclusive evidence of this waiver of jury trial. The Authority further represents and warrants that it has been represented in the signing of this Agreement and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with counsel.

(c) The Authority irrevocably submits to the exclusive jurisdiction of any state or any federal court sitting within the Commonwealth of Pennsylvania over any suit, action or proceeding arising out of or relating to this Agreement. The Authority irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. The Authority agrees that final judgment in any such suit, action or proceeding brought in such a court shall be enforced in any court of proper jurisdiction by a suit upon such judgment, provided that service of process in such action, suit or proceeding shall have been effected upon the Authority in one of the manners specified in paragraph (d) of this Section or as otherwise permitted by law.

(d) The Authority hereby consents to process being served in any suit, action or proceeding of the nature referred to in paragraph (c) of this Section, either (i) by mailing a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to it at its address set forth in Section 9.05 or (ii) by serving a copy thereof upon it at its address set forth in Section 9.05. The Authority irrevocably
WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL CLAIMS OF ERROR BY REASON OF ANY SERVICE AS CONTEMPLATED HEREIN AND AGREES THAT SUCH SERVICE SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE UPON THE AUTHORITY IN ANY SUCH SUIT, ACTION OR PROCEEDING AND, TO THE FULLEST EXTENT PERMITTED BY LAW, SHALL BE TAKEN AND HELD TO BE VALID PERSONAL SERVICE UPON AND PERSONAL DELIVERY TO THE AUTHORITY.

(e) The covenants, waivers and consents made pursuant to this Section 9.09 shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 9.10. Prior Understandings. This Agreement and the other Related Documents supersede all other prior understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein and therein.

Section 9.11. Duration. All representations and warranties of the Authority contained herein or made in connection herewith shall survive the making of and shall not be waived by the execution and delivery of this Agreement or the other Related Documents. All covenants and agreements of the Authority contained herein shall continue in full force and effect from and after the date hereof until the Obligations have been fully discharged. Notwithstanding the foregoing, the provisions of this Agreement, other than the definitions of "Base Rate," "Default Rate," "Federal Funds Rate," "Prime Rate," and any other terms and provisions that are referenced in or necessary in connection with the Subordinate Indenture or that specifically survive the termination of this Agreement, shall not be applicable at any time that the Purchaser, any Purchaser Transferee or any combination thereof, no longer owns a majority of the aggregate principal amount of the Bonds and the Obligations payable hereunder have been paid in full.

Section 9.12. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

Section 9.13. Successors and Assigns.

(a) Successors and Assigns Generally. This Agreement is a continuing obligation and shall be binding upon the Authority, its successors, transferees and assigns and shall inure to the benefit of the Bondholders and their respective permitted successors, transferees and assigns. The Authority may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Purchaser. Each Bondholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Bonds and the Related Documents in accordance with the provisions of paragraph (b) or (c) of this Section. Each Bondholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Bondholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section. Banc of America Preferred Funding Corporation shall be the Purchaser hereunder until such time as Banc of America Preferred

-53-
Funding Corporation, any Purchaser Transferee or any combination thereof, no longer owns a majority of the aggregate principal amount of the Bonds and the Obligations payable hereunder have been paid in full.

(b) **Sales and Transfers by Bondholder to a Purchaser Transferee.** Without limitation of the foregoing generality, a Bondholder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Bonds to a Person that is (i) a Purchaser Affiliate or (ii) a trust or other custodial arrangement established by the Purchaser or a Purchaser Affiliate, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”) or “accredited investors” as defined in Rule 501 of Regulation D under the 1933 Act (each, a “Purchaser Transferee”). From and after the date of such sale or transfer, Banc of America Preferred Funding Corporation (and its successors) shall continue to have all of the rights of the Purchaser hereunder and under the other Related Documents as if no such transfer or sale had occurred; provided, however, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Purchaser hereunder, (B) the Authority and the Trustee shall be required to deal only with the Purchaser with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Purchaser shall be entitled to enforce the provisions of this Agreement against the Authority.

(c) **Sales and Transfers by Bondholder to a Non-Purchaser Transferee.** Without limitation of the foregoing generality, a Bondholder may at any time sell or otherwise transfer to one or more transferees which are not Purchaser Transferees but each of which constitutes a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act (each a “Non-Purchaser Transferee”) all or a portion of the Bonds if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Purchaser Transferee, together with addresses and related information with respect to the Non-Purchaser Transferee, shall have been given to the Authority, the Trustee and the Purchaser (if different than the Bondholder) by such selling Bondholder and Non-Purchaser Transferee, and (B) the Non-Purchaser Transferee shall have delivered to the Authority, the Trustee and the selling Bondholder, an investment letter in substantially the form attached as Exhibit B hereto (the “Purchaser Letter”).

From and after the date the Authority, the Trustee and the selling Bondholder have received written notice and an executed Purchaser Letter, (A) the Non-Purchaser Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Bondholder hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Purchaser Transferee, and any reference to the assigning Bondholder hereunder and under the other Related Documents shall thereafter refer to such transferring Bondholder and to the Non-Purchaser Transferee to the extent of their respective interests, and (B) if the transferring Bondholder no longer owns any Bonds, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents.

(d) **Participations.** The Purchaser shall have the right to grant participations in all or a portion of the Purchaser’s interest in the Bonds, this Agreement and the other Related
Documents to one or more other banking institutions, and such Participants shall, except as set forth in the clause (ii) of this subsection, be entitled to the benefits of this Agreement and the Related Documents to the same extent as if they were a direct party to this Agreement; provided, however, that (i) no such participation by any such Participant shall in any way affect the obligations of the Purchaser hereunder and (ii) the Authority and the Trustee shall be required to deal only with the Purchaser, with respect to any matters under this Agreement, the Bonds and the other Related Documents and no such Participant shall be entitled to enforce any provision hereunder against the Authority.

(e) Certain Pledges. The Purchaser may at any time pledge or grant a security interest in all or any portion of its rights under the Bonds, this Agreement and the Related Documents to secure obligations of the Purchaser, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Purchaser from any of its obligations hereunder or substitute any such pledgee or assignee for the Purchaser as a party hereto.

Section 9.14. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 9.15. Acknowledge and Appointment as the Calculation Agent. The Purchaser hereby acknowledges and accepts its appointment as Calculation Agent during any Index Interest Rate Period in which the Purchaser is a Bondholder pursuant to the Subordinate Indenture and acknowledges, accepts and agrees to all the duties and obligations of the Calculation Agent set forth in the Subordinate Indenture.

Section 9.16. No Fiduciary Relationship. The Authority acknowledges and agrees that its dealing with the Purchaser are solely in the nature of a debtor/creditor relationship and that in no event shall the Purchaser be considered to be a partner or joint venturer of the Authority. Also, the Authority represents and warrants that it has independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advise or other comments or statements of the Purchaser (including agents of the Purchaser), if any, in deciding to pursue such undertaking. As the Authority is experienced in business, in no event shall the Purchaser owe any fiduciary or similar obligations to it in connection with the subject transaction.

Section 9.17. Electronic Signatures. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (a) to be “written” or “in writing,” (b) to have been signed and (c) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records.
exception to the hearsay rule. For purposes hereof, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e-mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

[Signatures begin on the following page.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered under seal as of the Effective Date.

THE PITTSBURGH WATER AND SEWER AUTHORITY

By: (SEAL)

[Signatures Continued on Following Page]
[Signatures Continued from Prior Page]

BANC OF AMERICA PREFERRED FUNDING CORPORATION

By:

Signature Page to Continuing Covenant Agreement
EXHIBIT A

FORM OF NO DEFAULT CERTIFICATE

This No Default Certificate (this "Certificate") is furnished to Banc of America Preferred Funding Corporation (the "Purchaser") pursuant to that certain Continuing Covenant Agreement dated as of September 1, 2013 (the "Agreement"), between The Pittsburgh Water and Sewer Authority (the "Authority") and Purchaser. Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected chief financial officer of the Authority or an Authorized Authority Representative;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Water and Sewer System during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;

4. To the best of my knowledge the financial statements required by Section 6.05 of the Agreement and being furnished to you concurrently with this certificate fairly represent the financial condition of the Water and Sewer System in accordance with GAAP (subject to year end adjustments) as of the dates and for the periods covered thereby; and

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Authority has taken, is taking, or proposes to take with respect to each such condition or event:

__________________________  __  ________________________________  __________

__________________________  __  ________________________________  __________

__________________________  __  ________________________________  __________

__________________________  __  ________________________________  __________
The foregoing certifications and the financial statements delivered with this Certificate in support hereof, are made and delivered this ______ day of ____________, 20__.

THE PITTSBURGH WATER AND SEWER AUTHORITY

By: ___________ - - __________________
   Name: ___________ - - ______________
   Title: ___________________________ ___
EXHIBIT B

PURCHASER LETTER

[Date], 20

The Pittsburgh Water and Sewer Authority
Penn Liberty Plaza I - 2nd Floor
1200 Penn Avenue
Pittsburgh, Pennsylvania 15222
Attention: Executive Director

RE:
The Pittsburgh Water and Sewer Authority
Water and Sewer System Subordinate Revenue Refunding Bonds

<table>
<thead>
<tr>
<th>Amount</th>
<th>Series</th>
<th>Interest Rate Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000,000</td>
<td>C-1A of 2008</td>
<td>(Index Interest Rate Mode)</td>
</tr>
<tr>
<td>$10,000,000</td>
<td>C-1B of 2008</td>
<td>(Index Interest Rate Mode)</td>
</tr>
<tr>
<td>$5,000,000</td>
<td>C-1C of 2008</td>
<td>(Index Interest Rate Mode)</td>
</tr>
</tbody>
</table>

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of all of the above-referenced bonds (the “Bonds”). The Bonds were issued under and secured in the manner set forth pursuant to that certain Subordinate Trust Indenture dated as of July 15, 1995 (as supplemented, amended and otherwise modified, the “Subordinate Indenture”) between The Pittsburgh Water and Sewer Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”). Banc of America Preferred Funding Corporation (the “Purchaser,” the “undersigned,” “us” or “we,” as applicable) is purchasing the Bonds pursuant to a Continuing Covenant Agreement dated as of September 1, 2013 (the “Agreement”), between the Authority and the Purchaser. Capitalized terms used herein and not otherwise defined herein shall have the meaning set forth in the Subordinate Indenture. We hereby represent and warrant to you and agree with you as follows:

a) We acknowledge that we are either a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”) or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act and that we have sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax exempt obligations, to be capable of evaluating the merits and risk of our investment in the Bonds.

b) We have had an opportunity to obtain and have received such information and materials as we regard to be necessary to evaluate the merits and risks of investment in the Bonds.
c) The undersigned has been advised that the Bonds (i) are not being registered under the 1933 Act and are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state in reliance upon exemptions under the 1933 Act and any applicable “Blue Sky” laws, (ii) will not be listed on any stock or other securities exchange and (iii) will not be readily marketable.

d) The undersigned is purchasing the Bonds for the undersigned’s own account or for the account of an affiliate or a related entity 100% of whose common stock is directly or indirectly owned by the undersigned or any of its affiliates (together, a “Related Entity”) not with a present view to resale or other distribution thereof except for a transfer to a Related Entity or a participant or otherwise in accordance with the Subordinate Indenture and applicable law.

e) The Purchaser acknowledges that the obligations of the Authority to make debt service payments on the Bonds are special, limited obligations of the Authority, payable solely from the Subordinate Receipts and Revenues and from the funds held under the Subordinate Indenture for the Bonds pursuant to the terms thereof, and the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for all or any portion of such debt service.

f) The Bonds are being acquired by the Purchaser for investment for its own account and not with a present view to, or for resale in connection with, any redistribution of the Bonds, and the Purchaser presently intends to hold the Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds; provided, however, that the Purchaser reserves the right to dispose of all or any part of the Bonds; provided, however, that the Purchaser reserves the right to sell, transfer or redistribute the Bonds, but agrees that any such sale, transfer or redistribution by the Purchaser shall be to a Person:

(i) that is an affiliate of the undersigned;

(ii) that is a trust or other custodial arrangement established by the undersigned or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers or accredited investors; or

(iii) that the undersigned reasonably believes to be a qualified institutional buyer or accredited investor as described above; or

(iv) who executes an investor letter substantially in the form of this letter.

Very truly yours,

[BANC OF AMERICA PREFERRED FUNDING CORPORATION]

By: ________________________________
Name: ______________________________
Title: ______________________________

B-2